

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."*

**\$17,135,000**

**IMPROVEMENT AREA NO. 1 OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TREASURE ISLAND)  
SPECIAL TAX BONDS, SERIES 2020**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover**

**This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.**

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the "District") with respect to Improvement Area No. 1 of the District ("Improvement Area No. 1") will be issuing Special Tax Bonds, Series 2020 (the "2020 Bonds"). The 2020 Bonds are being issued on behalf of the District, which was established by the City, pursuant to a Fiscal Agent Agreement, dated as of October 1, 2020 (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The 2020 Bonds are being issued to fund: (i) the acquisition of certain public facilities and improvements authorized to be financed by Improvement Area No. 1, (ii) a debt service reserve fund, (iii) administrative expenses, and (iv) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

The 2020 Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2020 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2021 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2020 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2020 Bonds. Individual purchases of the 2020 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2020 Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the 2020 Bonds will not receive physical delivery of the 2020 Bonds purchased by them.

**The 2020 Bonds are subject to redemption prior to maturity as described herein. See "THE 2020 BONDS" herein.**

**The 2020 Bonds are not rated. See "Special Risk Factors" herein for certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2020 Bonds.**

**The 2020 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2020 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2020 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2020 Bonds.**

*The 2020 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for Treasure Island Series 1, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2020 Bonds will be available for delivery through the book-entry facilities of DTC on or about October 29, 2020.*

**STIFEL**

**BACKSTROM MCCARLEY BERRY & CO., LLC**

Dated: October 7, 2020

**\$17,135,000**  
**IMPROVEMENT AREA NO. 1 OF THE**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**  
**(TREASURE ISLAND)**  
**SPECIAL TAX BONDS, SERIES 2020**

(Base CUSIP<sup>†</sup> 79773J)

<b><u>Maturity Date</u></b> <b><u>(September 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP<sup>†</sup></u></b>
2021	\$200,000	3.00%	1.08%	101.598	AA5
2022	110,000	3.00	1.20	103.263	AB3
2023	130,000	3.00	1.37	104.522	AC1
2024	150,000	4.00	1.65	108.705	AD9
2025	170,000	4.00	1.84	109.954	AE7
2026	195,000	4.00	2.02	110.851	AF4
2027	220,000	4.00	2.21	111.301	AG2
2028	245,000	4.00	2.39	111.444	AH0
2029	275,000	4.00	2.58	111.156	AJ6
2030	305,000	4.00	2.73	110.363 <sup>(1)</sup>	AK3
2031	335,000	4.00	2.86	109.503 <sup>(1)</sup>	AL1
2032	365,000	4.00	2.94	108.960 <sup>(2)</sup>	AM9
2033	400,000	4.00	3.02	108.284 <sup>(3)</sup>	AN7
2034	435,000	4.00	3.07	107.842 <sup>(3)</sup>	AP2
2035	475,000	4.00	3.12	107.402 <sup>(3)</sup>	AQ0

\$4,540,000 4.00% Term Bonds due September 1, 2042 – Yield: 3.35% Price: 105.406%<sup>(3)</sup> CUSIP<sup>†</sup>: 79773J AR8

\$8,585,000 4.00% Term Bonds due September 1, 2050 – Yield: 3.49% Price: 104.212%<sup>(3)</sup> CUSIP<sup>†</sup>: 79773J AS6

<sup>(1)</sup> Priced to optional redemption on September 1, 2027 at a price of 103% of par.

<sup>(2)</sup> Priced to optional redemption on September 1, 2028 at a price of 102% of par.

<sup>(3)</sup> Priced to optional redemption on September 1, 2030 at par.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisors, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2020 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2020 Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2020 Bonds.

**CITY AND COUNTY OF SAN FRANCISCO  
MAYOR**

London N. Breed

**BOARD OF SUPERVISORS<sup>(1)</sup>**

Norman Yee, *Board President, District 7*

Sandra Lee Fewer, *District 1*  
Catherine Stefani, *District 2*  
Aaron Peskin, *District 3*  
Gordon Mar, *District 4*  
Dean Preston, *District 5*

Matt Haney, *District 6*  
Rafael Mandelman, *District 8*  
Hillary Ronen, *District 9*  
Shamann Walton, *District 10*  
Ahsha Safai, *District 11*

**CITY ATTORNEY**

Dennis J. Herrera

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

Naomi M. Kelly, *City Administrator*  
Benjamin Rosenfield, *Controller*  
Anna Van Degna, *Director, Controller's Office of Public Finance*  
Bob Beck, *Treasure Island Director, Treasure Island Development Authority*

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San Francisco, California

**Disclosure Counsel**

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Los Angeles, California

**Special Tax Consultant**

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Sacramento, California

**Co-Municipal Advisors**

CSG Advisors Incorporated  
San Francisco, California

PFM Financial Advisors LLC  
San Francisco, California

**Fiscal Agent**

Zions Bancorporation, National Association  
Los Angeles, California

<sup>(1)</sup> Under the Act, Board of Supervisors serves as the legislative body of the District.

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## **GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT**

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisors or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the 2020 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the 2020 Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

The Underwriters have provided the following two paragraphs for inclusion in this Official Statement.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2020 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2020 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access ("EMMA") website.

The City maintains a website with information pertaining to the City. However, the information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the 2020 Bonds.



## FORWARD LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or similar words.

*The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.*



The above map shows the location of the Treasure Island Project. The 2020 Bonds will be secured by Special Taxes levied in Improvement Area No. 1 located on Yerba Buena Island. No property of Treasure Island, and no special taxes levied on any portion of Treasure Island outside of Improvement Area No. 1, is pledged to the repayment of the 2020 Bonds, nor shall any resources of the City be available to pay debt service on the 2020 Bonds.

## OFFICIAL STATEMENT

**\$17,135,000**  
**IMPROVEMENT AREA NO. 1 OF THE**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**  
**(TREASURE ISLAND)**  
**SPECIAL TAX BONDS, SERIES 2020**

### INTRODUCTION

#### General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco (the “City”) on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “2020 Bonds”). The 2020 Bonds and any Parity Bonds (as defined herein) are collectively referred to herein as the “Bonds.”

#### Authority for the 2020 Bonds

The 2020 Bonds will be issued by the City on behalf of the District with respect to Improvement Area No. 1 of the District (“Improvement Area No. 1”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of October 1, 2020 (the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a resolution adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on January 24, 2017, and approved by Mayor Edwin Lee on February 3, 2017, as supplemented by a resolution adopted by the Board of Supervisors of the City on September 22, 2020 and approved by Mayor London N. Breed on September 25, 2020 (together, the “Bond Resolution”).

#### Use of Proceeds

The 2020 Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by Improvement Area No. 1 of the District (the “Facilities”), (ii) a debt service reserve fund (the “2020 Reserve Fund”), (iii) administrative expenses and (iv) costs of issuance, all as further described herein. See “THE FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

#### Treasure Island Project

***Treasure Island Project Overview.*** The property in Improvement Area No. 1 is part of a larger development project (the “Treasure Island Project”) that entails the development of portions of the naturally-formed Yerba Buena Island (“Yerba Buena Island”) and the artificially created Treasure Island (“Treasure Island”), both located in the middle of the San Francisco Bay between downtown San Francisco and the City of Oakland. The two islands (the “Islands”) are accessible by Interstate Highway 80 via the San Francisco-Oakland Bay Bridge (which passes through Yerba Buena Island) and connected by a causeway. The Treasure Island Project consists of approximately 461 acres (the “Treasure Island Project

Site”), of which approximately 15.5 gross acres is within Improvement Area No. 1. Improvement Area No. 1 is located entirely on Yerba Buena Island.

The Treasure Island Project is entitled under the Planning Code for the development of up to 8,000 residential units, up to approximately 140,000 square feet of new commercial and retail space, adaptive reuse of three historic buildings with up to 311,000 square feet of commercial/flex space, up to 500 hotel rooms, up to approximately 100,000 square feet of office space, 290 plus acres of open space, 22 miles of walking/biking paths, playing fields, a marina, and a ferry terminal.

***History of the Treasure Island Project.*** A portion of the Treasure Island Project Site is located on land that was previously the site of a United States Naval Station (“Naval Station Treasure Island” or “NSTI”). In 1993, Congress selected NSTI for closure and disposition by the Base Realignment and Closure Commission. The Department of Defense later designated the City as the initial local reuse authority responsible for the conversion of NSTI under the federal disposition process. In July 1996, after an extensive community planning effort, the City’s Mayor, Board of Supervisors, Planning Commission, and the Citizens Reuse Committee unanimously endorsed a Draft Reuse Plan (the “Reuse Plan”) for NSTI to serve as the basis for the preliminary redevelopment plan for NSTI.

In 1997, the Board of Supervisors authorized the creation of the Treasure Island Development Authority, a California nonprofit public benefit corporation (“TIDA”), to serve as the entity responsible for the reuse and development of NSTI, taking over such responsibility from the City. In addition, the Board of Supervisors designated TIDA as a redevelopment agency with powers over NSTI under the Treasure Island Conversion Act of 1997.

In 2003, after completion of a competitive selection process, the Treasure Island Community Development, LLC, a California limited liability company (“TICD”), was selected to serve as master developer for the Treasure Island Project. TICD is a joint venture comprised of various affiliates of Lennar Corporation (“Lennar”), Stockbridge Capital Group, LLC (“Stockbridge”), Kenwood Investments (“Kenwood”), and Wilson Meany, LP (“Wilson Meany”). See also “THE TREASURE ISLAND PROJECT - TICD and the Treasure Island Project” herein.

In 2011, TIDA and the City certified an Environmental Impact Report and approved the Treasure Island Project entitlements, a General Plan Amendment, adoption of Planning Code Section 749.72 that established the Treasure Island/Yerba Buena Island Special Use District (the “TI/YBI SUD”), a Design for Development (“D4D”) that established design standards and guidelines, and a Development Agreement vesting those entitlements.

In 2014, the United States of America, acting by and through the Department of the Navy (the “Navy”), and TIDA entered into an Economic Development Conveyance Memorandum of Agreement (as amended and supplemented from time to time, the “Conveyance Agreement”) that governs the terms and conditions for the transfer of NSTI from the Navy to TIDA. Under the Conveyance Agreement, the Navy must convey NSTI to TIDA in phases after the Navy has completed environmental remediation and issued a finding of suitability to transfer for specified parcels of NSTI or portions thereof. To date, the Navy has conveyed five separate conveyances to TIDA, including all of the property within Improvement Area No. 1.

The Treasure Island Project will be carried out by or at the direction of TICD in accordance with the Disposition and Development Agreement between TIDA and TICD, dated as of June 28, 2011 (as amended from time to time, the “DDA”), and the Development Agreement between the City and TICD dated as of June 28, 2011 (as amended from time to time, the “DA”), and related Treasure Island Project approvals (including the Mitigation Monitoring and Reporting Program adopted by TIDA and the City in

reliance of the Treasure Island/Yerba Buena Island Environmental Impact Report), the D4D, and the TI/YBI SUD.

TICD is developing the Treasure Island Project in Major Phases and Sub-Phases by transferring property related to such phases to one or more phase developers. The phase developers, in turn, are developing the phase by transferring property to one or more merchant builders. For additional information regarding the Treasure Island Project, Improvement Area No. 1, TICD and the development plans for the Treasure Island Project and Improvement Area No. 1, see “THE TREASURE ISLAND PROJECT” and “IMPROVEMENT AREA NO. 1” herein.

### **Formation of the District and Improvement Area No. 1**

The District was formed by the City pursuant to the Act. The Act was enacted by the State of California (the “State”) Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as such term is defined in the Act) may establish a district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency that forms a district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may cause the district to issue bonds and may levy and collect a special tax within such district to repay such indebtedness. The Board of Supervisors serves as the legislative body of the District.

Pursuant to the Act, the Board of Supervisors adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes (as such term is defined in this Official Statement) on taxable property within the boundaries of the District, and enable the District to incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the Board of Supervisors adopted resolutions establishing the District and designating Improvement Area No. 1, and calling special elections to submit the authorization of the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of Improvement Area No. 1, including: (i) Resolution No. 8-17 adopted by the Board of Supervisors on January 24, 2017, pursuant to which the City formed the District, designated a future annexation area for the District (the “Future Annexation Area”) and designated Improvement Area No. 1 (the “Resolution of Formation”); and (ii) Ordinance No. 22-17 adopted by the Board of Supervisors on January 31, 2017, providing for the levy of the Special Taxes (the “Ordinance”).

On January 24, 2017, at an election held pursuant to the Act, the landowners who comprised the qualified voters of Improvement Area No. 1 authorized Improvement Area No. 1 to incur bonded indebtedness in an aggregate principal amount not to exceed \$250,000,000 and approved the rate and method of apportionment of the Special Taxes (the “Rate and Method”) for Improvement Area No. 1 to pay the principal of and interest on bonds to be issued for Improvement Area No. 1. See the caption “IMPROVEMENT AREA NO. 1” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

As of the date of this Official Statement, there are two improvement areas in the District: Improvement Area No. 1 and Improvement Area No. 2 (consisting of certain property on Treasure Island). The special taxes collected in Improvement Area No. 2 are not available for payment of debt service on the 2020 Bonds. Moreover, the City may annex all or any portion of the Future Annexation Area as a separate improvement area, but the special taxes or other moneys derived from such subsequently-created improvement areas would not be available for payment of debt service on the 2020 Bonds. Special Taxes levied in Improvement Area No. 1 will not be available to pay debt service on bonds issued by the City for the District with respect to such other improvement areas. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 1.



## **Improvement Area No. 1**

Improvement Area No. 1 encompasses the property that is the first phase of the Treasure Island Project, all of which is located on Yerba Buena Island.

A wholly-owned subsidiary of TICD, Treasure Island Series 1, LLC, a Delaware limited liability company (“TI Series 1”), is developing the property in Improvement Area No. 1. Improvement Area No. 1 is located within Sub-Phases of Major Phase 1 (as defined in the DDA) known as Sub-Phases 1YA & 1YB. Development blocks within these Sub-Phases have been divided into four sub-blocks of developable land (each, a “Sub-Block”) known as “Sub-Block 1Y,” “Sub-Block 2Y,” “Sub-Block 3Y,” and “Sub-Block 4Y” (further divided into “Sub-Block 4Y (Townhomes and Flats)” and “Sub-Block 4Y (Podium)”). The development of these Sub-Blocks is expected to result in a total of 266 new residential units, including five single family detached homes and 261 other residential units, as well as a hotel project.

In 2018, TI Series 1 commenced construction of various infrastructure improvements required for the development of Improvement Area No. 1, including the removal of underground utilities, construction of all new public roads, a new joint trench system, and geotechnical improvements along the Treasure Island Causeway that delivers utilities from Treasure Island to Yerba Buena Island. Construction on a five story 124-unit luxury condominium building located in Sub-Block 4Y (Podium) has commenced; construction is expected to be completed in the fourth quarter of 2021.

Development planned for Sub-Blocks 1Y, 3Y and 4Y (Townhomes and Flats) includes 55 stacked flats condominium units, 82 attached townhouses, and five single-family detached home sites, as more particularly described herein. Construction on these Sub-Blocks has not yet begun, but final build-out of this portion of the development is expected to be completed in 2025. The hotel project is intended to be constructed in Sub-Block 2Y, but plans are still in development and schedules are unknown. Sub-Blocks 3Y, 4Y (Townhomes and Flats), and 4Y (Podium) have been transferred to merchant builders. Sub-Block 1Y remains owned by TI Series 1 but is under contract for sale to the YBI Phase Parent Company (as defined herein). Sub-Block 2Y is owned by TIDA and is subject to the Public Trust (as defined herein); planned hotel development on Sub-Block 2Y would be on a leasehold interest, and the leasehold interest would be subject to the Special Taxes described below. See the captions “TREASURE ISLAND PROJECT—Initial Phase Approvals and Land Transfers” and “IMPROVEMENT AREA NO. 1—The Development Plan” herein.

## **Appraisal**

The firm of Integra Realty Resources, Inc. (the “Appraiser”) has been retained by the City and has prepared an Appraisal Report dated September 28, 2020 (the “Appraisal Report”) with a valuation date of July 31, 2020, estimating the market value of the fee simple interest in the appraised parcels within Improvement Area No. 1 that are subject to the Special Taxes securing the 2020 Bonds. The Appraisal Report appraised the value of Sub-Blocks 1Y, 3Y and 4Y. Because Sub-Block 2Y is owned by TIDA and is subject to the Public Trust, it will not be considered a Taxable Parcel unless it is leased to a developer, and only the future leasehold interest in Sub-Block 2Y (if any) would be subject to Special Taxes, as described in the Rate and Method. Therefore, Sub-Block 2Y was not taken into account in determining the appraised value reflected in the Appraisal Report.

The Appraiser concluded in the Appraisal Report that the aggregate, or cumulative, value of the market values, by ownership, of the fee simple interest in the appraised properties in Improvement Area No. 1 is \$93,570,000 (representing an appraisal comprised of Sub-Blocks 1Y, 3Y and 4Y), subject to certain assumptions and limiting conditions set forth in the Appraisal Report. The Appraisal Report, which is included in Appendix G, should be read in its entirety by prospective purchasers of the Bonds.

The value of individual parcels in Improvement Area No. 1 may vary significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel's delinquent Special Taxes. See "IMPROVEMENT AREA NO. 1 - Projected Special Tax Levy, Assessed Values and Value to Lien Ratios" and "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" and "SPECIAL RISK FACTORS – Tax Delinquencies."

See the caption "IMPROVEMENT AREA NO. 1 – Property Values" and Appendix G. *None of the City, the District or the Underwriters make any representation as to the accuracy or completeness of the Appraisal Report.*

### **The 2020 Bonds**

The 2020 Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2020 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2021 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2020 Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The 2020 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2020 Bonds. Individual purchases of the 2020 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2020 Bonds will be payable by DTC through the DTC participants. Purchasers of the 2020 Bonds will not receive physical delivery of the 2020 Bonds purchased by them. See "THE 2020 BONDS - Book-Entry System" herein.

### **Security for the Bonds**

The Bonds are secured by a first pledge of all Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The City is under no obligation to transfer any funds of the City or to levy any tax, other than the Special Taxes.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

"Special Taxes" means the Facilities Special Tax levied by the Board of Supervisors within Improvement Area No. 1 under the Act, the Rate and Method, the Ordinance and the Fiscal Agent Agreement.

"Special Tax Prepayments" means the proceeds of any Special Tax prepayments received by the City for property in Improvement Area No. 1, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment. See "SECURITY FOR THE BONDS – General" herein.

The 2020 Bonds and all 2020 Related Parity Bonds (defined herein) are also secured by a first pledge of all moneys deposited in the 2020 Reserve Fund. The moneys in the 2020 Reserve Fund (except as otherwise described herein) are dedicated to the payment of the principal of, and interest and any premium on, the 2020 Bonds and all 2020 Related Parity Bonds. See “– 2020 Reserve Fund” below.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds.

The Facilities are not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Facilities.

See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2020 Bonds.

### **2020 Reserve Fund**

The City, on behalf of the District, will establish under the Fiscal Agent Agreement a 2020 Reserve Fund as additional security for the 2020 Bonds and all 2020 Related Parity Bonds pursuant to the Fiscal Agent Agreement to be funded at the 2020 Reserve Requirement (defined below). See “SECURITY FOR THE BONDS – 2020 Reserve Fund” herein.

### **Foreclosure Covenant**

The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the Improvement Area No. 1, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS –Special Tax Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

### **Limited Obligations**

*The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.*

### **Continuing Disclosure**

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data and notice of certain enumerated events. The City’s covenants have been made in order to assist the Underwriters in complying with the Securities and Exchange Commission’s Rule 15c2-12 (“Rule 15c2-12”). See the caption “CONTINUING DISCLOSURE” and Appendix E-1 for a description of the specific nature of the annual reports and notices of enumerated events to be filed by the City.



In addition, although not an obligated party under Rule 15c2-12, both TI Series 1 and Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “YBI Phase Parent Company”) have agreed to execute separate continuing disclosure undertakings that provide, or cause to be provided, to the MSRB certain information on a semiannual basis and notice of certain enumerated events. See the caption “CONTINUING DISCLOSURE” and Appendices E-2 and E-3 for a description of the specific nature of the semiannual reports and notices of enumerated events to be filed by TI Series 1 and YBI Phase Parent Company.

### **No Rating**

The 2020 Bonds are not rated. See “NO RATING” herein.

### **Further Information**

Brief descriptions of the 2020 Bonds, the security for the Bonds, special risk factors, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2020 Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2020 Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the 2020 Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

## **THE FINANCING PLAN**

The 2020 Bonds are being issued to finance: (i) the Facilities, (ii) the 2020 Reserve Fund, (iii) administrative expenses, and (iv) costs of issuance.

More specifically, proceeds of the 2020 Bonds are expected to be used to finance land acquisition, sewer improvements, storm drain improvements, street facilities, curb, gutter and sidewalk improvements, including streetlights and traffic signals, as well as incidental expenses related to the planning, design and completion of such facilities. Such backbone infrastructure has been completed by TICD, its predecessors, and its subsidiaries and a portion of the proceeds of the Bonds will be used to reimburse TICD for a portion of the costs thereof.

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## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds is set forth below:

<u>Sources of Funds</u>	
Principal Amount	\$17,135,000.00
Premium	952,968.65
Total Sources	<u>\$18,087,968.65</u>
<u>Uses of Funds</u>	
Deposit to Improvement Fund	\$15,755,163.30
Deposit to 2020 Reserve Fund	1,310,780.35
Costs of Issuance <sup>(1)</sup>	1,022,025.00
Total Uses	<u>\$18,087,968.65</u>

<sup>(1)</sup> Includes Underwriters' discount, fees and expenses for Bond Counsel, Disclosure Counsel, the Municipal Advisors, the Special Tax Consultant, the Fiscal Agent and its counsel, costs of printing the Official Statement, and other costs of issuance of the 2020 Bonds.

## THE 2020 BONDS

### Description of the 2020 Bonds

The 2020 Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple in excess thereof within a single maturity and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. The 2020 Bonds will be issued in fully registered form, without coupons. The 2020 Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof.

The 2020 Bonds will bear interest at the rates set forth on the inside cover page hereof, payable on the Interest Payment Dates in each year. Interest on all 2020 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2020 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the dated date of the 2020 Bonds; provided, however, that if at the time of authentication of a 2020 Bond, interest is in default thereon, such 2020 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2020 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2020 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such 2020 Bonds are transferred to a new Owner. "Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day. The interest, principal of and any premium on the 2020 Bonds are payable in lawful money of the United States of America, with principal

and any premium payable upon surrender of the 2020 Bonds at the Principal Office of the Fiscal Agent. All 2020 Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent.

## Redemption \*

**Optional Redemption.** The 2020 Bonds maturing on or after September 1, 2028 are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 2027, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2020 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2027 through August 31, 2028	103%
September 1, 2028 through August 31, 2029	102
September 1, 2029 through August 31, 2030	101
September 1, 2030 and any date thereafter	100

**Mandatory Sinking Fund Redemption.** The Term 2020 Bonds maturing on September 1, 2042 (the “Term 2020 Bonds (2042)”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
2036	\$515,000
2037	555,000
2038	600,000
2039	645,000
2040	690,000
2041	740,000
2042 (maturity)	795,000

Provided, however, if some but not all of the Term 2020 Bonds (2042) have been redeemed pursuant to optional redemption or redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2020 Bonds (2042) so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

The Term 2020 Bonds maturing on September 1, 2050 (the “Term 2020 Bonds (2050)”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

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\* Preliminary, subject to change.

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
2043	\$ 850,000
2044	905,000
2045	970,000
2046	1,030,000
2047	1,100,000
2048	1,170,000
2049	1,240,000
2050 (maturity)	1,320,000

Provided, however, if some but not all of the Term 2020 Bonds (2050) have been redeemed pursuant to optional redemption or redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2020 Bonds (2050) so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

***Redemption from Special Tax Prepayments.*** Special Tax Prepayments and any corresponding transfers from the 2020 Reserve Fund shall be used to redeem 2020 Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2020 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, 2028	103%
On September 1, 2028 and March 1, 2029	102
On September 1, 2029 and March 1, 2030	101
On September 1, 2030 and any Interest Payment Date thereafter	100

***Notice of Redemption.*** The Fiscal Agent shall cause notice to be sent at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, and to the respective registered Owners of any 2020 Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its Electronic Municipal Market Access system (“EMMA”).

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2020 Bonds are to be called for redemption shall state as to any 2020 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2020 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2020 Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of 2020 Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2020 Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

***Selection of Bonds for Redemption.*** Except as provided under the Fiscal Agent Agreement provisions described above under the captions “ – Optional Redemption,” “ - Mandatory Sinking Fund Redemption” and “ - Redemption from Special Tax Prepayments,” whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2020 Bonds of any maturity or any given portion thereof, the City shall select the 2020 Bonds or portions thereof to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, and the Fiscal Agent shall select the Bonds or portions thereof to be redeemed by lot within a maturity and notify the City.

***Purchase of Bonds in Lieu of Redemption.*** In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2020 Bonds, upon the filing with the Fiscal Agent of an Officer’s Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer’s Certificate may provide, but in no event may 2020 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. All 2020 Bonds purchased by the Fiscal Agent will be canceled by the Fiscal Agent.

## **The Fiscal Agent**

Zions Bancorporation, National Association has been appointed as the Fiscal Agent for all of the Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

## **Book-Entry System**

DTC will act as securities depository for the 2020 Bonds. The 2020 Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2020 Bonds will not receive physical certificates representing their interest in the Bonds. So long as the 2020 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2020 Bonds. Payments of the principal of, premium, if any, and interest on the 2020 Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the 2020 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” hereto.

## Debt Service

The following is the debt service schedule for the 2020 Bonds, assuming no redemptions other than mandatory sinking fund redemptions. The 2020 Bonds have been sized to provide 110% debt service coverage from the net available Special Tax Revenues anticipated from the levy on the Bristol alone. See also Table 9 in “IMPROVEMENT AREA NO. 1 - Projected Special Tax Levy, Assessed Values and Value to Lien Ratios” herein.

### Debt Service Schedule

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 200,000.00	\$ 571,283.33	\$ 771,283.33
2022	110,000.00	675,000.00	785,000.00
2023	130,000.00	671,700.00	801,700.00
2024	150,000.00	667,800.00	817,800.00
2025	170,000.00	661,800.00	831,800.00
2026	195,000.00	655,000.00	850,000.00
2027	220,000.00	647,200.00	867,200.00
2028	245,000.00	638,400.00	883,400.00
2029	275,000.00	628,600.00	903,600.00
2030	305,000.00	617,600.00	922,600.00
2031	335,000.00	605,400.00	940,400.00
2032	365,000.00	592,000.00	957,000.00
2033	400,000.00	577,400.00	977,400.00
2034	435,000.00	561,400.00	996,400.00
2035	475,000.00	544,000.00	1,019,000.00
2036	515,000.00	525,000.00	1,040,000.00
2037	555,000.00	504,400.00	1,059,400.00
2038	600,000.00	482,200.00	1,082,200.00
2039	645,000.00	458,200.00	1,103,200.00
2040	690,000.00	432,400.00	1,122,400.00
2041	740,000.00	404,800.00	1,144,800.00
2042	795,000.00	375,200.00	1,170,200.00
2043	850,000.00	343,400.00	1,193,400.00
2044	905,000.00	309,400.00	1,214,400.00
2045	970,000.00	273,200.00	1,243,200.00
2046	1,030,000.00	234,400.00	1,264,400.00
2047	1,100,000.00	193,200.00	1,293,200.00
2048	1,170,000.00	149,200.00	1,319,200.00
2049	1,240,000.00	102,400.00	1,342,400.00
2050	1,320,000.00	52,800.00	1,372,800.00
Total	\$17,135,000.00	\$14,154,783.33	\$31,289,783.33



## SECURITY FOR THE BONDS

### General

The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

The Special Taxes are to be apportioned, levied and collected according to the Rate and Method on Taxable Parcels developed within Improvement Area No. 1. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

The 2020 Bonds and all 2020 Related Parity Bonds will be secured by a first pledge of all moneys deposited in the 2020 Reserve Fund. The moneys in the 2020 Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2020 Bonds and all 2020 Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2020 Bonds and all 2020 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2020 Related Parity Bonds” means any series of Parity Bonds for which (i) the proceeds are deposited into the 2020 Reserve Fund so that the balance therein is equal to the 2020 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2020 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the 2020 Bonds. The Facilities are not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Facilities.

### Limited Obligation

*The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.*

## No Teeter Plan

The Board of Supervisors adopted the “Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds” (the “Teeter Plan”), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, in 1993 pursuant to Resolution No. 830-93. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. However, the City has the power to include additional taxing agencies on the Teeter Plan. The City has the power to unilaterally discontinue the Teeter Plan or remove a taxing agency from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies.

By resolution, the Board of Supervisors has extended the Teeter Plan only to the allocation and distribution of special taxes for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center). There are also four city-wide parcel taxes, which are similarly billed as direct charges on property tax bills, that are distributed based upon the Teeter method. The Board of Supervisors has not extended the Teeter Plan to the collection of Special Taxes within Improvement Area No. 1. Accordingly, the Teeter Plan is not expected to be available for the collection of the Special Taxes within Improvement Area No. 1 and the collection of the Special Taxes within such area will reflect actual delinquencies.

## Special Tax Fund

***Special Tax Fund.*** Pursuant to the Fiscal Agent Agreement, there is established a “Special Tax Fund” to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City has agreed in the Fiscal Agent Agreement to promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund. Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, without preference or priority for transfer to (a) the 2020 Reserve Fund to the extent needed to increase the amount then on deposit in the 2020 Reserve Fund up to the then 2020 Reserve Requirement and (b) the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be on deposit therein; and third, to be held in the Special Tax Fund for use as described in below under “- *Disbursements*”; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of costs of the Facilities shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.



***Disbursements from the Special Tax Fund.*** At least seven (7) business days prior to each Interest Payment Date or redemption date, as applicable, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2020 Reserve Fund and any reserve account for Parity Bonds that are not 2020 Related Parity Bonds and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date, and any past due principal or interest on the Bonds not theretofore paid from a transfer described in clause second of subparagraph (ii) above under “- *Special Tax Fund*,”

(ii) without preference or priority (a) to the 2020 Reserve Fund an amount, taking into account amounts then on deposit in the 2020 Reserve Fund, such that the amount in the 2020 Reserve Fund is equal to the 2020 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2020 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

(iii) on each October 1, beginning on October 1, 2021, all of the moneys remaining in the Special Tax Fund, to the extent that they are not needed to pay Administrative Expenses, shall be transferred to the Finance Director for deposit in accordance with the DDA and the DA. More specifically, such remaining Special Taxes shall be deposited in the remainder taxes project account established by TIDA and applied (1) before the date on which the first park owned by TIDA is completed and open to the public (the “Maintenance Commencement Date”), from time to time, at TICD’s request, applied to finance Qualified Project Costs (as defined in the Financing Plan attached to and part of the DDA (the “DDA Financing Plan”)) and (2) following the Maintenance Commencement Date, transferred to TIDA and held in the remainder taxes holding account established by TIDA and applied to the costs of operating and maintaining parks within the District. Amounts on deposit in the remainder taxes project account or the remainder taxes holding account are not pledged to the repayment of the Bonds.

## **Bond Fund**

The Bond Fund is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent. Moneys in the Bond Fund will be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

***Flow of Funds for Payment of Principal and Interest.*** At least ten (10) business days before each Interest Payment Date or redemption date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date or redemption date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date or redemption date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on the Bonds on such Interest Payment Date or redemption date. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer of the collections of delinquent Special Taxes will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least five (5) business days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. If amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the 2020 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds (including the proceeds of any Qualified Reserve Account Credit Instrument held therein) or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2020 Bonds and any 2020 Related Parity Bonds. Amounts so withdrawn from the 2020 Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2020 Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

***Special Tax Prepayments Account.*** Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the “Special Tax Prepayments Account.” Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement and will be used (together with any amounts transferred for the purpose) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

## **2020 Reserve Fund**

The City will establish under the Fiscal Agent Agreement a 2020 Reserve Fund for the benefit of the 2020 Bonds and any 2020 Related Parity Bonds to be funded at the 2020 Reserve Requirement.

“2020 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2020 Bonds and any 2020 Related Parity Bonds, (b) 125% of average Annual Debt Service on the 2020 Bonds and any 2020 Related Parity Bonds, and (c) 10% of the outstanding principal of the 2020 Bonds and 2020 Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2020 Bonds or any 2020 Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2020 Bonds or any 2020 Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2020 Bonds or any 2020 Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated exceed the amount on deposit in the 2020 Reserve Fund on the date of issuance of the 2020 Bonds (if they are the only Bonds covered by the 2020 Reserve Fund) or the most recently issued series of 2020 Related Parity Bonds except in connection with any increase associated with the issuance of 2020 Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2020 Reserve Fund in connection with the issuance of a series of 2020 Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at an unrestricted yield.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2020 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2020 Bonds and any 2020 Related Parity Bonds or, in accordance with the Fiscal Agent Agreement, for the purpose of redeeming 2020 Bonds and any 2020 Related Parity Bonds from the Bond Fund.

The City has the right at any time to direct the Fiscal Agent to release funds from the 2020 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2020 Bonds or any 2020 Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

### **Rate and Method of Apportionment of Special Taxes**

*The following is a brief summary of certain provisions of the Rate and Method. The summary is intended to provide an overview of the calculation and levy of the Facilities Special Tax. The Rate and Method also authorizes the levy of a Services Special Tax; however, under the terms of the Rate and Method, such Services Special Tax cannot be levied while the 2020 Bonds are outstanding. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B.*

**Certain Definitions.** All capitalized terms not defined in this section have the meanings set forth in the Rate and Method attached hereto as Appendix B.

“Administrator” means the Director of the Office of Public Finance or his/her designee who shall be responsible for administering the Special Tax according to the Rate and Method.

“Developed Property” means, in any Fiscal Year, all Taxable Parcels for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year, but not prior to January 1, 2015.

“Expected Taxable Property” means any Parcel within Improvement Area No. 1 that: (i) pursuant to the Development Approval Documents, was expected to be a Taxable Parcel, (ii) based on the Expected Land Uses and as determined by the Administrator, was assigned Expected Maximum Facilities Special Tax Revenues, and (iii) subsequently falls within one or more of the categories that would otherwise be exempt from the Special Tax as described under “*Exemptions to the Special Tax*” below.

“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 Fiscal Agent Agreement 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, including park maintenance, Sea Level Rise Improvements, and capital reserves, in the priority set forth in the DDA Financing Plan, so long as such levy under clause (vi) does not increase the Facilities Special Tax levied on Undeveloped Property. Notwithstanding the foregoing, in any Fiscal Year in which any portion of a Developer Maintenance Payment is delinquent, the Maximum Facilities Special Tax shall be levied on Undeveloped Property until the amount collected from Undeveloped Property that is used to pay for park maintenance is equal to the aggregate amount of delinquent Developer Maintenance Payments. The amounts referred to in clauses (i) and (ii) of the definition of Facilities Special Tax Requirement 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 Fiscal Agent Agreement; (b) in the sole and absolute discretion of the City, proceeds received by the CFD 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.

“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.

“Taxable Parcel” means any Parcel within Improvement Area No. 1 that is not exempt from the Special Tax pursuant to law or under “*Exemptions to the Special Tax*” below.

“Transition Event” shall be deemed to have occurred when the Administrator determines that either of the following events have occurred: (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the District have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Capital Reserve Requirement has been fully funded, or (ii) all Bonds secured by the levy and collection of Facilities Special Taxes in the District 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 Improvement Area No. 1 for one hundred (100) Fiscal Years.

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

“Undeveloped Property” means, in any Fiscal Year, all Taxable Parcels that are not Developed Property, Vertical DDA Property, or Expected Taxable Property.

“Unimproved Property” means Undeveloped Property and Vertical DDA Property.

“Vertical DDA” means a disposition and development agreement between TICD and/or TIDA and a developer that governs the development of Vertical Improvements (as defined in the DDA) or a disposition and development agreement between TIDA and a developer that has a leasehold interest in property that is subject to the Public Trust, for a Taxable Parcel.

“Vertical DDA Property” means, in any Fiscal Year, any Parcel that is not yet Developed Property against which a Vertical DDA has been recorded, and for which the Developer or the Vertical Developer (as defined in the DDA) has, by June 30 of the prior Fiscal Year, notified the Administrator of such recording.

**General.** A Special Tax applicable to each Taxable Parcel in Improvement Area No. 1 shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount per square foot for the land use category of Taxable Parcel, as described below. All Taxable Parcels in the Improvement Area No. 1 shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including property subsequently annexed to the Improvement Area No. 1. During the term of the 2020 Bonds, only the Facilities Special Tax shall be levied. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. Each Fiscal Year, the Administrator is required to identify the current parcel numbers for all Taxable Parcels and determine: (i) whether each Taxable Parcel is Developed Property, Vertical DDA Property, Undeveloped Property, or Expected Taxable Property, (ii) within which Sub-Block each Assessor’s Parcel is located, (iii) for Developed Property, the Residential Square Footage, Commercial/Retail Square Footage, and/or Hotel Square Footage on each Parcel, (iv) for Residential Property, the Residential Product Type and number of Market Rate Units and Inclusionary Units, (v) whether there are any delinquent Developer Maintenance Payments, and (vi) the Special Tax Requirement for the Fiscal Year.

**Base Facilities Special Tax Rates.** The following table sets forth the “Base Facilities Special Tax” means, for any Land Use Category, the per-square foot Facilities Special Tax for square footage within such Land Use Category, as provided in the Rate and Method. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

**Table 1**  
**Improvement Area No. 1 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**

**Base Facilities Special Tax Rates per Taxable Square Foot**

<b><u>Land Use Category</u></b>	<b><u>FY 2016-17</u> <u>Base Facilities</u> <u>Special Tax</u></b>	<b><u>FY 2020-21</u> <u>Base Facilities</u> <u>Special Tax</u></b>
Low-Rise Unit	\$6.13	\$6.64
Mid-Rise Unit	\$7.10	\$7.69
Tower Unit	\$8.14	\$8.81
Treasure Island Townhome Unit	\$5.39	\$5.83
Yerba Buena Townhome Unit	\$5.82	\$6.30
Hotel Condominium	\$5.93	\$6.42
Commercial/Retail	\$1.50	\$1.62
Hotel	\$3.00	\$3.25

Source: Goodwin Consulting Group, Inc.

**Special Tax Rates.** The Rate and Method provides how the Special Tax Rates are determined generally based on a maximum tax rate per square foot that varies based on the land use category of the Parcel. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.



**Maximum Special Tax.** Pursuant to the Rate and Method, the Administrator shall apply the steps set forth therein to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in Improvement Area No. 1 based upon whether such Parcel is classified as Undeveloped Property, Vertical DDA Property, Developed Property or Expected Taxable Property. On each July 1, the Base Facilities Special Taxes, the Expected Maximum Facilities Special Tax Revenues and the Maximum Facilities Special Tax assigned to each Parcel in Improvement Area No. 1 shall be increased by 2% of the amount in effect in the prior Fiscal Year. For a discussion of changes to the Maximum Special Tax under the Rate and Method, see APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

**Exemptions to the Special Tax.** Under the Rate and Method, no Special Tax is to be levied on: (i) Public Property or Association Property, except Public Property or Association Property that is determined to be Expected Taxable Property or a Hotel Project, (ii) Authority Housing Lots or Inclusionary Units unless any such lots or units have been determined to be Expected Taxable Property, (iii) Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, or open space, and (iv) the Yerba Buena Officers Quarters.

**Levy of the Special Tax.** For each Fiscal Year, the Administrator shall calculate the Special Tax Requirement and levy Facilities Special Taxes on all Taxable Parcels in accordance with the following steps:

Step 1: In all Fiscal Years prior to and including the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the DDA Financing Plan, or (ii) 42 years after the 2020 Bonds were issued for Improvement Area No. 1, the Maximum Special Tax shall be levied on all Parcels of Developed Property regardless of debt service on Bonds (if any), and any Remainder Special Taxes collected shall be applied as set forth in the DDA Financing Plan.

In all Fiscal Years after the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the DDA Financing Plan, or (ii) 42 years after the 2020 Bonds were issued for Improvement Area No. 1, the Special Tax shall be levied Proportionately on each Parcel of Developed Property, up to 100% of the Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Vertical DDA Property, up to 100% of the Maximum Special Tax for each Parcel of Vertical DDA Property for such Fiscal Year.

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for each Parcel of Undeveloped Property for such Fiscal Year.

Step 4: If additional revenue is needed after Step 3 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Expected Taxable Property, up to 100% of the Maximum Special Tax for each Parcel of Expected Taxable Property.

**Capital Reserve Requirement.** The Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements to ensure that shoreline, public facilities, and public access improvements will be protected due to potential sea level rise at the perimeters of Treasure Island and Yerba Buena Island – “Sea Level Rise Improvements.” The target amount of capital for the

reserves is \$250 million in Fiscal Year 2016-17 dollars, escalating, on each July 1, by the lesser of (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 TIDA and the City to be appropriate, and (ii) five percent. Moneys in the reserves are intended to address future potential capital needs related to sea level rise, and are not available to pay debt service on the Bonds. See “SPECIAL RISK FACTORS – Sea Level Changes and Flooding” herein.

### **Covenant for Superior Court Foreclosure**

**General.** In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in the Superior Courts of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.” Such judicial foreclosure proceedings are not mandatory.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City. Special Taxes may be levied on all property within Improvement Area No. 1 up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds, however, the Special Tax levy on property used for private residential purposes may not increase by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquencies or defaults by the owners of any other parcels in Improvement Area No. 1.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived, the judgment creditor is entitled to interest on the revived judgment and any liens extinguished by the sale are revived as if the sale had not been made (Section 701.680 of the Code of Civil Procedure of the State of California).

**Covenant to Foreclose.** Under the Act, the City covenants in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in a Superior Court of the State to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in Improvement Area No. 1 to the amount of Special Tax Revenues theretofore received by the City, and:

(A) **Individual Delinquencies.** If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of two installments of Special Taxes for Developed Property consisting of a Residential Unit and one installment for all other Taxable Parcels, then the Finance Director must send or cause to be sent a notice of delinquency (and a

demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 90 days of such determination. Despite the requirement in the prior sentence, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the Teeter Plan, or equivalent procedure, (2) the amount in the 2020 Reserve Fund is at least equal to the 2020 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds is at least equal to the required amount.

(B) ***Aggregate Delinquencies.*** If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 1 (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Finance Director must notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 1 with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings are an Administrative Expense.

### **No Obligation of the City Upon Delinquency**

If a delinquency occurs in the payment of any Special Taxes, the City is under no obligation to transfer any funds of the City, other than Special Tax Revenues, into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds. Similarly, the City is under no obligation to levy any tax, other than the Special Tax, for the payment of the principal of or interest on the Bonds. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose Special Tax liens upon delinquencies, and “SECURITY FOR THE BONDS – 2020 Reserve Fund,” for a discussion of the 2020 Reserve Fund securing the 2020 Bonds and any 2020 Related Parity Bonds.

### **Parity Bonds**

The 2020 Bonds will be the first series of Bonds issued under the Fiscal Agent Agreement. The City covenants under the Fiscal Agent Agreement that the principal amount of the 2020 Bonds and any Parity Bonds shall not exceed \$250 million (although Parity Bonds that constitute refunding bonds under the Act will not count against this \$250 million limit). The City may issue Parity Bonds on behalf of the District for Improvement Area No. 1, subject to the conditions set forth in the Fiscal Agent Agreement. TI Series 1 anticipates the issuance of approximately \$52 million in Parity Bonds over the next five years based on the expected maximum special tax revenues from future development in Improvement Area No. 1.

The City may issue Parity Bonds in addition to the 2020 Bonds under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds, to the extent provided in the Fiscal Agent Agreement, shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The City may issue such Parity Bonds, on a parity basis with the 2020 Bonds, subject to the following specific conditions precedent:

(A) ***Compliance.*** The City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed Improvement Area No. 1’s \$250 million limitation on debt.



(B) *Same Payment Dates.* The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on Interest Payment Dates, and principal thereof shall be payable on September 1 in any year in which principal is payable on the Parity Bonds (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) *Reserve Fund.* The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for one of the following:

(i) a deposit to the 2020 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2020 Reserve Requirement following issuance of the Parity Bonds;

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2020 Reserve Fund and that the Owners of the Bonds covered by the 2020 Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the 2020 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2020 Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Value.* (i) The Improvement Area No. 1 Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels in Improvement Area No. 1, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on Taxable Parcels within Improvement Area No. 1 (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on Taxable Parcels within the Improvement Area No. 1, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds, in each case based upon information from the most recent available Fiscal Year.

"Improvement Area No. 1 Value" means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all Taxable Parcels in Improvement Area No. 1 and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent Taxable Parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Taxable Parcels as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged in the Fiscal Agent Agreement that, in determining the Improvement Area No. 1 Value, the City may rely on an appraisal to determine the value of some or all of the Taxable Parcels in Improvement Area No. 1 and/or the most recent City real property tax roll as to the value of some or all of the Taxable Parcels in Improvement Area No. 1. Neither the City

nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any such appraiser pursuant to this definition.

(ii) The Unimproved Property Value shall be at least two and one-half (2.5) times the sum of: (i) the aggregate principal amount of all Unimproved Property Bonds, plus (ii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels of Unimproved Property in Improvement Area No. 1 that are subject to the levy of Special Taxes, plus (iii) a portion of the aggregate principal amount of any and all Other District Bonds equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of Unimproved Property within Improvement Area No. 1, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds, based upon information from the most recent available Fiscal Year.

“Unimproved Property” means “Undeveloped Property” and “Vertical DDA Property” as those terms are defined in the Rate and Method.

“Unimproved Property Bonds” means a portion of any Bonds then Outstanding and any proposed Parity Bonds equal to the aggregate principal amount of such Outstanding Bonds and proposed Parity Bonds multiplied by a fraction, the numerator of which is the revenues that would be generated by the expected levy of the Special Tax on Unimproved Property in the immediately succeeding Fiscal Year, and the denominator of which is the revenues that would be generated by the expected levy of the Special Tax on all Taxable Parcels in Improvement Area No. 1 in the immediately succeeding Fiscal Year, based upon information from the most recent available Fiscal Year, in both cases assuming that there is no capitalized interest available to pay debt service on the Bonds.

“Unimproved Property Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all parcels of Unimproved Property in Improvement Area No. 1 subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent parcels of Unimproved Property as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged in the Fiscal Agent Agreement that, in determining the Unimproved Property Value, the City may rely on an appraisal to determine the value of some or all of the parcels of Unimproved Property in Improvement Area No. 1 and/or the most recent City real property tax roll as to the value of some or all of the parcels of Unimproved Property in Improvement Area No. 1. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any such appraiser pursuant to this definition.

(iii) For the purpose of calculating the Improvement Area No. 1 Value and the Unimproved Property Value, the City shall not include the value of any leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

“TIDA Parcel” means a parcel owned by TIDA that is subject to an LDDA (as defined in the Rate and Method) with a term of twenty (20) years or more that is leased to a developer and that is subject to the Special Taxes under the RMA.

“TIDA Inclusion Conditions” consist of the following: (A) TIDA’s Board of Directors has adopted a resolution in which it (1) covenants for the benefit of the Owners of the Bonds that, as long as Bonds are Outstanding, (a) TIDA will not terminate such leasehold interest unless TIDA concurrently enters into a new lease the term of which ends on or after the final maturity date of any Bonds payable from such special tax and that covers substantially the same real property and improvements as the terminated lease (a “Replacement Lease”) and (b) such leasehold interest may not be terminated by the lessee unless TIDA concurrently enters into a Replacement Lease and (2) grants to the City and the Fiscal Agent the right to enforce such covenant on behalf of the Owners of the Bonds, and (B) the City has covenanted in a Supplemental Agreement to take all actions permitted under law to enforce TIDA’s covenant described in clause (A)(1), including directing the Fiscal Agent to take all such actions.

As of the date of this Official Statement, the TIDA Inclusion Conditions have not occurred with respect to any TIDA Parcel in Improvement Area No. 1.

(E) *Coverage.* An independent financial consultant shall certify:

(1) for each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

(2) in the event Special Taxes are prepaid under the Rate and Method and applied in accordance with the Rate and Method and the Fiscal Agent Agreement, the Special Taxes that may be levied for each Fiscal Year after the prepayment under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year will be at least 110% of the Annual Debt Service payable with respect to the remaining Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For the purpose of calculating the sufficiency of Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds, the City shall not include the following:

(i) for any Fiscal Year the Special Taxes that may be levied on any parcel of Unimproved Property (as defined in the Rate and Method) that is delinquent in the payment of Special Taxes on the date of the Officer’s Certificate described in clause (F) below and

(ii) for any Fiscal Year the Special Taxes that may be levied on the leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the related Closing Date and shall end on September 1, 2021.

(F) *Certificates.* The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of clauses (D) or (E) above, and, in connection therewith, the Officer's Certificate in clause (F) above need not make reference to clauses (D) and (E).

"Refunding Bonds" means bonds issued by the City for the District with respect to Improvement Area No. 1, the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

The City is not prohibited from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge under the Fiscal Agent Agreement.

## **FORMATION OF THE DISTRICT**

On December 6, 2016, the Board of Supervisors adopted Resolution No. 506-16 stating its intent to form the District, Improvement Area No. 1 and a Future Annexation Area under the Act. The resolution was signed by the Mayor on December 16, 2016. Also, on December 6, 2016, the Board of Supervisors adopted Resolution No. 510-16, in which it declared its intention to incur indebtedness on behalf of the District in an aggregate amount not to exceed \$5 billion. Of the \$5 billion, up to \$250 million of indebtedness may be issued for Improvement Area No. 1. The resolution was signed by the Mayor on December 16, 2016.

On January 24, 2017, after holding a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 8-17 and 9-17, forming the District and, subject to approval by the qualified electors, approving the levy of special taxes within Improvement Area No. 1 according to the Rate and Method and indebtedness in an amount not to exceed \$5 billion (\$250 million for Improvement Area No. 1 indebtedness and \$4.75 billion for non-Improvement Area No. 1 indebtedness) and approving a \$90 million annual appropriation limit for Improvement Area No. 1. The Mayor signed these resolutions on February 3, 2017.

On January 24, 2017, an election was held within Improvement Area No. 1 pursuant to the Act at which the qualified landowner electors approved the levy of special taxes according to the Rate and Method, incurrence of indebtedness in an aggregate amount not to exceed \$250 million with respect to Improvement Area No. 1 and an annual appropriations limit for Improvement Area No. 1 of \$90 million. On the same day, the Board of Supervisors adopted Resolution No. 11-17 pursuant to which the Board of Supervisors, acting as the legislative body of the District, approved the canvass of the votes and declared Improvement Area No. 1 to be fully formed with the authority to levy Special Taxes, to incur indebtedness and to maintain an appropriations limit. See "SECURITY FOR THE BONDS" herein and APPENDIX B – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

On January 31, 2017, the Board of Supervisors adopted Ordinance No. 22-17, levying special taxes within Improvement Area No. 1 in accordance with the Rate and Method. The Mayor signed the Ordinance on February 9, 2017. On February 9, 2017, a Notice of Special Tax Lien was recorded against the property in Improvement Area No. 1 by Instrument No. 2017K406814. The Notice of Special Tax Lien establishes the lien of special taxes pursuant to the Rate and Method against all of the property in Improvement Area No. 1. The District began levying Special Taxes during Fiscal Year 2019-20.

***Only the property in Improvement Area No. 1 is subject to the Special Tax that secures payment on the 2020 Bonds.*** Land within Improvement Area No. 2 and the Future Annexation Area may be annexed into the District and become subject to a special tax only with the unanimous approval of the owner or owners of each parcel or parcels at the time of annexation into the District. The Future Annexation Area encompasses the entirety of the Islands other than Improvement Area No. 1 and Improvement Area No. 2.

Property owners may annex their property into Improvement Area No. 1 or another improvement area established in the District according to the procedures described in the Resolution of Formation. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 1. *Special taxes levied in each improvement area in the District will secure only bonds issued for that respective improvement area. In other words, special taxes levied on property outside of the boundaries of Improvement Area No. 1 are not and will not be security for the 2020 Bonds. Similarly, Special Taxes levied in Improvement Area No. 1 will not be available to pay for bonds issued by the City for the District with respect to other improvement areas.*

## THE CITY

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (previously defined as the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, generally bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa and Sonoma “wine country” is about an hour’s drive to the north. The City is among the most populous cities in California as well as the country. The City estimates the City’s population in fiscal year 2018-19 to be 887,463. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” hereto.

The City benefits from a broad economic base, anchored by several major technology companies. In addition, the City is near Silicon Valley, a region regarded as a global center for technology and innovation. San Francisco has historically ranked among the highest average income counties in the country. The City is served by two major airports: San Francisco International Airport and Oakland International Airport. There are multiple universities located in or near the City, such as University of California, Berkeley, Stanford University, University of San Francisco, San Francisco State University and University of California, San Francisco.

*Impact of COVID-19 Pandemic on San Francisco Economy.* Since late winter 2020, the City has been facing significant negative impacts of the global COVID-19 pandemic and efforts to contain it, including the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools throughout the City and the United States. The pandemic has negatively affected travel, commerce, employment and financial markets globally and in the City. In the City, numerous businesses have closed on a permanent basis and tourism-related economic activity has dropped substantially. More than 54,000 layoffs have been announced in the Bay Area through September 2020 and the unemployment rate in the City has risen from 2.3% in February 2020 to 8.8% in August 2020. While many layoffs have been classified as temporary, no assurances can be given as to the nature of any re-hiring that may occur as shelter-in-place orders are loosened and the economic recovery takes shape. Many of the City’s large private employers have encouraged employees to work remotely during the pandemic and several high profile employers, such as Facebook, Twitter, Zillow, Square and Coinbase, have announced plans to allow employees to work remotely indefinitely. Any significant exodus of industries, companies, or jobs out of San Francisco without replacement of those jobs at similar wage levels may result in the reduction in residential rents and sale prices for condominiums and single-family homes in San Francisco.



A September 2020 report published by Compass, a real estate brokerage company, indicates that the condo market's supply is outpacing buyer demand, especially in the higher price segments. The report also indicates that the house and condo markets have diverged since the pandemic, with the condo market much weaker, comparing demand to supply.

The City cannot predict how long the current economic recession will last or the impacts on the City's and the region's economy, but such impacts may be material and adverse.

Also, in recent years and in 2020, California has experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that the State will continue to be subject to wildfire conditions year over year as a result of changing weather patterns due to climate change. See "RISK FACTORS – Natural Disasters and Other Events" herein.

## **THE TREASURE ISLAND PROJECT**

*TI Series 1 has provided the following information with respect to the Treasure Island Project. No assurance can be given by the City that all information is complete. The City has not independently verified this information and assumes no responsibility for its accuracy or completeness. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. See the section of this Official Statement captioned "SPECIAL RISK FACTORS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2020 Bonds. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner may be subject to the DA and DDA (as such terms are defined below) and will be subject to the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2020 Bonds.*

### **Overview**

The property in Improvement Area No. 1 is part of the larger Treasure Island Project. The Treasure Island Project encompasses approximately 461 acres on Yerba Buena Island and Treasure Island, two adjacent islands located in the middle of the San Francisco Bay between downtown San Francisco and the City of Oakland, accessible by automobiles only via the San Francisco-Oakland Bay Bridge.

Yerba Buena Island is a naturally occurring island that serves as the midpoint of the San Francisco-Oakland Bay Bridge, and hosts an active U.S. Coast Guard station and a former U.S. Army Base. Treasure Island, in contrast, is a man-made island built by the United States Government in the 1930's that was originally intended to serve as San Francisco's second airport but was repurposed to serve as a U.S. Naval Station from 1941 until its closure in 1997. The two islands are connected via a causeway.

The Treasure Island Project is generally planned to include up to 8,000 residential units, up to approximately 140,000 square feet of new commercial and retail space, adaptive reuse of certain historic buildings with up to 311,000 square feet of commercial/flex space, up to 500 hotel rooms, up to approximately 100,000 square feet of office space, 290 plus acres of open space, 22 miles of walking/biking paths, playing fields, a marina, and a ferry terminal.

Improvement Area No. 1 includes approximately 15.50 acres of the approximately 461 acres of the Treasure Island Project, with the remainder, approximately 445 acres, included within Improvement Area No. 2 (created on May 15, 2020) and property identified as Future Annexation Area. ***Only the property in Improvement Area No. 1 that is subject to the levy of Special Taxes will serve as security for the 2020 Bonds. The information below is intended to provide the overall context of the entire Treasure Island Project, of which Improvement Area No. 1 is a part.***

## History

In 1867, the U.S. Army (the “Army”) established a post on the northeastern side of Yerba Buena Island adjacent to present day Clipper Cove. In the 1890s, the Army built a small torpedo station complex on the island; one building, the Torpedo Depot, remains. The Army maintained a small base on the island until 1960. In 1898, the Navy also established a training station on Yerba Buena Island; after 1923, it operated as a receiving station for servicemen returning from overseas assignments.

Treasure Island is an artificial island that was constructed of bay sand in the years 1936 and 1937 and was the site of the Golden Gate International Exposition held between February 18, 1939 and September 29, 1940 (the “Exposition”). The Exposition celebrated the ascendancy of California and San Francisco as economic, political, and cultural forces in the increasingly important Pacific region. Treasure Island was intended to become an airport for the City, but with World War II looming, Treasure Island became a U.S. Naval Station in 1941 (previously defined as “Naval Station Treasure Island” or “NSTI”). During World War II, NSTI was used as a center for receiving, training, and dispatching service personnel. After World War II, it was used primarily as a naval training and administrative center.

***Base Closure.*** In 1993, Congress selected NSTI for closure and disposition by the Base Realignment and Closure Commission. The Department of Defense subsequently designated the City, and later TIDA, as the local reuse authority responsible for the conversion of NSTI under the federal disposition process. In July 1996, after an extensive community planning effort, the City’s Mayor, Board of Supervisors, Planning Commission, and the Citizens Reuse Committee unanimously endorsed a Draft Reuse Plan (previously defined as the “Reuse Plan”) for NSTI to serve as the basis for the preliminary redevelopment plan for NSTI. The Board of Supervisors authorized the creation of TIDA in 1997 to serve as the entity responsible for the reuse and development of NSTI, and TIDA was incorporated in January 1998. The Board of Supervisors designated TIDA as a redevelopment agency with powers over NSTI under the Treasure Island Conversion Act of 1997 in Resolution No. 43-98, dated February 6, 1998. After completion of a competitive master developer selection process, TIDA and TICD entered into the Exclusive Negotiating Agreement dated as of June 1, 2003, as amended and restated in September 2005, as further amended in July 2006, March 2008, February 2010, and June 2011. The 2006 Development Plan was adopted by all necessary parties and the Development Plan and Term Sheet were updated in 2010 and approved unanimously by the TIDA Board and the Board of Supervisors.

***Navy Remediation and Transfer.*** In 2011, TIDA and the City certified an Environmental Impact Report and approved the Treasure Island Project entitlements, including the DDA, a General Plan Amendment, adoption of Planning Code Section 749.72 that established the Treasure Island/Yerba Buena Island Special Use District (previously defined as the “TI/YBI SUD”), a Design for Development (previously defined as “D4D”) that established design standards and guidelines, and a Development Agreement vesting those entitlements. In 2014, the United States of America, acting by and through the Navy, and TIDA entered into an Economic Development Conveyance Memorandum of Agreement (as amended and supplemented from time to time and previously defined as the “Conveyance Agreement”) that governs the terms and conditions for the transfer of NSTI from the Navy to TIDA. Under the Conveyance Agreement, the Navy must convey NSTI to TIDA in phases after the Navy has completed environmental remediation and issued a finding of suitability to transfer for specified parcels of NSTI or

portions thereof. Geotechnical improvements will be made to stabilize Treasure Island and the causeway that connects it to Yerba Buena Island.

Several parcels of land on Treasure Island remain under federal ownership to allow completion of environmental remediation activities by the Navy. The Navy is legally required to complete all of its environmental remediation obligations, including radiological cleanup, prior to transferring these remaining parcels to TIDA. The Navy's environmental remediation program is separate from the Treasure Island Project. The Navy remediates hazardous materials to standards consistent with applicable Federal laws governing base closure prior to transfer to TIDA.

The first conveyance occurred in early 2015 and included all of the Navy's property on Yerba Buena Island, most of the Navy-owned submerged lands around the Islands, and much of the southern and eastern portions of Treasure Island. As of July 1, 2020, the Navy has conveyed five separate conveyances to TIDA, including all of the property within Improvement Area No. 1.

***Trust Exchange.*** Treasure Island includes lands subject to the public trust (the "Public Trust"), a common law doctrine that has been developed primarily through case law and interpretations of law by the California State Lands Commission and Attorney General. The Public Trust effectively acts as a type of zoning by limiting the permitted uses of lands subject to the Public Trust. Uses of Public Trust lands are generally limited to waterborne commerce, navigation, fisheries, water-oriented recreation, including commercial facilities that must be located on or adjacent to water, and environmental preservation and recreation, such as natural resource protection, wildlife habitat and study, and facilities for fishing, swimming, and boating. Ancillary or incidental uses that promote Public Trust uses or accommodate public enjoyment of Public Trust lands are also permitted, such as hotels, restaurants and specialty retail. Residential and general office uses are generally not permitted uses on Public Trust lands.

To enable economic redevelopment, the California Legislature authorized a reconfiguration of the Public Trust whereby the Public Trust would be removed from certain portions on Treasure Island and added to certain portions of Yerba Buena Island. This Public Trust reconfiguration was authorized through the Treasure Island Public Trust Exchange Act (the "Exchange Act") and implemented through a trust exchange agreement (the "Trust Exchange Agreement") between TIDA and the California State Lands Commission ("SLC"). Pursuant to the Trust Exchange Agreement, in 2015, TIDA and SLC engaged in a series of concurrent quitclaim deed and patent conveyances whereby areas to be impressed with the Public Trust (referred to as "Trust Lands") were patented to TIDA by SLC subject to the Public Trust, and areas where the Public Trust was to be removed (referred to as "Trust Termination Lands") were patented to TIDA by SLC free of the Public Trust.

***Subdivision Mapping Process.*** As contemplated under the DDA, following the 2015 completion of the Public Trust exchange on the appropriate lands, various subdivision maps were processed to establish development parcels. Parcels established on Trust Termination Lands may be held in fee simple title and available for private residential, commercial, and mixed-use development in accordance with the D4D. In collaboration with TIDA, parcels may also be established on certain Trust Lands to facilitate arrangements such as ground leases to facilitate economic development on such lands and structures (e.g., historic buildings) while maintaining the Public Trust restrictions. The TICD Developer (as defined herein) expects to file and process one Tentative Transfer Map application ("TTM") for each Sub-Phase within Major Phase 1 (see discussion under "– Land Transfer and Mapping Parcels" for a description of Major Phase 1), to allow for the processing of multiple phased final transfer maps that will establish transfer parcels within the development blocks of each Sub-Phase that will be transferred by TIDA to the TICD Developer (as defined herein) upon Sub-Phase Approval. Consistent with the Treasure Island/Yerba Buena Island Subdivision Code, these transfer parcels may also be used for financing purposes, including as collateral to support construction lending.



**Opportunity Zone.** The Opportunity Zones program was established by Congress in the Tax Cut and Jobs Act in 2017 as an innovative approach to spurring long-term private sector investments in low-income urban and rural communities nationwide. The program establishes a mechanism that enables investors with capital gains tax liabilities across the country to receive favorable tax treatment for investing in Opportunity Zones that are certified by the U.S. Treasury Department. Those incentives include temporary deferral of capital gains that are reinvested in qualified opportunity zones, a step up in basis for investments held in qualified opportunity funds, as well as other benefits. The Opportunity Funds use the capital invested to make equity investments in businesses and real estate in Opportunity Zones designated by each state. Treasure Island and Yerba Buena Island are both designated as Opportunity Zones and, although the project has not benefited to date, the project may directly or indirectly benefit from the added incentive the programs offered to investors to invest in future multifamily buildings or businesses.

### **TICD and the Treasure Island Project**

TICD is the master developer of the Treasure Island Project. The existing members of TICD are (1) Treasure Island Holdings, LLC (“TIH”), a joint venture comprised of a subsidiary of Lennar Corporation (“Lennar”) and a non-managing third-party investor member, (2) TICD Hold Co., LLC (“TICD Hold Co.”), an indirect subsidiary of Lennar, (3) KSWM Treasure Island, LLC (“KSWM”), a joint venture comprised of affiliates of Stockbridge Capital Group, LLC (“Stockbridge”), Kenwood Investments (“Kenwood”), and Wilson Meany, LP (“Wilson Meany”), and (4) Stockbridge TI Co-Investors, LLC (“SBTI”), an affiliate of Stockbridge. TIH and TICD Hold Co. collectively own a fifty percent (50%) membership interest in TICD, and KSWM and SBTI collectively own a fifty percent (50%) membership interest in TICD.

**Lennar Corporation** - Lennar, founded in 1954 and publicly traded under the symbol “LEN” since 1971, is one of the nation’s largest home builders, operating under a number of brand names, including Lennar and U.S. Home. Lennar primarily develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which Lennar maintains an interest.

Lennar is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such files can also be accessed over the internet at the SEC’s website at [www.sec.gov](http://www.sec.gov). *The SEC’s public reference facilities and internet address are included for reference only and the information on the public reference facilities and the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the SEC’s public reference facilities and the internet site.*

Copies of Lennar’s Annual Report and related financial statements are available from Lennar’s website at [www.lennar.com](http://www.lennar.com). *This internet address is included for reference only and the information on the internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on the internet site.*

**Stockbridge** - Headquartered in San Francisco, Stockbridge is an SEC-registered real estate investment advisor, specializing in U.S.-based opportunities. As of December 31, 2019, Stockbridge and its affiliates have approximately \$16.0 billion of gross assets under management and 95 professionals in three offices in San Francisco, Atlanta and Chicago. Stockbridge senior management team has an average of nearly 30 years of real estate experience and an average tenure of 10 years at the firm.

**Wilson Meany** - San Francisco-based developer with offices in San Francisco and Los Angeles, Wilson Meany employs over 35 professionals. Wilson Meany specializes in urban in-fill development and in delivering real estate solutions that address regional growth challenges and revitalize urban areas. Wilson Meany is known for place-making, historic renovation, innovative technology, sustainability, and public/private partnerships. Well-known Bay Area projects of this developer include the Ferry Building, 140 New Montgomery, 1595 Pacific Avenue, The Exploratorium, and Bay Meadows. Stockbridge and Wilson Meany have a 20-year track record of partnering on large, mixed-use development projects in coastal California.

**Kenwood** – For twenty years, Kenwood Investment’s focus has been on real estate development, land entitlement, media, tourism and hospitality projects. Kenwood Investments is based in San Francisco and has a track record of developing extraordinary projects that augment the cultural fabric of the California community. Notable projects include Aquarium of the Bay, Wing & Barrel Ranch, and the Sacramento Kings Arena.

### **Treasure Island Project Development Plan**

The Treasure Island Project is expected to provide a new, high-density, mixed-use community with a variety of housing types, a retail core, open space and recreation opportunities, on-site infrastructure, and public and community facilities and services. In all, there is expected to be up to approximately 8,000 residential units; up to approximately 140,000 square feet of new commercial and retail space; adaptive reuse of three specified historic buildings with up to 311,000 square feet of commercial/flex space; approximately 100,000 square feet of new office space; up to 500 hotel rooms; approximately 290 acres of parks and open space; bicycle, transit, and pedestrian facilities; a ferry terminal and intermodal transit hub; and new and/or upgraded public services and utilities, including a new or upgraded wastewater treatment plant. In addition to the adaptive reuse of those three historic buildings on Treasure Island there is also an opportunity to adaptively reuse nine other historic buildings and four garages on Yerba Buena Island.

Pursuant to the terms of the DDA, TICA is constructing a ferry terminal and adjacent plaza located on the western shoreline for service between Treasure Island and downtown San Francisco. The Treasure Island Mobility Management Agency (“TIMMA”) has been formed to manage transportation for Treasure Island, and TIMMA will manage ferry service from Treasure Island to the San Francisco mainland. Ferry terminal development will have two phases. The first phase will include construction of waterside improvements including a breakwater, gangway and float for initial public ferry service, with regularly-scheduled service expected to begin by 2023. The second phase of construction will be landside improvements including a 199-person passenger waiting area.

### **Development Entitlement**

The Treasure Island Project will be carried out by TICA in accordance with the Disposition and Development Agreement between TICA and TICA, dated as of June 28, 2011 (as amended from time to time, the “DDA”) and the Development Agreement between the City and TICA dated as of June 28, 2011 (as amended from time to time and previously defined as the “DA”), and related Treasure Island Project approvals (including the Mitigation Monitoring and Reporting Program adopted by TICA and the City in reliance on the Treasure Island/Yerba Buena Island Environmental Impact Report, the D4D, and the TI/YBI SUD). These documents control the overall design, development and construction of the Treasure Island Project and all infrastructure and improvements, including the permitted uses on the Treasure Island Project Site, the required infrastructure and community benefits, the density and intensity of uses, the maximum height and size of buildings, the number of allowable parking spaces and all mitigation measures required in order to eliminate or mitigate any materially adverse environmental impacts of the Treasure Island Project.

## Land Transfer and Mapping Process

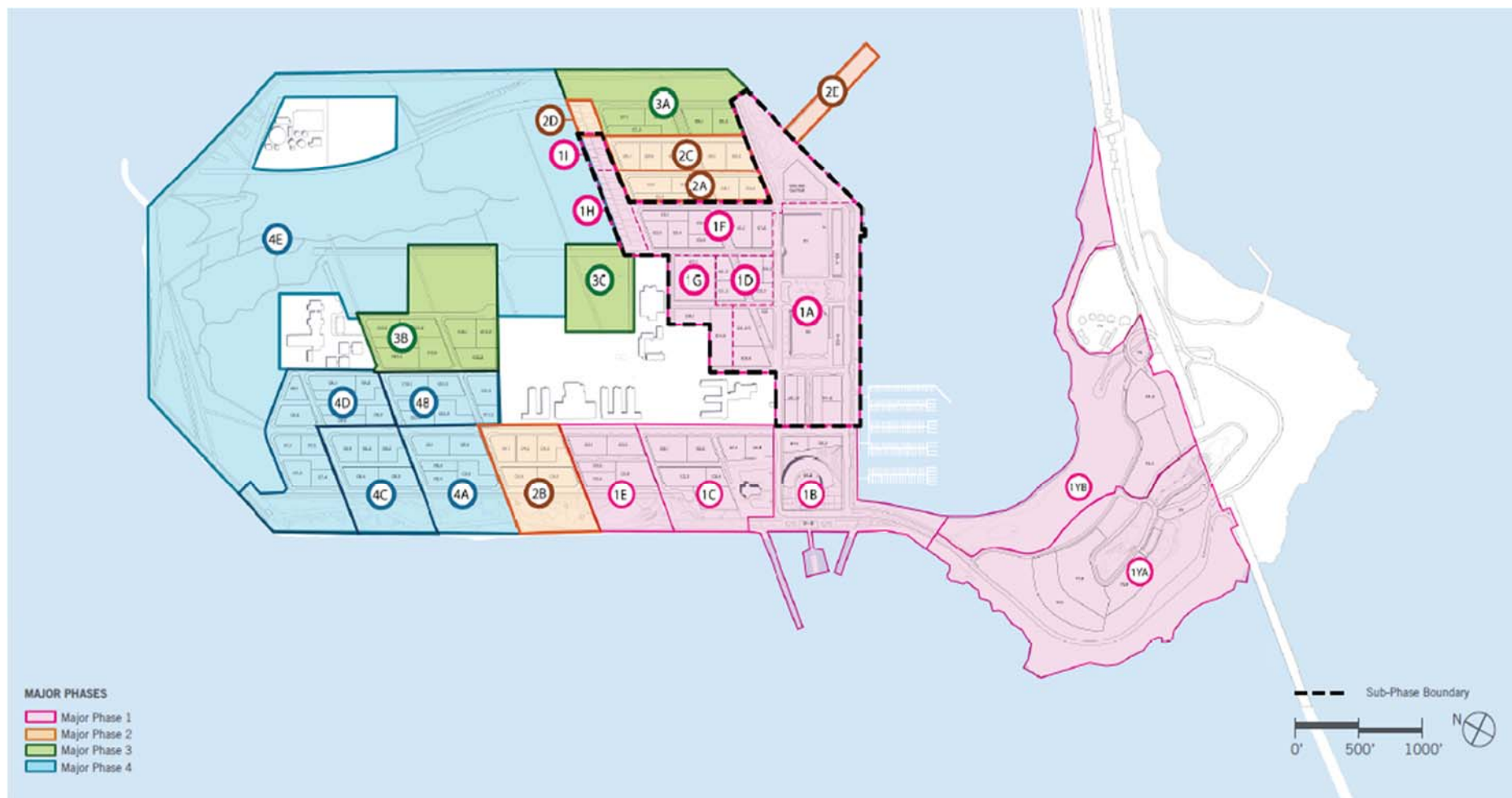
***Treasure Island Project Phasing.*** The Treasure Island Project has been divided into four Major Phases and, within each Major Phase, various Sub-Phases. Subject to the terms and conditions of the DDA, TIDA will convey development blocks within the Treasure Island Project owned or acquired by TIDA from the Navy to TICD or a phase developer selected by TICD (herein, the entity actually developing the property, whether TICD or a phase developer, shall be referred to as the “TICD Developer”).

TIDA’s approval of each Major Phase Application is required before, or concurrently with, its consideration of and grant of a Sub-Phase Approval for any Sub-Phase in that Major Phase. Such approval is based on established development requirements (e.g., development requirements under the DDA, the DA, and Vertical DDAs) and cannot be denied if those requirements are satisfied. Major Phase 1, which is comprised of eight Sub-Phases shown in pink on the diagram below, was approved by the TIDA Board in May 2015.

The TICD Developer expects to file and process at least one Tentative Subdivision Map application (“TSM”) for each Sub-Phase within Major Phase 1 to allow for the processing of multiple phased Final Subdivision Maps that will establish vertical development parcels within each Sub-Phase. Each TSM is also expected to be followed by phased Final Subdivision Maps as well as Final Subdivision Maps that vertically subdivide airspace to accommodate separate financing or ownership of separate uses or portions thereof within the buildings.

The following graphic shows the Major Phases and the boundary delineation of the Sub-Phases. Improvement Area No. 1 is located entirely within Sub-Phase 1YA and Sub-Phase 1YB.

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## Initial Phase Approvals and Land Transfers

TIDA approved the Major Phase 1 Application and the Sub-Phase Applications 1 and 2 for Sub-Phases 1YA, 1YB, 1B, 1C, and 1E in 2015. Major Phase 1 includes approximately 3,500-plus residential units, approximately 103 acres of parks, and a ferry terminal to support ferry service between Treasure Island and San Francisco. Horizontal construction work has begun on Yerba Buena Island and Treasure Island.

- Sub-Phases 1YA and 1YB (Yerba Buena Island) encompass all of the Treasure Island Project lands on Yerba Buena Island other than the TIDA-retained historic buildings and garages. ***The Sub-Blocks located within Sub-Phases 1YA and 1YB are what comprise Improvement Area No. 1.*** On February 22, 2016, TI Series 1 – a wholly-owned subsidiary of TICD - acquired from TIDA Sub-Blocks 1Y, 3Y, and 4Y. Subsequently, Sub-Blocks 3Y and 4Y were sold, and Sub-Block 1Y is under contract for sale, to Merchant Builders. Sub-Block 2Y is owned by TIDA, subject to the Public Trust. Hilltop Park, Beach Park and open space are part of these Sub-Phases but TIDA retains ownership of these public lands.
- Sub-Phases 1B, 1C and 1E (Treasure Island) encompass most of the western portion of Treasure Island ***outside of Improvement Area No. 1.*** On February 22, 2016, TIDA conveyed to TI Series 1 certain development blocks within Sub-Phases 1B, 1C and 1E. TIDA retained leasehold and public property that will be developed by TICD Developer within these Sub-Phases including Building 1, the Building 1 Plaza, Marina Plaza, Clipper Cove Promenade 1, Cityside Waterfront Park 1, Cultural Park, Cityside Waterfront Park 2 and various streets within these Sub-Phases.
- Sub-Phases 1A, 1D, 1F, 1G, 1H & 1I (Treasure Island) encompass most of the southern portion of Treasure Island ***outside of Improvement Area No. 1.*** On September 4, 2019, Treasure Island Series 2, LLC – a wholly-owned subsidiary of TICD – acquired certain development parcels within Sub-Phase 1A. Certain other development parcels within Sub-Phase 1A and the rest of these Sub-Phases are expected to be transferred at a later date.

The TICD Developer anticipates developing each phase of the Treasure Island Project following acquisition of the phase from TIDA, as provided in the DDA and DA. If acquired, the TICD Developer anticipates developing the property in four Major Phases, as described in the DA.

The infrastructure improvements and fees required for the total development of the Treasure Island Project are estimated to cost approximately \$1.97 billion. As of August 1, 2020, TICD and TICD Developers have expended approximately \$314 million on such costs (including the costs of Improvement Area No. 1), and they expect to spend the remainder of such costs over the next 15 years.

## IMPROVEMENT AREA NO. 1

*Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area No. 1. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect not to pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within Improvement Area No. 1 of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area No. 1. The City, on behalf of the District, however, has covenanted in the Fiscal Agent Agreement for the benefit of the owners of the Bonds that, under certain circumstances described herein,*



*the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within Improvement Area No. 1, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS –Special Tax Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.*

*No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. TI Series 1 and the Merchant Builders (defined below) have provided the information set forth in this section. No assurance can be given by the City that all information is complete. The City has not independently verified this information and assumes no responsibility for its accuracy or completeness. It is only provided as a convenience to enable investors to more easily commence their own independent investigations if they so choose. There may be material adverse changes in this information after the date of this Official Statement. In addition, any internet addresses included below are for reference only, and the information on those internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2020 Bonds. See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2020 Bonds.*

*The information in this Official Statement regarding Improvement Area No. 1 and the Treasure Island Project has considered the current Health Orders (as defined herein) and any other local restrictions in disclosing estimated time frames for development in the Improvement Area No. 1. However, the impact of COVID-19 and the Health Orders is likely to evolve over time, which could adversely impact the development within the Improvement Area No. 1 and the Treasure Island Project as a whole. See “SPECIAL RISK FACTORS – COVID-19 Pandemic” below. Neither TI Series 1 nor the Merchant Builders can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will have a material adverse effect on the ability to develop the Treasure Island Project as planned and described herein, or the availability of Special Taxes from Improvement Area No. 1 in an amount sufficient to pay debt service on the 2020 Bonds.*

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Townhomes      Flats      Single Family Home Lots

## **Ownership of Property in Improvement Area No. 1**

Currently, all of the currently taxable property in Improvement Area No. 1 is owned by, or under contract to, various entities affiliated with Stockbridge and Wilson Meany, as described below.

On February 22, 2016, TIDA transferred the property in Improvement Area No. 1 to Treasure Island Series 1, LLC (previously defined as “TI Series 1”), a wholly-owned subsidiary of TICD. On June 18, 2018, TI Series 1 entered into an agreement to sell the property in Sub-Blocks 1Y, 3Y, and 4Y to Stockbridge/Wilson Meany YBI Investors, LLC (previously defined as the “YBI Phase Parent Company”). The YBI Phase Parent Company created three limited liability companies to hold some of the property in Sub-Blocks 3Y and 4Y. Sub-Block 4Y (Podium) was conveyed to and is held by YBI Phase 1 Investors, LLC, a Delaware limited liability company, which will be developing the property into 124 market-rate and inclusionary (below market-rate) units known as the “Bristol.” Sub-Block 3Y and Sub-Block 4Y (Townhomes and Flats) were conveyed to and are held by YBI Phase 2 Investors, LLC, a Delaware limited liability company, and YBI Phase 3 Investors, LLC, a Delaware limited liability company, respectively, which will be developing the property as the “Residences.” Sub-Block 1Y remains owned by TI Series 1, but is under contract to be sold to the YBI Phase Parent Company. The YBI Phase Parent Company anticipates conveying Sub-Block 1Y to another limited liability company created to develop the property as a continuation of the “Residences.”

YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC and YBI Phase 3 Investors, LLC, are, and any future limited liability company created by the YBI Phase Parent Company (herein, individually a “Merchant Builder” and collectively the “Merchant Builders”) will be, direct or indirect wholly-owned subsidiaries of entities affiliated with Stockbridge and Wilson Meany.

## **Acquisition Agreement**

In connection with the formation of the District, TICD, the City, and TIDA entered into an Acquisition and Reimbursement Agreement (Treasure Island/Yerba Buena Island), dated as of March 8, 2016 (as it may be amended from time-to-time, the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the City will purchase from TICD certain capital improvements and finance certain development impact fees for the construction of capital improvements (referred to herein as the “Authorized Improvements”). But the City’s obligation under the Acquisition Agreement will be funded solely from the sources identified in the Acquisition Agreement, which include (but are not limited to) the Special Taxes levied in Improvement Area No. 1 and the net proceeds of bonds issued for Improvement Area No. 1. The net proceeds of the 2020 Bonds, certain investment earnings thereon and the Special Tax are also expected to be sufficient to fund a portion, but not all, of the Authorized Improvements.

## **Location and Description of Improvement Area No. 1 and the Immediate Area**

Improvement Area No. 1 is made up of four parcels on Yerba Buena Island known as “Sub-Block 1Y,” “Sub-Block 2Y,” “Sub-Block 3Y,” and “Sub-Block 4Y.” Sub-Block 4Y is further divided into Block 4Y (Townhome and Flats) and Block 4Y (Podium). These projects combined are planned for five single-family detached homes and 261 other residential units.

Sub-Block 2Y is owned by TIDA, but is subject to the Public Trust, and is expected to be developed as a 50,000 square foot hotel project through a long-term ground lease between a future developer and TIDA. In 2019, TICD hired CBRE to perform a market demand and economic feasibility analysis on Sub-Block 2Y. The report concluded the best use to be a 50-key boutique luxury hotel and spa featuring views of the San Francisco skyline and Bay. TICD does not currently anticipate the construction of a hotel on Sub-Block 2Y until after buildout on Sub-Blocks 1Y, 3Y and 4Y is complete (currently anticipated to be

in 2025), and does not believe that its absence on Yerba Buena Island would detract from the marketability or place-making required to attract new homeowners. Sub-Blocks 1Y, 3Y and 4Y, together, constitute approximately 13.22 acres.

The ownership and expected development in Improvement Area No. 1 is summarized in the table below:

**Table 2**  
**Summary of Ownership and Expected Development**  
**Improvement Area No. 1**

<u>Sub-Block</u>	<u>Owner</u>	<u>Expected Development</u>	<u>Total Number of Projected Units</u>
1Y <sup>(1)</sup>	Treasure Island Series 1, LLC	32 Three-Story Townhomes 5 Single-Family Homes 41 Stacked Flats	78
2Y <sup>(2)</sup>	TIDA	50,000 Square Foot Hotel	N/A
3Y	YBI Phase 2 Investors, LLC	11 Three-Story Townhomes	11
4Y (Townhomes and Flats)	YBI Phase 3 Investors, LLC <sup>(3)</sup>	37 Townhomes 2 Flats 14 Stacked Flats	53
4Y (Podium)	YBI Phase 1 Investors, LLC	110 Market-Rate Podium Units 14 Inclusionary Podium Units	<u>124</u>
<b>Totals</b>			<b><u>266</u></b>

<sup>(1)</sup> Under the Option Agreement for Purchase of Real Property dated May 31, 2018, which is the same agreement under which Sub-Blocks 3Y and 4Y were sold, YBI Phase Parent Company may acquire Sub-Block 1Y for \$78,784,000 as soon as certain improvements are completed by TI Series 1. It is anticipated that YBI Phase Parent Company will acquire the property in approximately June 2021, although the parties are discussing terms for an earlier acquisition.

<sup>(2)</sup> Sub-Block 2Y is owned by TIDA and is subject to the Public Trust. Sub-Block 2Y is not subject to taxation unless the parcel is leased to a third-party such as a hotel developer, and only the leasehold interest would be taxable.

<sup>(3)</sup> Sub-Block 4Y (Townhomes and Flats) was transferred from YBI Phase 1 Investors, LLC to YBI Phase 3 Investors, LLC on September 8, 2020 (a date later than the Appraisal Report's valuation date of July 31, 2020).

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Source: TI Series 1.

### **Tract Map Status of Improvement Area No. 1**

On April 19, 2018, Final Map No. 9228 (the "Large Lot Final Map") was recorded, establishing the conditions for the subdivision of Sub-Blocks 1Y, 2Y, 3Y, and 4Y. In connection with this map recordation, TI Series 1 and TIDA entered into a Public Improvement Agreement dated March 29, 2018 (as amended, the "9228 Public Improvement Agreement"). The Large Lot Final Map and the 9228 Public Improvement Agreement describes TI Series 1's obligations to complete public improvements to serve Yerba Buena Island.

Tentative Map No. 9856 was approved on January 15, 2019 (“TTM 9856”). TTM 9856 specifically states that the conditions required by Final Map No. 9228 (and the 9228 Public Improvement Agreement) continue to apply but then imposes certain additional requirements. TTM 9856 provides that up to 300 residential units may be constructed on Yerba Buena Island. For each Sub-Block, a phased final map is required before construction is authorized. Final Map No. 9856 (Phase No. 1) (the “Small Lot Final Map”) was recorded on July 10, 2020, which allows for residential construction on Block 3Y and Block 4Y. A final map allowing for residential construction on Block 1Y has not yet been recorded.

Blocks 3Y and 4Y are being developed with residential condominiums and a condominium map is required. The condominium map for Blocks 3Y and 4Y was recorded on July 10, 2020.

A summary of the tract map status for Improvement Area No. 1 is shown below:

Sub-Block	Final Map (Tentative Map)	Date of Filing (Anticipated Date of Filing)	Status
1Y	(TTM 9856)	(2021)	Two large parcels that require a phased final map before building can begin.
2Y	(TTM 9856)	TBD	One parcel that requires a phased final map before building can begin.
3Y	Small Lot Final Map	July 10, 2020	Authorizes the construction of up to 12 residential condominium units.
4Y (Townhomes and Flats)	Small Lot Final Map	July 10, 2020	Authorizes the construction of up to 53 residential condominium units.
4Y (Podium)	Small Lot Final Map	July 10, 2020	Authorizes the construction of up to 124 residential condominium units.

As a condition to TIDA’s conveyance of the YBI property to TI Series 1, TI Series 1 posted performance and payment bonds in an amount equal to 125% of the estimated cost of the backbone infrastructure. Subsequently, TI Series 1 entered into the 9228 Public Improvement Agreement with the City in which it was required to post additional performance and payment bonds, such that the total amount secured would equal 125% of the estimated cost of the backbone infrastructure that was not complete at the time the map was recorded. To date, TI Series 1 has posted various bonds with the City pursuant to, among other things, the 9228 Public Improvement Agreement totaling approximately \$269 million. The \$269 million secures the construction of infrastructure on both YBI and on Treasure Island. The remaining costs for the YBI Required Infrastructure (as defined in the 9228 Public Improvement Agreement to mean streets, sewer, water, utilities, etc.) are fully secured by the outstanding bonds.

The 9228 Public Improvement Agreement requires various infrastructure improvements to be constructed by certain dates. The YBI Required Infrastructure must be completed by December 31, 2021, except the YBI Required Infrastructure for the Hilltop Park must be completed by April 19, 2022 (although



TI Series 1 anticipates completion in July 2022), and the YBI Required Infrastructure associated with the Small Lot Final Map must be completed by July 2022.

### Phase Development and Financing Plan

**Cost Estimates of Public Improvements Required for Improvement Area No. 1.** For Improvement Area No. 1 of the Treasure Island Project, the table below identifies those public improvements that are required to be constructed by the TICD Developer and related remaining costs to fully develop the property in Improvement Area No. 1 as of August 1, 2020.

**Table 3**  
**Cost Estimates of Public Improvements Required**  
**For Improvement Area No. 1**  
**(as of August 1, 2020)**

	<u>Estimated Direct Infrastructure Costs</u>	<u>Percent Complete</u>	<u>Remaining Costs</u>
<b>Hard Costs</b>			
Yerba Buena Island Street Improvements	\$103,216,813	49%	\$52,560,662
TI Causeway Improvements	14,164,994	13%	12,321,218
Interim Gas Line	2,500,000	-	2,500,000
Sanitary Sewer Pump Station	4,787,600	30%	3,351,320
TI Street Improvements	10,270,310	30%	7,189,217
Interim Force Main	<u>7,356,090</u>	59%	<u>2,994,611</u>
Total Hard Costs	\$142,295,807	43%	\$80,917,028
<b>Soft Costs</b>			
Landscape Architect	\$1,372,322	52%	\$ 654,040
Civil Engineer	4,195,476	71%	1,210,851
Geotechnical Engineer	4,185,350	40%	2,500,909
Environmental Engineer	1,315,354	69%	414,142
Permits & Fees & Bonds	3,000,000	100%	-
Other			
(Consultants, Legal, Printing, etc.)	292,370	14%	251,427
Construction Management	<u>7,799,951</u>	47%	<u>4,121,822</u>
Total Soft Costs	\$22,160,823	59%	\$9,153,191
<b>Total Estimated Project Costs</b>	<u>\$164,456,630</u>	<u>45%</u>	<u>\$90,070,219</u>

Source: TI Series 1.

TI Series 1 anticipates that all of the costs described in Table 3 above will be expended by September 2021, which date is consistent with the expected timing for receiving certificates of occupancy for the Bristol units. As set forth in Tables 3 and 4, all critical infrastructure improvements required to obtain the Bristol's certificate of occupancy are scheduled for completion prior to the Bristol's construction completion in order for appropriate testing of all utilities.

**Financing Plan.** To date, TI Series 1 has financed its land acquisition and various site development costs related to the property in Improvement Area No. 1 through internally generated funds, EB-5 loan proceeds (see discussion herein), and lot sales revenues. TI Series 1 estimates that, as of August 1, 2020, the remaining costs to be incurred by TI Series 1 to complete its planned development of public

improvements within Improvement Area No. 1 will be approximately \$90.1 million. TI Series 1 expects to use lot sales revenues, internal funding, and reimbursement from 2020 Bond proceeds to complete its development in Improvement Area No. 1 and believes that it will have sufficient funds available to complete such development in accordance with the development schedule described in this Official Statement.

On March 4, 2016, Treasure Island Series 1, LLC obtained an EB-5 Loan, known as “TI Series 1 Loan” in the total amount of \$155,000,000. The proceeds of this TI Series 1 Loan are available to pay for the costs of horizontal development associated with Sub-Phases 1YA, 1YB, 1B, 1C and 1E, which encompass most of the western portion of Treasure Island and encompass all of the Treasure Island Project lands on Yerba Buena Island (including Improvement Area No. 1) other than the TIDA-retained historic buildings and garages. The TI Series 1 Loan is secured by a deed of trust on the TI Series 1 property owned by Treasure Island Series 1, LLC (the “TI Series 1 Deed of Trust”), including Sub-Block 1Y in Improvement Area No. 1. The TI Series 1 Deed of Trust will be partially released in conjunction with the sale of parcels to a developer or builder, as it was released in connection with the sales to the Merchant Builders. The maturity date of the TI Series 1 Loan was March 4, 2021, but has recently been extended by the lender to November 30, 2021. As of August 1, 2020, the TI Series 1 Loan had an outstanding balance of \$155,000,000 and was in good standing.

The EB-5 loan is made with proceeds obtained from individual investors in the applicable EB-5 lender. The United States Citizenship and Immigration Services (“USCIS”) must approve each individual investor. Although the EB-5 loan was fully funded, the USCIS process is ongoing and therefore no guarantee can be made that if an investor is subsequently denied that the loan proceeds advanced to the borrower in respect of such investor will not have to be returned by the borrower.

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A summary of the expected cash flow for TI Series 1 and the development of Improvement Area No. 1 is set forth below:

**Table 4**  
**Improvement Area No. 1 Sources & Uses**  
**(as of August 1, 2020)**

	<b>Actual as of 8/1/20 <sup>(1)</sup></b>	<b>Projected Through 12/31/21</b>	<b>Projected After 12/31/21</b>	<b>Totals</b>
<b>Sources</b>				
Net Land Proceeds <sup>(2)</sup>	\$59,455,322	\$74,056,960 <sup>(9)</sup>	-	\$133,512,282
EB-5 Loan Proceeds <sup>(3)</sup>	57,350,000	-	-	57,350,000
Bond Proceeds <sup>(4)</sup>	-	15,100,000	106,896,810	121,996,810
Equity	-	-	-	-
<b>TOTAL SOURCES</b>	<b>\$116,805,322</b>	<b>\$89,156,960</b>	<b>\$106,896,810</b>	<b>\$312,859,092</b>
<b>Uses</b>				
Direct Infrastructure Costs <sup>(5)</sup>	\$74,386,412	\$90,070,218	-	\$164,456,630
EB-5 Fees and Repayment <sup>(6)</sup>	6,194,393	2,957,579	65,871,040	75,023,012
Miscellaneous Costs <sup>(7)</sup>	4,632,405	2,027,595	-	6,660,000
<b>TOTAL USES</b>	<b>\$85,213,210</b>	<b>\$95,055,392</b>	<b>\$65,871,040</b>	<b>\$246,139,642</b>
<b>NET CASH FLOW <sup>(8)</sup></b>	<b>\$31,592,112</b>	<b>(\$5,898,432)</b>	<b>\$41,025,770</b>	<b>\$66,719,450</b>

Source: TI Series 1.

<sup>(1)</sup> Includes only revenues and costs associated with the construction of infrastructure as of August 1, 2020; does not include every source or cost incurred by TI Series 1 through August 1, 2020.

<sup>(2)</sup> Represents an allocation of revenues derived from the Treasure Island Project (of which Improvement Area No. 1 is a part) to the costs to be incurred in Improvement Area No. 1 to illustrate how those costs will be funded. Land proceeds are shown net of anticipated closing costs and land transfer taxes. Net Land Proceeds shown to August 1, 2020 are derived from the sale of Sub-Blocks 3Y, 4Y (Townhomes and Flats), and 4Y (Podium) to Merchant Builders. Net Land Proceeds shown prior to 12/31/21 are anticipated from the sale of Sub-Block 1Y.

<sup>(3)</sup> EB-5 Loan has been made to TI Series 1 in the total amount of \$155 million. The proceeds of this loan may be used to pay for infrastructure costs associated with development of property in the District. EB-5 loans are made with proceeds obtained from individual investors in the applicable EB-5 lender. The United States Citizenship and Immigration Services ("USCIS") must approve each individual investor. EB-5 Proceeds are allocated approximately 37% to the development of Yerba Buena Island and approximately 63% to the development of Treasure Island. The EB-5 Loan amounts shown represent the 37% allocated to the development of Yerba Buena Island.

<sup>(4)</sup> TI Series 1 estimates that it will receive approximately 65% of the total infrastructure costs associated with the development of Improvement Area No. 1 from a combination of community facilities district and infrastructure and revitalization district (the "IRFD") bonds for the Treasure Island Project. Each improvement area of the CFD and the IRFD are authorized to finance authorized facilities regardless of their location in the Treasure Island Project. Of the estimated amount, TI Series 1 anticipates that approximately \$52 million will be derived from Parity Bonds secured by the Special Taxes in Improvement Area No. 1.

<sup>(5)</sup> TI Series 1 obligation to complete the infrastructure improvements under the DA and the DDA is backed by subdivision improvement bonds under the 9228 Public Improvement Agreement. As set forth in Tables 3 and 4, all critical infrastructure improvements required to obtain the Bristol's certificate of occupancy are scheduled for completion prior to the Bristol's construction completion in order for appropriate testing of all utilities.

<sup>(6)</sup> TI Series 1 requested and the EB-5 lender approved an extension of the initial due date of the EB-5 Loan from March 4, 2021 to November 30, 2021. TI Series 1 will also seek additional extensions from the lenders; the table assumes that these other extensions are granted.

<sup>(7)</sup> Miscellaneous Costs include TI Series I overhead and operating expenses.

<sup>(8)</sup> Cash created from the development of the project may be applied by TI Series 1 and TICD to fund any aspect of the overall Treasure Island Project. This Table 4 is intended to illustrate that TI Series 1 anticipated that there will be

a sufficient cash flow to fund the proposed development in Improvement Area No. 1. Cash flow does not represent cash balance. Actual cash balance as of August 1, 2020 was \$17,157,207.

<sup>(9)</sup> The costs of the remaining infrastructure improvements that are required to be constructed as a condition to closing the sale of Sub-Block 1Y is approximately \$14 million.

Although TI Series 1 expects to have sufficient funds available to complete its development (both public infrastructure and other development) in Improvement Area No. 1 as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available to TI Series 1 from its internally generated funds or from any other source when needed. Neither Merchant Builders nor any of their related entities, are under any legal obligation of any kind to expend funds for the development of and construction of homes or a hotel on their property in Improvement Area No. 1. Any contributions by TI Series 1 or any such entity to fund the costs of such development are entirely voluntary.

*If and to the extent that internal funding, including but not limited to lot sales revenues, are inadequate to pay the costs to complete the planned development by TI Series 1 within Improvement Area No. 1 and other financing by TI Series 1 is not put into place, there could be a shortfall in the funds required to complete the planned development by TI Series 1 in Improvement Area No. 1.*

**Flood Zone Status.** For Yerba Buena Island, the existing elevation of the land and the proposed development is significantly higher than the current 100-year flood plain, and is expected to remain above the floodplain in the future based upon current projected sea level rise estimates. The island's summit is 338 feet above mean sea level. The current topography includes a series of terraces engineered for development beginning at the top of Yerba Buena Island, with steep slopes and cliffs down to the Bay on all sides. Current FEMA maps (Draft Flood Insurance Rate Maps) do not show any flood zones on Yerba Buena Island. See "SPECIAL RISK FACTORS – Sea Level Rise and Risks Associated with Global Climate Change" for a discussion of current projected sea level rise estimates.

The Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island. For additional information regarding the establishment of the capital reserves for the Treasure Island Project, see "RATE AND METHOD" herein and APPENDIX B – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

## Utilities

The utility providers for Improvement Area No. 1 are listed in the below table.

<u>Utility</u>	<u>Provider</u>
Water	San Francisco Public Utilities Commission
Sewer	San Francisco Public Utilities Commission
Gas	Pacific Gas & Electric
Electric	San Francisco Public Utilities Commission
Telecom	To be determined

## Merchant Builder Development and Financing Plans

A more detailed description of each of the phases within Improvement Area No. 1 is set forth below. *The Merchant Builders provide no assurance that construction and sales will be carried out on the schedule and according to the plans summarized below, or that construction and sale plans set forth below will not*

change after the date of this Official Statement. Additionally, unit sales may not result in closed escrows as sales contracts are subject to cancellation.

**The Bristol.** Development Block 4Y (Podium) is owned by YBI Phase 1 Investors, LLC and under development as a five story 124-unit condominium building over two levels of below grade parking known as “the Bristol.” Four condominium floor plans are planned ranging in size from approximately 700 square feet to 2,100 square feet. Residences with bridge-facing views will have acoustic upgrades to reduce bridge noise inside the unit. Fourteen of the planned units will be restricted for sale at prices below market rate and not subject to the Special Tax. Construction on the Bristol commenced in June 2019, sales are expected to begin in the first quarter of 2021, and the Merchant Builder anticipates final build-out by fall 2021. As of August 1, 2020, excavation for subterranean parking and retaining wall construction are complete and foundation pouring is completed. Major structural concrete pours are complete, and metal framing is in progress. The following table provides additional information regarding the proposed development of the 110 market rate units of the Bristol as of August 1, 2020.

**Table 5**  
**The Bristol**  
**Sub-Block 4Y (Podium)**  
**(Market Rate Units Only)**  
**(as of August 1, 2020)**

<b>Floor Plan</b>	<b>Avg. Approx. Square Footage</b>	<b>Total Number of Planned Market Rate Units<sup>(1)</sup></b>	<b>Market Rate Units Under Construction</b>	<b>Market Rate Units Completed and Unsold or in Escrow</b>	<b>Market Rate Units Completed, Sold, and Closed</b>	<b>Base Sale Prices for Market Rate Units<sup>(2)</sup></b>
Plan A	700-750	12	12	0	0	\$ 850,000
Plan B	900-1,000	47	47	0	0	1,215,000
Plan C	1,350	41	41	0	0	1,855,000
Plan D	1,850-2,100	10	10	0	0	3,130,000
<b>Totals</b>		<b>110</b>	<b>110</b>	<b>0</b>	<b>0</b>	

<sup>(1)</sup> Because the below-market units are not taxable, Table 5 above excludes the 14 below-market units that are located in each of Plans A-D.

<sup>(2)</sup> Reflects average unit pricing from publicly released YBI Pre-Marketing Notice as of February 2020. Average unit pricing reflects initial release tranche of 18 total units comprised of Studios, 1-BD, 2-BD and 3-BD product types. The Merchant Builder has not yet gone to sale on the Bristol. The actual base prices may be higher or lower than those shown in Table 5.

Source: Merchant Builder.

The site permit was issued in June 2019, and the first addendum that allows for the vertical construction of 124 residential units was issued in November 2019. Addenda for site utilities and the building’s superstructure have also been issued. YBI Phase 1 Investors, LLC anticipates certificates of occupancy for all 124 Bristol units will be received by fall 2021, and that the first sale will close in the fourth quarter of 2021.

As of August 1, 2020, YBI Phase 1 Investors, LLC has incurred approximately \$60.5 million on site acquisition, pre-development, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional \$105 million will be required to be expended on such costs to complete the Bristol. The foregoing costs are exclusive of internal financing repayment.

YBI Phase 1 Investors, LLC expects to finance the remaining costs to complete the Bristol through up to \$99.0 million in the proceeds of a loan from the Pacific Western Bank and CW YBI Capital Management, LLC (the “Bristol Loan”), home sales and equity. The Bristol Loan is secured by a deed of trust on Sub-Block 4Y (Podium), which will be partially released in conjunction with the sale of each home in the Bristol to a homebuyer. The initial maturity date of the Bristol Loan is May 14, 2022. As of August 1, 2020, the Bristol Loan was outstanding in the amount of \$20 million and was in good standing.

*Although the Merchant Builder expects to have sufficient funds available to complete its development activities in Improvement Area No. 1, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from the Merchant Builder or any other source when needed. Any contributions by the Merchant Builder or any of its parent companies to fund the costs of such development and home construction are entirely voluntary.*

***If and to the extent that the aforementioned funding sources are unavailable or inadequate to pay the costs to complete the planned development by the Merchant Builder within Improvement Area No. 1 and other financing by the Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Merchant Builder or to pay ad valorem property taxes or Special Taxes related to the Merchant Builder’s property in Improvement Area No. 1 and the remaining portions of the development may not be developed.***

***The Residences.*** Development planned for Sub-Blocks 1Y, 3Y, and 4Y (Townhomes and Flats) is known as the “Residences.”

Sub-Blocks 3Y and 4Y (Townhomes and Flats) are currently owned by YBI Phase 2 Investors, LLC and YBI Phase 3 Investors, LLC, respectively. Sub-Block 1Y is currently owned by TI Series 1, but is the subject of the Option Agreement for Purchase of Real Property dated May 31, 2018 (the “Purchase Agreement”), which is the same agreement under which Sub-Blocks 3Y and 4Y were sold. Under the Purchase Agreement, the YBI Phase Parent Company may acquire Sub-Block 1Y after certain improvements are completed by TI Series 1. TI Series 1 anticipates that the YBI Phase Parent Company will acquire Sub-Block 1Y in approximately June 2021 after the satisfaction of the schedule of performance for certain public improvements (all of which are the same facilities described in Tables 3 and 4 that are required to open the Bristol).

In acquiring Sub-Block 1Y, the YBI Phase Parent Company may direct that title be taken by another limited liability company created for such purpose.

Ultimately, the Residences are expected to include 5 single family detached homes, 55 condominium flat units, and 82 attached townhomes. There are no below-market units in the Residences. Grading on the Residences located on Sub-Block 4Y (Townhomes and Flats) commenced in the summer of 2020, but vertical construction on the Residences has not yet commenced but is expected to begin in the second quarter of 2021. Sales are expected to begin in 2021, with final buildout in Sub-Blocks 1Y, 3Y, and 4Y in 2025. The Merchant Builders anticipate constructing the Residences on a phased basis. Individual buildings are expected to be constructed over approximately fourteen months to sixteen months.

The following table provides additional information regarding the proposed development of the 142 units of the Residences as of August 1, 2020.

**Table 6**  
**The Residences**  
**Sub-Blocks 1Y, 3Y, and 4Y (Townhomes and Flats)**  
**(as of August 1, 2020)**

<b>Floor Plan</b>	<b>Avg. Approx. Square Footage</b>	<b>Total Number of Planned Units</b>	<b>Units Under Construction</b>	<b>Units Completed and Unsold or in Escrow</b>	<b>Units Completed, Sold, and Closed</b>
Plan A	3,550	24	0	0	0
Plan B	2,900	24	0	0	0
Plan C	2,300	21	0	0	0
Plan D	3,450	11	0	0	0
Plan E	2,700	55	0	0	0
Plan F	1,200	2	0	0	0
Plan G <sup>(1)</sup>	8,000	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Totals</b>		<b>142</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: YBI Phase Parent Company.

<sup>(1)</sup> Estimate; the custom homebuilder on these lots may build a home of up to 8,000 square feet.

Individual building permit applications have been submitted for a portion of 3Y and 4Y, and the permits for the initial construction are anticipated to be issued in the first half of 2021. Initial building permits for 1Y are not expected to be issued until 2022 or later. As of August 1, 2020, neither YBI Phase 2 Investors, LLC nor YBI Phase 3 Investors, LLC has received any building permits for the construction of the Residences.

As of August 1, 2020, YBI Phase 2 Investors, LLC and YBI Phase 3 Investors, LLC have incurred approximately \$79.3 million on site acquisition, pre-development costs, vertical construction, on-site infrastructure, and fees, and anticipate that an additional \$461.6 million will be required to be expended on such costs to complete the Residences. The foregoing costs are exclusive of internal financing repayment. Construction financing has not yet been obtained. The Merchant Builders anticipate that the first closings on such units will occur in the summer of 2022.

The Merchant Builders expect the remaining land acquisition, site development, and home construction costs will be financed from equity, home sales and construction debt to complete their development activities in Improvement Area No. 1. The Merchant Builders are currently discussing loan structures with lenders. The Merchant Builders anticipate entering into a loan arrangement before construction begins (expected in the second quarter of 2021).

*Although the Merchant Builders expect to have sufficient funds available to complete its development activities in Improvement Area No. 1, commensurate with their development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from the Merchant Builders or any other source when needed. Any contributions by the Merchant Builders or any of their parent companies to fund the costs of such development and home construction are entirely voluntary.*

*If and to the extent that the aforementioned funding sources are unavailable or inadequate to pay the costs to complete the planned development by the Merchant Builders within Improvement Area No. 1 and other financing by the Merchant Builders is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Merchant Builders or to pay ad valorem*

*property taxes or Special Taxes related to the Merchant Builders' property in Improvement Area No. 1 and the remaining portions of the development may not be developed.*

**Expected Land Use and Expected Maximum Special Tax Revenues**

The following table sets forth the expected land use and the Expected Maximum Special Tax Revenues for Fiscal Year 2020-21 for the Parcels in Improvement Area No. 1.

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**Table 7**  
**Improvement Area No. 1 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**

**Expected Land Uses and Expected Maximum Special Tax Revenues<sup>(1)</sup>**

<u>Project Name and Expected Land Uses</u>	<u>Planned Development</u>	<u>Sub-Block</u>	<u>Expected Number of Residential Units</u>	<u>Expected Square Footage</u>	<u>FY 2020-21 Base Facilities Special Tax Rate<sup>(4)</sup></u>	<u>FY 2020-21 Expected Maximum Special Tax Revenues<sup>(4)</sup></u>
<b>The Bristol</b>						
Low-Rise Market Rate Units	Podium Unit	4Y	110	128,157	\$6.64	\$ 850,361
Low-Rise Inclusionary Units	Podium Unit	4Y	14	15,440	0.00	0
<b>The Residences</b>						
Yerba Buena Townhome Units	Townhome/Flats	4Y	39	100,000	6.30	629,976
Low-Rise Units	Stacked Flats	4Y	14	36,000	6.64	238,871
<i>Subtotal - Sub-Block 4Y</i>			177	279,597		\$1,719,208
Yerba Buena Townhome Units	Three Story Townhomes	1Y	32	91,983	6.30	\$ 579,470
Yerba Buena Townhome Units	Single Family Homes <sup>(2)</sup>	1Y	5	TBD	6.30	\$0
Low-Rise Units	Stacked Flats	1Y	41	97,907	6.64	649,643
<i>Subtotal - Sub-Block 1Y</i>			78	189,890		\$1,229,114
Yerba Buena Townhome Units	Three Story Townhomes	3Y	11	36,000	6.30	\$226,791
<i>Subtotal - Sub-Block 3Y</i>			11	36,000		\$226,791
<b>Hotel</b>						
Hotel Project <sup>(3)</sup>	Hotel	2Y	N/A	50,000	3.25	\$0
<i>Subtotal - Sub-Block 2Y</i>			<u>N/A</u>	50,000	-	<u>\$0</u>
<b>TOTAL</b>			<b>266</b>	<b>555,487</b>		<b>\$3,175,113</b>

Sources: Goodwin Consulting Group, Inc.

<sup>(1)</sup> Based on the expected land uses at buildout as of August 1, 2020 per the TICD Developer.

<sup>(2)</sup> The five planned single family detached homes are expected during the last phases of construction of Improvement Area No. 1; no special tax capacity is currently estimated since planned square footage is not known at this time.

<sup>(3)</sup> Sub-Block 2Y is a Public Trust property owned by TIDA, and is exempt from Special Taxes until it is subject to an LDDA (as defined in the Rate and Method) with a term of twenty years or it is developed within a Hotel Project (as defined in the Rate and Method). Therefore, Sub-Block 2Y is not Expected Taxable Property and no Expected Maximum Special Tax Revenues can be expected from the parcel unless and until TIDA enters an LDDA with a vertical developer or Sub-Block 2Y is developed with a Hotel Project.

<sup>(4)</sup> Base Facilities Special Tax rates in table are rounded. Expected Maximum Special Tax Revenues calculated based on unrounded Base Facilities Special Tax rates.

## Property Values

**Assessed Value.** The aggregate assessed value of the Taxable Parcels within Improvement Area No. 1, as shown on the tax roll for Fiscal Year 2020-21, is \$102,085,597. The sale prices of the Taxable Parcels on which the Assessed Value is based were established through the sale of such Parcels between entities related to members of TICD, and, as a result, such sales prices, and consequently the assessed value, may not be reflective of an arms-length market transaction with adequate market exposures. Accordingly, there can be no assurance that the assessed valuations of the Taxable Parcels with Improvement Area No. 1 accurately reflect market values, which may be higher or lower.

The following table sets forth the Fiscal Year 2020-21 assessed value for the taxable parcels shown.

**Table 8**  
**Improvement Area No. 1 of the**  
**City and County Of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Fiscal Year 2020-21 Assessed Value**

<u>Taxable Parcel</u>	<u>Sub Block</u>	<u>Land Value</u>	<u>Improved Value</u>	<u>Total Value</u>
8948 -001	1Y	\$ 7,649,871	\$ 0	\$7,649,871
8952 -001	3Y	16,029,292	0	16,029,292
8954 -002	4Y	<u>66,932,329</u>	<u>11,474,105</u>	<u>78,406,434</u>
<b>Total</b>		<b>\$90,611,492</b>	<b>\$11,474,105</b>	<b>\$102,085,597</b>

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Sources: San Francisco Assessor's Office; Goodwin Consulting Group, Inc.

**Appraisal Report.** *The following is a summary of certain provisions of the Appraisal Report, which should be read in conjunction with the full text of the Appraisal Report set forth in Appendix G. None of the City, the District or the Underwriter makes any representation as to the accuracy or completeness of the Appraisal Report.*

The Appraisal Report of all Taxable Parcels within Improvement Area No. 1 dated September 28, 2020, was prepared by the Appraiser in connection with the issuance of the 2020 Bonds. The purpose of the Appraisal Report was to estimate the market value, by ownership, and aggregate, or cumulative, value of the fee simple interest in all Taxable Parcels in Improvement Area No. 1 as of July 31, 2020, which is the effective date of the Appraisal Report. The inspection of the Taxable Parcels in Improvement Area No. 1 occurred on July 11, 2020. The values are subject to a hypothetical condition that the proceeds of the 2020 Bonds are available to reimburse for certain of the public improvements in Improvement Area No. 1 that have been completed to date.

The Appraisal Report appraised the value of Sub-Blocks 1Y, 3Y and 4Y. Sub-Block 2Y is owned by TIDA and is subject to the Public Trust. Sub-Block 2Y is not considered a Taxable Parcel. Sub-Block 2Y would be subject to taxation if the Parcel is leased to a third-party such as a hotel developer. In such instance, only the leasehold interest would be taxable. As a result, the Appraiser did not take Sub-Block 2Y into account in determining the aggregate market value of Taxable Parcels in Improvement Area No. 1.

**The Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 115 thereof. See Appendix G.**

**Valuation Method.** The Appraisal determined the market value of the parcels within Improvement Area No. 1 using land residual analysis for the residential land, with comparable bulk sales serving as secondary support, and the sales comparison approach for the land associated with the five home sites, each of which is discussed below.

In land residual analysis, all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product. The net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the land. For those parcels valued using land residual analysis, the Appraiser applied a discount rate of 5.0%, exclusive of developer's incentive (profit).

In the direct sales comparison approach, the Appraiser adjusts the prices of comparable transactions in the region based on differences between the comparable sales and the property subject to the Appraisal Report.

After the market value of the various land use components comprising the property subject to the Appraisal Report was determined, the subdivision development method to value was also employed by the Appraiser in the estimate of Improvement Area No. 1 in bulk, by ownership. The subdivision development method is a form of discounted cash flow analysis in which the expected revenue, absorption period and expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users was utilized. For purposes of the subdivision development method, the Appraiser applied an internal rate of return of 15.0%.

According to the development budget provided by TICD to the Appraiser, total infrastructure costs associated with development of Improvement Area No. 1 are \$164,456,630. Further, according to TICD, the total infrastructure costs directly attributable to Yerba Buena Island are \$130,914,324, the difference representing such infrastructure costs proportionately obligated by future development of Treasure Island. It is noted, however, the Yerba Buena Island costs (\$130,914,324) are attributable to Sub-Blocks 1Y, 2Y, 3Y and 4Y of Improvement Area No. 1; whereas, Sub-Block 2Y, as previously noted, is not a part of the Appraisal. As such, only the proportionate share (as set forth in the Appraisal Report) of infrastructure costs for Yerba Buena Island attributable to the appraised Sub-Blocks 1Y, 3Y and 4Y was considered in the valuation analysis in the Appraisal Report. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership. For purposes of that analysis, the remaining infrastructure development costs associated with the Sub-Blocks 1Y, 3Y and 4Y are estimated to be \$56,560,538 (excluding Sub-Block 2Y's obligation, which is not a part of the appraisal), and is considered by the Appraiser in the discounted cash flow analyses by ownership on a pro rata share as shown in the Appraisal Report. Of the approximate \$90.1 million of remaining infrastructure costs needed for occupancy within Sub-Block 4Y, \$33,509,680 of such costs are allocated to future development of Treasure Island or to Sub-Block 2Y in the discounted cash flow analyses.

**Value Estimate.** Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of July 31, 2020, the aggregate, or cumulative, value of the market values, by ownership, of the fee simple interest in the Taxable Parcels within Improvement Area No. 1 is \$93,570,000. The Appraisal Report is set forth in full in Appendix G.

The value of property within Improvement Area No. 1 is an important factor in determining the investment quality of the 2020 Bonds. If a property owner defaults in the payment of the Special Tax, the District's primary remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The Special Tax is not a personal obligation of the owners of the property. A variety of economic, political and natural occurrences incapable of being accurately predicted can affect property values. See "SPECIAL RISK FACTORS" herein.

#### **Projected Special Tax Levy, Assessed Values and Value to Lien Ratios**

The following table sets forth the projected Special Tax Levy, maximum Special Tax Revenue and a summary of value-to-lien ratios. Pursuant to the Act and the Rate and Method, the principal amount of the 2020 Bonds is not allocable among the parcels in Improvement Area No. 1 based on the value of the parcels. A downturn of the economy or other market factors may depress assessed values and hence the value-to-lien ratios. See "SPECIAL RISK FACTORS – Value to Lien Ratios" herein.

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**Table 9**  
**Improvement Area No. 1 of the**  
**City and County Of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**

**Fiscal Year 2020-21 Special Tax Levy, Maximum Special Tax Revenue and Summary of Value-to-Lien Ratios**  
**(Development Status as of June 30, 2020)**

<u>Development Status<sup>(1)</sup></u>	<u>Taxable Parcels</u>	<u>Expected Residential Units<sup>(2)</sup></u>	<u>Square Footage<sup>(2)</sup></u>	<u>Appraised Value</u>	<u>Special Tax Levy</u>			<u>Maximum Special Tax Revenues</u>		
					<u>FY 2020-21 Special Tax Levy<sup>(1)</sup></u>	<u>Allocated Bond Debt<sup>(3)</sup></u>	<u>Average Value-to- Lien<sup>(3)</sup></u>	<u>FY 2020-21 Maximum Special Tax Revenue</u>	<u>Allocated Bond Debt<sup>(4)</sup></u>	<u>Average Value-to- Lien<sup>(4)</sup></u>
<u>Mixed Property<sup>(5)</sup></u>										
Sub-Block 4Y										
Developed Property <sup>(6)</sup>	--	110	128,157	--	\$850,361	\$17,135,000	--	\$850,361	\$4,589,110	--
Vertical DDA Property <sup>(7)</sup>	--	53	136,000	--	0	0	--	868,847	4,688,869	--
<b>Total</b>	<b>1</b>	<b>163</b>	<b>264,157</b>	<b>\$44,380,000</b>	<b>\$850,361</b>	<b>\$17,135,000</b>	<b>2.59</b>	<b>\$1,719,208</b>	<b>\$9,277,979</b>	<b>4.78</b>
<u>Undeveloped Property</u>										
Sub-Block 1Y	1	73	189,890	\$43,410,000	\$0	\$0	--	\$1,229,114	\$6,633,107	6.54
Sub-Block 3Y	1	11	36,000	5,780,000	0	0	--	226,791	1,223,915	4.72
<b>Total</b>	<b>2</b>	<b>84</b>	<b>225,890</b>	<b>\$49,190,000</b>	<b>\$0</b>	<b>\$0</b>	<b>--</b>	<b>\$1,455,905</b>	<b>\$7,857,021</b>	<b>6.26</b>
<b>TOTAL</b>	<b>3</b>	<b>247</b>	<b>490,047</b>	<b>\$93,570,000</b>	<b>\$850,361</b>	<b>\$17,135,000</b>	<b>5.46</b>	<b>\$3,175,113</b>	<b>\$17,135,000</b>	<b>5.46</b>
<u>Future Development - Not Currently Subject to the Special Tax</u>										
Sub-Block 1Y <sup>(8)</sup>	--	5	TBD	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Sub-Block 2Y <sup>(9)</sup>	1	N/A	50,000	N/A	0	0	N/A	\$0	\$0	N/A
<b>Total</b>	<b>1</b>	<b>5</b>	<b>50,000</b>	<b>N/A</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>	<b>\$0</b>	<b>\$0</b>	<b>N/A</b>
<b>Total Including Future Development</b>		<b>252</b>	<b>540,047</b>					<b>\$3,175,113</b>		

Sources: Integra Realty Resources; Goodwin Consulting Group, Inc.  
Footnotes on next page.

*Footnotes continued from pervious page.*

- (1) Based on building permits issued prior to June 30, 2020.
- (2) Does not include the 14 inclusionary units in the 124 unit podium building under construction, known as the Bristol. Pursuant to the Rate and Method, inclusionary units are not subject to the special tax.
- (3) Allocated based on the fiscal year 2020-21 Special Tax Levy.
- (4) Allocated based on the fiscal year 2020-21 Maximum Special Tax Revenue.
- (5) Pursuant to Section B of the Rate and Method, if a building permit has been issued for development of a structure, and additional structures are anticipated to be built within the Sub-Block as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth in the Rate and Method, categorize the building(s) for which the building permit was issued as Developed Property and any remaining buildings for which building permits have not yet been issued as Vertical DDA Property for purposes of levying the Special Tax.
- (6) Includes all of the market rate units in the 124 unit podium building currently under construction, known as the Bristol.
- (7) Planned for 37 townhomes, 2 flats, and 14 stacked flats as part of the larger project known as the Residences.
- (8) Includes the five planned single family detached homes which are expected during the last phases of construction of Improvement Area No. 1; no special tax capacity is included since planned square footage isn't known at this time. Appraised value of the five planned single-family lots is included in the value for Sub-Block 1Y above.
- (9) Sub-Block 2Y is a Public Trust property owned by TIDA, and is exempt from Special Taxes until it is subject to an LDDA (as defined in the Rate and Method) with a term of twenty years or it is developed within a Hotel Project (as defined in the Rate and Method). Therefore, Sub-Block 2Y is not Expected Taxable Property and no Expected Maximum Special Tax Revenues can be expected from the parcel unless and until TIDA enters an LDDA with a vertical developer or Sub-Block 2Y is developed with a Hotel Project.

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## Estimated Effective Tax Rate

The following table sets forth an illustrative Fiscal Year 2019-20 tax bill for a Taxable Parcel in Improvement Area No. 1.

**Table 10**  
**Improvement Area No. 1 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Fiscal Year 2019-20 Illustrative Tax Bill**

<u>Assumptions</u>		<u>Low Rise Unit (Bristol)</u>	<u>YBI_Townhome (Residences)</u>
Estimated Base Value <sup>(1)</sup>		\$1,700,000	\$4,250,000
Homeowner's Exemption		(\$7,000)	(\$7,000)
<b>Net Expected Assessed Value</b>		<b>\$1,693,000</b>	<b>\$4,243,000</b>
 <u>Ad Valorem tax Rate<sup>(2)</sup></u>			
Base Tax Rate	1.0000%	\$16,930	\$42,430
Other Ad Valorem Property Taxes	0.1801%	\$3,049	\$7,642
<b>Total Ad Valorem Taxes</b>	<b>1.1801%</b>	<b>\$19,979</b>	<b>\$50,072</b>
 <u>Direct Charges</u>			
SF Bay RS Parcel Tax		\$12	\$12
SFCCD Parcel Tax		\$99	\$99
IA Treasure Island CFD No. 2016-1 <sup>(3)</sup>		\$7,644	\$17,726
<b>Total Direct Charges</b>		<b>\$7,755</b>	<b>\$17,837</b>
 <b>Total Taxes and Direct Charges</b>		<b>\$27,734</b>	<b>\$67,908</b>
<b>Percentage of Estimated Base Value</b>		<b>1.63%</b>	<b>1.60%</b>

Sources: Integra Realty Resources; San Francisco Tax Collector's Office; Goodwin Consulting Group, Inc.

(1) Based on the appraisal report.

(2) Based on the fiscal year 2019-20 ad valorem tax rates. Ad valorem tax rates are subject to change in future years.

(3) Reflects the fiscal year 2019-20 maximum special tax.

## Delinquency History

Under the provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2020 Bonds are derived, will be billed to Property Owners on their regular property tax bills. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot generally be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See the caption "SPECIAL RISK FACTORS – Tax Delinquencies."

Special Taxes were levied for the first time in Fiscal Year 2019-20. There were no delinquencies with respect to the payment of the first installment of Special Taxes. Because the County's Teeter Plan is not available for the Special Taxes, collections of the Special Taxes will reflect actual deficiencies. Neither

the City, the Underwriter nor the District can predict the willingness or ability of the Property Owners to pay the Special Taxes.

See the caption “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” for a discussion of the provisions that apply, and procedures that the District is obligated to follow, in the event of delinquency in the payment of Special Tax installments.

## Direct and Overlapping Debt

The following table details the direct and overlapping debt currently encumbering property within Improvement Area No. 1.

**Table 11**  
**Improvement Area No. 1 of the**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Direct and Overlapping Debt**

2020-21 Assessed Valuation: \$102,085,597 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/20</u>
Bay Area Rapid Transit District General Obligation Bonds	0.012%	\$ 233,626
San Francisco City and County General Obligation Bonds	0.034	731,842
San Francisco Unified School District General Obligation Bonds	0.034	371,562
San Francisco Community College District General Obligation Bonds	0.034	67,305
<b>City of San Francisco Community Facilities District No. 2016-1, IA 1</b>	<b>100.</b>	<b><u>0<sup>(1)</sup></u></b>
 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		 \$1,404,335
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Francisco City and County General Fund Obligations	0.034%	\$ <u>505,976</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$505,976
 GROSS COMBINED TOTAL DEBT		 \$1,910,311 <sup>(2)</sup>

(1) Excludes 2020 Bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

<b>Direct Debt (\$0).....</b>	<b>0.00%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	1.38%
Combined Total Debt .....	1.87%

Source: California Municipal Statistics, Inc.

## SPECIAL RISK FACTORS

*The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2020 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the 2020 Bonds, or could otherwise affect the market price and liquidity of the 2020 Bonds in the secondary market. In addition, the occurrence of one or more*

*of the events discussed herein could adversely affect the value of the property in Improvement Area No. 1 or the City's ability to recover delinquent Special Taxes in foreclosure proceedings.*

### **Risks of Real Estate Secured Investments Generally**

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local real estate market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies and (iii) natural disasters (including, without limitation, earthquakes, subsidence, floods and fires), which could result in uninsured losses, or natural disasters elsewhere in the state, country or other parts of the world affecting supply of building materials that may cause delays in construction. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 1 to pay their Special Taxes when due. See "THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy" herein.

### **COVID-19 Pandemic**

On February 11, 2020, the World Health Organization announced the official name for the outbreak of a new disease, COVID-19, caused by a strain of novel coronavirus, an upper respiratory tract illness which has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the President of the United States, the Governor of the State of California and the Mayor of the City.

To date there have been over 11,000 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to continue grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. On June 9, 2020, the National Bureau of Economic Research determined that the United States had entered into a recession during the prior months. The COVID-19 pandemic has disrupted the regional and local economy with widespread business closures and significantly higher levels of unemployment.

In addition, stock markets in the United States and globally experienced sharp declines in market value following the onset of the COVID-19 emergency and, although market values have rebounded, increased volatility in the financial markets continues. It is widely expected that global, national and local economies will continue to be negatively affected by the COVID-19 pandemic, at least for some period of time.

All counties in the Bay Area (including the City) announced shelter-in-place ("Shelter-in-Place") emergency orders, which direct individuals to stay home, except for certain limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place order. The Governor of the State announced a similar Shelter-in-Place emergency order effective for the entire State. The State and various counties have allowed limited reopening of retail establishments, at times under limitations such as only providing outdoor or curbside service, based on local performance against public health indicators.

On May 28, 2020, Mayor Breed released a multi-stage reopening plan for the City. The reopening plan outlined anticipated stages for businesses and activities to resume operations in San Francisco dependent on key health indicators. A June 11, 2020 update to the City's Shelter-in-Place order provided guidance for new allowable business operations including outdoor dining, in-store retail, and non-essential office work. Further reopenings proposed for June 29, 2020 and July 13, 2020 were paused due to an increase in local COVID-19 cases. On July 17, 2020, the same day San Francisco was placed on the State of California's county watch list, Mayor Breed and Dr. Grant Colfax announced that the City's schedule for reopening would remain on pause to slow the spread of COVID-19.

On August 28, 2020 the State adopted a new, color coded, four-tiered framework to guide reopening statewide. Counties can be more restrictive than this State framework. Beginning on August 31, 2020, the City has been designated to be in the red tier (the second most restrictive tier). Most of the surrounding Bay Area counties have been designated the purple tier (the most restrictive tier).

On September 29, 2020, based on the City moving into the less-restrictive orange tier, the City announced it will move forward on reopening indoor restaurants and places of worship, and other activities including plans for outdoor family entertainment, playgrounds and indoor movie theaters. Future updates to the City's Order are uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.

The impact of COVID-19 and the Health Orders is likely to evolve over time, which could adversely impact the development within Improvement Area No. 1 and the Treasure Island Project as a whole, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce contracts COVID-19; (iv) continued extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession and (vii) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus to counteract the economic impact of the pandemic.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Also uncertain are the actions that may be taken by Federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the operations and finances of the City, Improvement Area No. 1, TI Series 1 or the Merchant Builders is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City, the District, TI Series 1 or the Merchant Builders.

The 2020 Bonds are limited obligations of the City, secured by and payable solely from Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 on the City's finances is for informational purposes only. The City has no obligation to pay debt service on the 2020 Bonds from any sources other Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the City, the Underwriter, TI Series 1 nor the Merchant Builders can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will not have material adverse effect on the ability to develop the Treasure Island Project, including Improvement Area No. 1, as planned and described herein, or the availability of Special Taxes from Improvement Area No. 1 in an amount sufficient to pay debt service on the 2020 Bonds. See "SECURITY

FOR THE BONDS – Limited Obligation” and “THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy” herein.

### **Parity Taxes and Special Assessments**

The Special Taxes and any penalties thereon will constitute a lien against the parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. But see “---Property Controlled by FDIC and other Federal Agencies” below. The City, however, has no control over the ability of other agencies to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 may, without the consent or knowledge of the City, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. See “IMPROVEMENT AREA NO. 1 – Direct and Overlapping Debt.”

### **Value to Lien Ratios**

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property as measured by assessed values or appraised values and the denominator of which is the “lien” of the assessments or special taxes. A value to lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Land values are sensitive to economic cycles. Assessed values may not reflect the current market value of property. A downturn of the economy or other market factors may depress land values and lower the value-to-lien ratios. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the property value is less than its allocable share of debt.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances. Debt issuance by another entity could dilute value to lien ratios.

### **Billing of Special Taxes**

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn, along with various other factors, can lead to problems in the collection of the special tax. In some community facilities districts, taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by a community facilities district.

Under provisions of the Act, the Special Taxes are levied on Taxable Parcels within Improvement Area No. 1 that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also



indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

### **Collection of Special Taxes**

The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the 2020 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. If such foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2020 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale would be sold or, if sold, that the proceeds of such sale would be sufficient to pay any delinquent Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.”

### **Maximum Special Tax Rates**

Within the limits of the Rate and Method, the City may adjust the Special Taxes levied on all property within Improvement Area No. 1 to provide the amount required each year to pay annual debt service on the 2020 Bonds and to replenish the 2020 Reserve Fund to an amount equal to the 2020 Reserve Requirement, but not more than a 10% increase on property used for private residential purposes above the amount that would have been levied in that Fiscal Year had there never been any delinquencies or defaults. However, the amount of Special Taxes that may be levied against particular categories of property is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for property in Improvement Area No. 1 would be sufficient to meet debt service obligations on the 2020 Bonds. The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the 2020 Bonds. See “SECURITY FOR THE BONDS –Special Tax Fund” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

### **Insufficiency of Special Taxes**

Under the Rate and Method, the annual amount of Special Tax to be levied on each Taxable Parcel in Improvement Area No. 1 will be based primarily on the land use category and square footage. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes.” The Act provides that, if any property within Improvement Area No. 1 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. *Moreover, if a substantial portion of land within Improvement Area No. 1 became exempt from the Special Tax because of public ownership, or otherwise,*



*the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2020 Bonds when due and a default could occur with respect to the payment of such principal and interest. The 2020 Bonds are payable only from the levy of Special Taxes, and no funds of the City or its taxing power is pledged to the repayment of the 2020 Bonds.*

### **Tax Delinquencies**

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2020 Bonds are derived, will be billed to the properties within Improvement Area No. 1 on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable consistent with, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – 2020 Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

Because the Teeter Plan is not available for Improvement Area No. 1, collections of Special Taxes will reflect actual delinquencies.

### **Exempt Properties**

The Act provides that properties or entities of the State, federal or local government are exempt from the Special Taxes; provided, however, the property within Improvement Area No. 1 acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes. The Act further provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with respect to that property is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested. In particular, insofar as the Act requires payment of the Special Taxes by a federal entity acquiring property within Improvement Area No. 1, it may be unconstitutional.

### **Concentration of Property Ownership**

Failure of any significant owner of taxable property in Improvement Area No. 1 to pay the annual Special Taxes when due could result in the rapid, total depletion of the 2020 Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2020 Bonds. Development of property in Improvement Area No. 1 may not occur as currently proposed or at all. Improvement Area No. 1 has a significant concentration of ownership. As of June 1, 2020, of the 4 Sub-Blocks in Improvement Area No. 1 that are subject to the Special Tax, one is owned by TI Series 1, and three are owned by the Merchant Builders. See “IMPROVEMENT AREA NO. 1” for information regarding property ownership and the status of development in Improvement Area No. 1.

None of the property owners is obligated in any manner to continue to own, or to develop, any of such property. The Special Taxes are not a personal obligation of the owners of the property on which such Special Taxes are levied, and no assurances can be given that the property owners within Improvement Area No. 1 will be financially able to pay the Special Taxes levied on such property or that they will choose to pay even if financially able to do so. Such risk is greater and its consequence more severe when ownership is concentrated and may be expected to decrease when ownership is diversified.

### **Failure to Develop Properties**

As of June 1, 2020, 124 of the 266 residential units are under construction. Unimproved or partially improved land is inherently less valuable than land with improvements on it, especially if there are restrictions on development, and provides less security to the Owners should it be necessary for the City to foreclose on the property due to the nonpayment of Special Taxes. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or to satisfy such governmental requirements could adversely affect planned land development. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within Improvement Area No. 1, will be enacted, and a risk that future voter approved land use initiatives could add more restrictions and requirements on development within Improvement Area No. 1.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within Improvement Area No. 1 will not be adversely affected by a deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, the national economy, or natural disasters that impact ferry or automobile access to Improvement Area No. 1.

The Merchant Builders may need continued financing to complete the development of the property within Improvement Area No. 1. No assurance can be given that the required funding will be secured or that the proposed development will be partially or fully completed, and it is possible that cost overruns will be incurred that will require additional funding beyond what the Merchant Builders have projected, which may or may not be available. See the caption "IMPROVEMENT AREA NO. 1—Merchant Builder Development and Financing" for a discussion of the Merchant Builders' estimated sources of funding for the completion of the construction of certain of the projects in Improvement Area No. 1.

### **Disclosure to Future Property Owners**

Pursuant to Section 53328.3 of the Act, the City has recorded a Notice of Special Tax Lien. The sellers of property within Improvement Area No. 1 are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller's notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property or the lending of money thereon. Failure to disclose the existence of the Special Taxes could affect the willingness and ability of future owners of land within Improvement Area No. 1 to pay the Special Taxes when due.

## **Potential Early Redemption of Bonds from Special Tax Prepayments**

In the event that property within Improvement Area No. 1 is purchased by a public entity, the Fiscal Agent Agreement permits such public entity to prepay the Special Taxes relating to such purchased property. Such payments will result in a mandatory redemption of 2020 Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of such Special Tax Prepayment. The resulting redemption of 2020 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2020 Bonds. See “THE 2020 BONDS – Redemption – Redemption from Special Tax Prepayments” herein.

## **Future Indebtedness**

The cost of any additional improvements may well increase the public and private debt for which the land in Improvement Area No. 1 provides security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the land in Improvement Area No. 1. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Special Taxes. The City is authorized to issue on behalf of the District for the benefit of Improvement Area No. 1 bonded indebtedness, including the 2020 Bonds, in an aggregate amount not to exceed \$250 million. See “IMPROVEMENT AREA NO. 1 – Financing for Improvement Area No. 1.”

## **Natural Disasters and Other Events**

Natural or man-made disasters, such as flood, wildfire, tsunamis, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City generally and/or specifically in Improvement Area No. 1. Economic and market forces, such as a downturn in the Bay Area’s economy generally, and transportation congestion patterns that impact ferry or automobile access to Improvement Area No. 1, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. Such events could also damage critical City infrastructure, including without limitation bridge and ferry access to Improvement Area No. 1. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the “Rim Fire”), which area included portions of the City’s Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O’Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco’s drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting in numerous deaths and over \$16 billion in property damage) and Kincadee Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres). Spurred

by findings that these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shut offs during periods of extreme fire danger (i.e., high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In 2019 the City experienced several black out days as a result of PG&E's wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

In August and September of 2020, California has experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result of changing weather patterns due to climate change.

As a result of the occurrence of events like those described in the preceding paragraphs, a substantial portion of the property owners in Improvement Area No. 1 may be unable or unwilling to pay the Special Taxes when due, and the 2020 Reserve Fund for the 2020 Bonds may become depleted. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

## **Seismic Risks**

**General.** The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Seismic events may cause damage, or temporary or permanent loss of occupancy to buildings in Improvement Area No. 1, as well as to transportation infrastructure that serves Improvement Area No. 1. These faults include the San Andreas Fault, which passes about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Historical seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City and the only automobile access to Improvement Area No. 1, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

**California Earthquake Probabilities Survey.** In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2042. Such earthquakes may be very destructive. In addition to the potential damage to buildings subject to the Special Tax, due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values, including in Improvement Area No. 1.

**Earthquake Safety Implementation Plan ("ESIP").** ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety ("CAPSS"), a 10-year-long study evaluating the seismic vulnerabilities San Francisco faces. The CAPSS Study prepared by the Applied

Technology Council looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, San Francisco has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2020. Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

***Risk of Tsunami.*** The California Geological Survey ("CGS"), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern California, has produced statewide tsunami inundation maps. CGS has identified portions of Yerba Buena Island and all of Treasure Island as being located in the San Francisco Tsunami Inundation Zone. Also, the ferry terminal is in the tsunami inundation zone. Improvement Area No. 1 is beyond the tsunami inundation line and is not within a tsunami inundation zone.

### **Risk of Sea Level Changes and Flooding**

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The Fourth National Climate Assessment, published by the U.S. Global Change Research Program in November 2018 ("NCA4"), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like San Francisco are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, Public Utilities Commission and other public agencies in moving several initiatives forward. This includes a



Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the city and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resources Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into Capital Planning. The Guidance requires that City projects over \$5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the 2020 Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which is pending. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.



With respect to the Treasure Island Project, the Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island. However, the City can provide no assurances that the Special Taxes levied in Improvement Area No. 1 and in other improvement areas (if any) in the District will be available to fund such reserves or whether such reserves would be sufficient to protect the Islands from sea level rise. For additional information regarding the establishment of the capital reserves for the Treasure Island Project, see “RATE AND METHOD” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The City is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City, the local economy or, in particular, the Taxable Parcels in Improvement Area No. 1 subject to the Special Tax and the ability of a property owner in Improvement Area No. 1 to pay the Special Tax levy.

### **Hazardous Substances**

A serious risk in terms of the potential reduction in the value of a parcel within Improvement Area No. 1 would be the discovery of a hazardous substance. In general, the owners and operators of a parcel within Improvement Area No. 1 may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within Improvement Area No. 1 be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a parcel within Improvement Area No. 1 that is realizable upon a delinquency.

The City is aware of a Complaint relating to environmental conditions with respect to the Treasure Island Project. However, apparently none of the parcels at issue in the Complaint are located in Improvement Area No. 1. For a description of the Complaint, see “- Treasure Island Related Complaint” below.

### **Bankruptcy and Foreclosure**

The payment of property owners’ taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE BONDS – Covenant for Superior Court

Foreclosure.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of a property owner (or a property owner’s partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2020 Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy.*

### **Property Controlled by FDIC and Other Federal Agencies**

The City’s ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the FDIC or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2020 Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with

sound business practice amid the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not ad valorem taxes and therefore not payable by the FDIC, and seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Act that the federal government is exempt from special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2020 Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the 2020 Reserve Fund and perhaps, ultimately, a default in payment of the 2020 Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2020 Bonds are outstanding.

### **California Constitution Article XIII C and Article XIII D**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which articles contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. According to the "Official Title and Summary" of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the "authority of local governments to impose taxes and property-related assessments, fees and charges." On July 1, 1997 California State Senate Bill 919 ("SB 919") was signed into law. SB 919 enacted the "Proposition 218 Omnibus Implementation Act," which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIII C and XIII D.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the City under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The City has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIII A. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2020 Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2020 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2020 Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218's balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

### **Validity of Landowner Elections**

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the "Court"), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego. The CCFD is a financing district established under San Diego's charter and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the San Diego Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located, thus, the election was an election limited to landowners and lessees of properties on which the special tax would be levied, and was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. In addition, Section 53326(b) of the Act provides that if there are fewer than 12 registered voters in the district, the landowners shall vote.

The Court held that the CCFD special tax election did not comply with applicable requirements of Proposition 13, which added Article XIII A to the California Constitution (which states “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district”) and Proposition 218, which added Article XIII C and XIII D to the California Constitution (Section 2 of Article XIII C provides “No local government may impose, extend or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote”), or with applicable provisions of San Diego’s Charter, because the electors in such an election were not the registered voters residing within such district.

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego’s argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State’s constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of Improvement Area No. 1, there were no registered voters within Improvement Area No. 1 at the time of the election to authorize the Special Tax within Improvement Area No. 1.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for Improvement Area No. 1 pursuant to the requirements of the Act on January 24, 2017. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

### **Treasure Island Related Complaint**

On January 23, 2020, a complaint (“Complaint”) was filed by certain former and current residents of Treasure Island (i.e., a purported class of individuals who have been living, working, attending school or had substantial contact with Treasure Island from 2006 to the present) (collectively, the “Plaintiffs”) in the Superior Court of the State of California, County of San Francisco (Case No. 20-cv-01328-JD), against TIDA (“Defendant 1”), Treasure Island Homeless Development Initiative (“Defendant 2”), Shaw Environmental (“Defendant 3”), U.S. Navy Treasure Island Clean Up Director Jim Sullivan, in his individual capacity (“Defendant 4”), U.S. Navy Treasure Island Clean Up Lead Project Manager David



Clark, in his individual capacity (“Defendant 5”), U.S. Navy Representative Keith Forman, in his individual capacity (“Defendant 6”), Tetra Tech EC, Inc. (“Defendant 7”), Dan L. Batrack, in his individual and official capacity (“Defendant 8”), State Department of Toxic Substances Control (“Defendant 9”), San Francisco Department of Public Health (“Defendant 10”), Lennar Inc. (“Defendant 11”), Five Point Holdings, LLC (“Defendant 12”), John Stewart Company (“Defendant 13”) and Does 1-100 inclusive (“Defendant 14” and, together with Defendants 1 through 13, the “Defendants”). On February 21, 2020, the U.S. Navy Defendants (Defendants, 4, 5, and 6) removed the case to the United States District Court for the Northern District of California.

The Complaint generally alleged that Treasure Island was contaminated with certain radioactive and chemical contaminants at levels higher than were disclosed to the public by the U.S. Navy. The Complaint further alleged that the Defendants had knowledge of the alleged elevated contaminant levels on Treasure Island and failed to disclose such information to the Plaintiffs.

The Complaint seeks the following relief: (1) a preliminary injunction, requiring the Defendants to take “anticipatory action” to prevent harm and, through exploration of current toxicity and careful analysis of courses of action in order, to present the least threat to residents to Treasure Island, as well as conduct an immediate health and safety assessment for residents, workers and students on Treasure Island; (2) a permanent injunction (available only if Plaintiffs prevail on the merits), requiring Defendants stop all development, construction, building, digging, erecting, disturbing the soil, dirt, earth, buildings, structures, pipes and all activity at Treasure Island until independent verified reports can be obtained showing complete and total remediation of all toxic substances, including all radioactive materials from Treasure Island; (4) monetary damages in the amount of \$2 billion; (5) costs incurred bringing the action and (6) such other relief as the Court deems proper, including payment for immediate early-detection medical screenings for Plaintiffs. TIDA (Defendant 1) is only named in the Complaint in connection with the seventh (“civil conspiracy”) and the eighth (injunctive relief) causes of action. The entity identified as Lennar, Inc. (Defendant 11) is named in connection with each of the eight causes of action.

On August 4, 2020, the court in response to various motions to dismiss by defendants entered an order granting Plaintiffs leave to amend their Complaint indicating, “The amended complaint also does not say anything about the point in time at which defendants might have had a duty to disclose this information [relating to levels of radiation on Treasure Island] to plaintiffs, in what context, and why, or how defendants failed. In short, plaintiffs’ current allegations are so vague and perfunctory that they give defendants ‘little idea where to begin’ in preparing a response to the complaint.” . . . “Plaintiffs are advised to focus and clarify their allegations and claims, and ensure that they state factual allegations against each named defendant. Otherwise, they are likely to face further, and potentially fatal, plausibility problems.”

On September 9, 2020, the Plaintiffs filed an amended Complaint, but the amendment did not make any material changes to the allegations set forth in the original Complaint. The City, the U.S. Department of Justice, One Treasurer Island, John Stewart Company, Five Point Holdings, LLC and Lennar Inc. have each filed motions to dismiss on the basis that Plaintiffs failed to follow the court’s instructions with respect to amending the Complaint. The hearing on the motion to dismiss is scheduled for November 5, 2020. While the City and TIDA believe the court will grant its motion to dismiss, if the matter proceeds to trial the City and TIDA believe that there are strong defenses available against each alleged cause of action relating to the City and TIDA, which they intend to diligently pursue.

The parcels at issue in the Complaint are located on Treasure Island. However, apparently none of the parcels at issue in the Complaint are located in Improvement Area No. 1. Certain utility infrastructure that will service parcels located in Improvement Area No. 1 is being constructed on Treasure Island. If injunctive relief is granted and development on Treasure Island is delayed or prohibited, the delivery of utility services to the parcels located in Improvement Area No. 1 may be delayed until alternative utility



infrastructure is put into place or the injunction is lifted. Further, if development on Treasure Island is enjoined, the delivery of certain elements of the overall Treasure Island Project may be delayed. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2020 Bonds.

The City and TIDA can give no assurance regarding the outcome of this litigation, and if the Plaintiffs succeeded in their lawsuit it could have an adverse impact on the TIDA development and the levy of Special Taxes in the District.

### **Ballot Initiatives and Legislative Measures**

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

### **No Acceleration**

The 2020 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2020 Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2020 Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within Improvement Area No. 1. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" hereto.

### **Limitations on Remedies**

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2020 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2020 Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2020 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the City on behalf of the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of

serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure.”

### **Limited Secondary Market**

As stated herein, investment in the 2020 Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand and appreciate the risk of such investments should consider an investment in the 2020 Bonds. The 2020 Bonds have not been rated by any national rating agency, and the City has not undertaken to obtain a rating. See “NO RATING” herein. There can be no guarantee that there will be a secondary market for purchase or sale of the 2020 Bonds or, if a secondary market exists, that the 2020 Bonds can or could be sold for any particular price.

## **CONTINUING DISCLOSURE**

### **City**

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2020 Bonds (the “City Disclosure Certificate”), the City has covenanted for the benefit of owners of the 2020 Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. Each Annual Report is to be filed not later than nine months after the end of the City’s fiscal year (which date shall be June 30 of each year), commencing with the report for the 2019-20 Fiscal Year (which is due not later than March 31, 2021). The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E-1 – “FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made by the City, on behalf of the District, in order to assist the Underwriters in complying with the Rule.

On March 6, 2018, Moody’s Investors Service, Inc. (“Moody’s”) upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to “Aa1” from “Aa2.” The City timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

### **TI Series 1**

TI Series 1 is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the Bonds (the “TI Series 1 Disclosure Certificate”), TI Series 1 has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) certain information concerning TI Series 1, the infrastructure development of the property in Improvement Area No. 1, and the parcels that it owns within Improvement Area No. 1 (the “TI Series 1 Semiannual Report”); and (b) notice of certain enumerated events. Each TI Series 1 Semiannual Report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2021.

The obligations of TI Series 1 under the TI Series 1 Disclosure Certificate will terminate at any time TI Series 1 no longer owns any property in Improvement Area No. 1 and the Total Estimated Project Costs in Table 3 is at least 90% complete.

The proposed form of the TI Series 1 Disclosure Certificate is set forth in Appendix E-2.

This is the first continuing disclosure undertaking for TI Series 1.

### **Merchant Builders**

YBI Phase Parent Company, as the parent company for each of the Merchant Builders and the parent company of any future owner of Sub-Block 1Y, is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the Bonds (the “Merchant Builder Disclosure Certificate”), YBI Phase Parent Company has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) certain information concerning the Merchant Builders and the parcels that they own within Improvement Area No. 1 (the “Merchant Builder Semiannual Report”); and (b) notice of certain enumerated events. Each Merchant Builder Semiannual Report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2021.

The obligations of YBI Phase Parent Company under the Merchant Builder Disclosure Certificate will terminate upon the earlier of (i) the date that YBI Phase 1 Investors, LLC has sold and closed 100 of the 124 Bristol units to homebuyers or (ii) the date that the Merchant Builders collectively own property that is responsible for less than 20% of the special tax levy for Improvement Area No. 1.

The proposed form of the Merchant Builder Disclosure Certificate is set forth in Appendix E-3.

To the actual knowledge of the authorized representative of the YBI Phase Parent Company signing a certificate, the YBI Phase Parent Company has fully complied with prior continuing disclosure undertakings in California in the last five years.

### **TAX MATTERS**

***Federal Tax Status.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2020 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Tax Code”) that must be satisfied subsequent to the issuance of the 2020 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2020 Bonds.

***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public at which a 2020 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2020 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue

discount accrues over the term to maturity of the 2020 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2020 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2020 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2020 Bonds who purchase the 2020 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2020 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2020 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2020 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 2020 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2020 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2020 Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2020 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2020 Bonds.

***California Tax Status.*** In the further opinion of Bond Counsel, interest on the 2020 Bonds is exempt from California personal income taxes.

***Other Tax Considerations.*** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2020 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2020 Bonds, or as to the consequences of owning or receiving interest on the 2020 Bonds, as of any future date. Prospective purchasers of the 2020 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2020 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2020 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2020 Bonds, the ownership, sale or disposition of the 2020 Bonds, or the amount, accrual or receipt of interest on the 2020 Bonds.

***Form of Opinion.*** The form of opinion of Bond Counsel is set forth as Appendix D hereto.

## **UNDERWRITING**

Stifel, Nicolaus & Co. Incorporated and Backstrom McCarley Berry & Co., LLC (together, the “Underwriters”) purchased the 2020 Bonds at a purchase price of \$17,830,943.65, representing the principal amount of the 2020 Bonds less an Underwriters’ discount of \$257,025.00 and plus original issue premium of \$952,968.65. The Underwriters intend to offer the 2020 Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2020 Bonds to the public. The Underwriters may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

## **LEGAL OPINION AND OTHER LEGAL MATTERS**

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2020 Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2020 Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2020 Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2020 Bonds.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, and Norton Rose Fulbright US LLP, as Disclosure Counsel, is contingent on the issuance of the 2020 Bonds.

Norton Rose Fulbright (US) LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2020 Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriters to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein, no facts have come to the attention of the personnel with Norton Rose Fulbright (US) LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2020 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addressee of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel.

## **NO LITIGATION REGARDING THE SPECIAL TAXES OR 2020 BONDS**

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2020 Bonds will be furnished to the Underwriters at the time of the original delivery of the 2020 Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Special Taxes or to issue the 2020 Bonds.

The City is aware of a Complaint relating to Treasure Island. See “SPECIAL RISK FACTORS - Treasure Island Related Complaint” for a description thereof.

## **NO RATING**

The City has not made, and does not intend to make, any application to any rating agency for the assignment of a rating on the 2020 Bonds. Ratings are obtained as a matter of convenience for prospective investors, and the assignment of a rating is based upon the independent investigations, studies, and assumptions of rating agencies. The determination by the City not to obtain a rating does not, directly or indirectly, express any view by the City of the credit quality of the 2020 Bonds. The lack of a bond rating could impact the market price or liquidity for the 2020 Bonds in the secondary market. See “SPECIAL RISK FACTORS - Limited Secondary Market.”

## **MUNICIPAL ADVISORS**

The City has retained CSG Advisors Incorporated and Public Financial Management, Inc., as Municipal Advisors in connection with the issuance of the 2020 Bonds. The Municipal Advisors have assisted in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2020 Bonds. The Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisors are each an independent financial advisory firm and are not engaged in the business of underwriting, trading or distributing the 2020 Bonds.

Compensation paid to the Municipal Advisors is contingent upon the successful issuance of the 2020 Bonds.

## **MISCELLANEOUS**

All of the preceding summaries of the Fiscal Agent Agreement, other applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete documents of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2020 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.



The execution and delivery of this Official Statement has been authorized by the Board of Supervisors.

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Anna Van Degna  
Director of the Office of Public Finance

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## **APPENDIX A**

### **ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY AND COUNTY OF SAN FRANCISCO**

*The following economic and demographic data for the City and County of San Francisco (the “City”) is presented for informational purposes only. Repayment of the Bonds is not a General Fund obligation of the City. Investors must review the entire Official Statement for a description of the security for and payment of the Bonds.*

#### **General**

The City was established in 1850 and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City’s legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. Key public services provided by the City include public safety and protection, public transportation, water and sewer, parks and recreation, public health, social services and land-use and planning regulation. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

Elected officials include the Mayor, Members of the Board of Supervisors, Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer. Since November 2000, the eleven-member Board of Supervisors has been elected through district elections. The eleven district elections are staggered for five and six seats at a time and held in even-numbered years. Board members serve four-year terms and vacancies are filled by Mayoral appointment.

An educated workforce, a critical mass of successful business, and easy access to transit and financial capital drive economic growth in the City. The unprecedented growth of the last decade, driven by the technology sector, has made the City the center of the Bay Area’s regional economy and among the fastest growing large counties in the country.

#### **COVID 19 Pandemic**

The economic and demographic data contained in this appendix are the latest available, but are as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the District, the City, and the region or of expected Special Tax Revenues. See “SPECIAL RISK FACTORS – COVID 19 Pandemic” in the forepart of this Official Statement.

## Population

The populations of the City and County of San Francisco for the last 10 fiscal years are shown in the following table.

**POPULATION**  
**City and County of San Francisco**  
**2000 through 2020**

Fiscal Year	Population
2010	805,235
2011	812,826
2012	825,863
2013	841,138
2014	852,469
2015	862,004
2016	876,103
2017	879,166
2018	883,305
2019 <sup>(1)</sup>	887,463

<sup>(1)</sup> 2019 population estimated by multiplying the estimated 2018 population by the 2018-2019 growth rate.  
*Source:* U.S. Census Bureau.

## Employment

The following table summarizes industry employment in the City and County of San Francisco from 2015 through 2019. Trade, transportation and utilities, professional and business services, education/health services and leisure/hospitality are the largest employment sectors in the City.

### EMPLOYMENT BY INDUSTRY City and County of San Francisco 2015 through 2019

Industry	Employment <sup>(1)</sup>				
	2015	2016	2017	2018	2019
Agriculture	200	100	200	200	200
Construction	18,500	20,900	21,400	23,300	23,800
Manufacturing	10,300	12,300	13,100	12,700	13,700
Trade, Transportation & Utilities	74,900	82,500	84,700	88,200	83,800
Information	31,700	40,200	45,000	48,000	51,500
Financial Activities	52,000	57,400	57,100	58,900	62,300
Professional and Business Services	184,600	193,400	198,500	209,400	205,600
Education and Health Services	85,700	89,800	90,300	93,700	93,000
Leisure and Hospitality	93,300	97,000	95,900	98,000	102,000
Other Services	26,200	27,400	27,800	28,700	28,100
Government	91,600	96,100	98,100	99,400	99,100
Total	668,900	717,100	732,100	760,500	763,000

<sup>(1)</sup> Employment is reported by place of work: it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not sum to totals due to rounding.

Source: California State Employment Development Department, Labor Market Information Division.

The following tables summarize the civilian labor force, employment and unemployment in the City and County of San Francisco from 2010 to 2019. The annual average unemployment rate in the City in 2019 was approximately 2.12%.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**City and County of San Francisco**  
**Annual Averages, 2010 through 2019**  
**(not seasonally adjusted)**

Year	Civilian Labor Force	Employed Labor Force <sup>(1)</sup>	Unemployed Labor Force <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2010	486,000	442,700	43,300	8.9%
2011	494,800	454,900	39,900	8.1
2012	509,400	474,900	34,500	6.8
2013	516,300	488,100	28,200	5.5
2014	528,600	505,500	23,100	4.4
2015	541,900	522,200	19,700	3.6
2016	555,800	537,500	18,300	3.3
2017	564,500	548,000	16,500	2.9
2018	569,300	555,600	13,700	2.4
2019	583,200	570,400	12,800	2.2

<sup>(1)</sup> Includes persons involved in labor-management trade disputes.

<sup>(2)</sup> Includes all persons without jobs who are actively seeking work.

<sup>(3)</sup> Calculated using unrounded data.

Source: California State Employment Development Department, Labor Market Information Division.

### Major Private Employers

The following table shows the largest private employers located in the City and County of San Francisco as of January 2020.

**LARGEST PRIVATE EMPLOYERS**  
**City and County of San Francisco**

<u>Employer<sup>(1)</sup></u>	<u>Number of Employees</u>	<u>Rank</u>
Salesforce	9,100	1
Wells Fargo & Co.	7,296	2
United Airlines	6,153	3
Sutter Health	6,134	4
Uber	5,500	5
Kaiser Permanente	4,602	6
Gap Inc.	4,500	7
Allied Universal	3,524	8
PG&E Corp.	3,500	9
Airbnb Inc.	<u>3,000</u>	10
Total	53,309	

<sup>(1)</sup> Amazon, ranked number 8 on the 2019 list, did not provide updated numbers by press time.

Source: San Francisco Business Times 2020 Book of Lists

### Construction Activity

The level of construction activity in the City and County of San Francisco as measured by total building permits for residential units is shown in the following tables.



**BUILDING PERMITS**  
**City and County of San Francisco**  
**2015 through 2019**

	2015	2016	2017	2018	2019
Valuation (\$000)					
Residential	\$1,979,777	\$2,136,564	\$2,555,954	\$2,231,737	\$1,730,003
Non-Residential	2,257,106	1,525,638	1,995,459	2,293,555	1,461,943
<b>TOTAL</b>	<b>\$4,236,882</b>	<b>\$3,662,202</b>	<b>\$4,551,412</b>	<b>\$4,525,292</b>	<b>\$3,191,946</b>
Dwelling Units					
Single Family	66	127	46	95	135
Multiple family	3,604	4,080	4,211	5,098	3,208
<b>TOTAL</b>	<b>3,670</b>	<b>4,207</b>	<b>4,257</b>	<b>5,184</b>	<b>3,343</b>

*Source:* Construction Industry Research Board/CIRB.

**Taxable Sales**

Taxable sales in the City and County of San Francisco from 2015 through 2019 are shown in the following table.

**TAXABLE SALES**  
**2015 through 2019**  
**(\$ in Thousands)**

	2015	2016	2017	2018	2019
Clothing and Clothing Accessories Stores	\$2,163,743	\$2,132,167	\$2,056,070	\$2,046,414	\$2,024,642
General Merchandise	865,958	837,698	814,324	790,845	754,836
Food and Beverage Stores	830,061	843,717	863,215	856,217	860,691
Food Services and Drinking Places	4,441,352	4,670,360	4,743,633	4,844,464	5,037,657
Home Furnishings & Appliances	1,010,769	965,918	916,777	1,018,00	1,027,825
Building Material and Garden Equipment and Supplies Dealers	588,279	586,373	605,3711	681,369	702,290
Motor Vehicle and Parts Dealers	565,638	573,964	628,666	674,00	601,908
Gasoline Stations	471,495	428,473	490,255	583,48	548,674
Other Retail Stores	2,136,115	2,223,654	2,373,545	2,535,667	2,662,901
<b>Total Retail and Food Services</b>	<b>\$13,073,413</b>	<b>\$13,262,327</b>	<b>\$13,492,197</b>	<b>\$14,030,469</b>	<b>\$14,221,424</b>
All Other Outlets	5,839,078	6,174,841	5,981,674	6,312,252	6,671,325
<b>Total All Outlets<sup>(1)</sup></b>	<b>\$18,912,492</b>	<b>\$19,437,168</b>	<b>\$19,473,871</b>	<b>\$20,342,721</b>	<b>\$20,892,749</b>

<sup>(1)</sup> Columns may not sum to totals due to rounding.

*Source:* California State Board of Equalization; and California Department of Tax and Fee Administration.

## Assessed Valuation of Taxable Property

Assessed valuations of taxable property in the City and County of San Francisco for fiscal years 2008-09 through 2020-21 are shown in the following table:

### ASSESSED VALUATION OF TAXABLE PROPERTY Fiscal Years 2008-09 through 2020-21 (\$ in Thousands)

Fiscal Year	Net Assessed <sup>(1)</sup> Valuation (NAV)	% Change from Prior Year	Total Tax Rate per \$100 <sup>(2)</sup>	Total Tax Levy <sup>(3)</sup>	Total Tax Collected <sup>(3)</sup>	% Collected June 30
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	301,409,161 <sup>(4)</sup>	7.2%	N/A	N/A	N/A	N/A

<sup>(1)</sup> Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

<sup>(2)</sup> Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

<sup>(3)</sup> The Total Tax Levy and Total Tax Collected through fiscal year 2019-20 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2020-21 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

<sup>(4)</sup> Based on initial assessed valuations for fiscal year 2020-21

Source: Office of the Controller, City and County of San Francisco.

SCO source noted in (3): <http://www.sco.ca.gov/files-ARD-Tax-info/TaxDeling/sanfrancisco.pdf>

## Income

The following tables provide a summary of per capita personal income for the City and County of San Francisco, the State of California and the United States, and personal income and annual percent change for the City and County of San Francisco, for 2010 through 2019.

### PER CAPITA PERSONAL INCOME 2010 through 2019

Year	San Francisco	California	United States
2010	\$ 71,556	\$43,634	\$40,546
2011	77,633	46,170	42,735
2012	85,455	48,798	42,453
2013	86,619	49,277	44,851
2014	90,600	52,234	47,058
2015	103,867	55,758	48,978
2016	109,760	57,739	49,870
2017	120,576	60,156	51,885
2018	127,304	63,557	54,446
2019	Not available	66,661	45,593

*Source:* U.S. Department of Commerce, Bureau of Economic Analysis.

## Transportation

The City is reliant on a complex multimodal infrastructure consisting of roads, bridges, highways, rail, tunnels, airports, and bike and pedestrian paths. The development, maintenance, and operation of these different modes of transportation are overseen by various agencies, including the California Department of Transportation (“Caltrans”) and San Francisco Municipal Transportation Agency (“SFMTA”). The Metropolitan Transportation Commission plays a role in the planning and funding of the City’s transportation. These and other organizations collectively manage several interstate highways and state routes, two subway networks, two commuter rail agencies, trans-bay bridges, transbay ferry service, local bus service, international airports, and an extensive network of roads, tunnels, and bike paths.

SFMTA is a department of the City responsible for the management of all ground transportation in the City. The SFMTA has oversight over the Municipal Railway (Muni) public transit, as well as bicycling, paratransit, parking, traffic, walking, and taxis. The SFMTA is governed by a Board of Directors who are appointed by the Mayor and confirmed by the San Francisco Board of Supervisors. The SFMTA Board provides policy oversight, including budgetary approval, and changes of fares, fees, and fines, ensuring representation of the public interest. The San Francisco Municipal Railway, known as Muni, is the primary public transit system of the City and operates a combined light rail and subway system, the Muni Metro, as well as large bus and trolley coach networks. Additionally, it runs a historic streetcar line, which runs on Market Street from Castro Street to Fisherman's Wharf. It also operates the famous cable cars, which have been designated as a National Historic Landmark and are a major tourist attraction.

Bay Area Rapid Transit (“BART”), a regional Rapid Transit system, connects San Francisco with the East Bay through the underwater Transbay Tube. The line runs under Market

Street to Civic Center where it turns south to the Mission District, the southern part of the city, and through northern San Mateo County, to the San Francisco International Airport, and Millbrae. Another commuter rail system, Caltrain, runs from San Francisco along the San Francisco Peninsula to San Jose and Gilroy. Amtrak California Thruway Motorcoach runs a shuttle bus from three locations in San Francisco to its station across the bay in Emeryville. Additionally, BART offers connections to San Francisco from Amtrak's station in Richmond.

San Francisco Bay Ferry operates from the Ferry Building and Pier 39 to points in Oakland, Alameda-Bay Farm Island, South San Francisco, and north to Vallejo in Solano County. The Golden Gate Ferry is the other ferry operator with service between San Francisco and Marin County. SolTrans runs supplemental bus service between the Ferry Building and Vallejo. To accommodate the large amount of San Francisco citizens who commute to the Silicon Valley daily, companies like Google and Apple provide private bus transportation for their employees, from San Francisco locations to their corporate campuses on the peninsula.

In recent years, the City has increased its investments to modernize its aging transportation infrastructure. A \$500 million general obligation bond, approved by voters in November 2014, is funding an array of projects that will improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs. Approximately \$100 million of these funds are allocated for major infrastructure improvements along Market Street, the City's most prominent downtown corridor and the spine of the City's transportation network.

The City is in the final stages of constructing the Central Subway. When completed, the \$1.6 billion rail project will extend subway service in the City, connecting Chinatown, the Financial District and the City's convention center with the existing above ground light rail line along Third Street. Other significant transit improvement projects in planning or construction phases include the installation of a new bus rapid transit along Van Ness Avenue and enhancements to other rail and bus rapid transit routes serving other areas of the City. Road conditions in the City have significantly improved due to new investments in street repaving and other roadway improvements which benefit transit riders and motorists, and are also intended to make City streets safer for pedestrians, bicyclists, children and people with disabilities.

See "SPECIAL RISK FACTORS – COVID 19 Pandemic" in the forepart of this Official Statement.

## **Education**

San Francisco Unified School District ("SFUSD") established in 1851, is the only public school district within the City and is the seventh largest school district in California, with enrollment of 60,390 in 2019 in more than 130 schools and employing over 9,600 total employees. SFUSD administers both the school district and the San Francisco County Office of Education, making it a "single district county." The City also has approximately 300 preschool programs primarily operated by Head Start, SFUSD, private for-profit, private non-profit and family child care providers. All 4-year-old children living in the City are offered universal access to preschool through the "Preschool for All" program.

The University of California, San Francisco (“UCSF”) is the sole campus of the University of California system entirely dedicated to graduate education in health and biomedical sciences and operates the UCSF Medical Center which is a major local employer. A 43-acre Mission Bay campus was opened in 2003, complementing its original facility in Parnassus Heights and contains research space and facilities to foster biotechnology and life sciences entrepreneurship. UCSF operates approximately 20 facilities across the City.

The University of California, Hastings College of the Law, founded in Civic Center in 1878, is the oldest law school in California and claims more judges on the state bench than any other institution. San Francisco's two University of California institutions have formed an official affiliation in the UCSF/UC Hastings Consortium on Law, Science & Health Policy.

San Francisco State University is part of the California State University system and is located near Lake Merced. The school has approximately 30,000 students and awards undergraduate, master's and doctoral degrees in approximately 100 disciplines.

The City College of San Francisco, with its main facility in the Ingleside district, is one of the largest two-year community colleges in the country and has an enrollment of approximately 100,000 students and offers an extensive continuing education program.

Founded in 1855, the University of San Francisco, a private Jesuit university located on Lone Mountain, is the oldest institution of higher education in San Francisco. Golden Gate University is a private, nonsectarian, coeducational university formed in 1901 and located in the Financial District. The Academy of Art University is one of the largest institutes of art and design in the nation. Founded in 1871, the San Francisco Art Institute is the oldest art school west of the Mississippi. The California College of the Arts, located north of Potrero Hill, has programs in architecture, fine arts, design, and writing. The San Francisco Conservatory of Music, grants degrees in orchestral instruments, chamber music, composition, and conducting. The California Culinary Academy, associated with the Le Cordon Bleu program, offers programs in the culinary arts. California Institute of Integral Studies, founded in 1968, offers a variety of graduate programs in its Schools of Professional Psychology & Health, and Consciousness and Transformation.

See “SPECIAL RISK FACTORS – COVID 19 Pandemic” in the forepart of this Official Statement.

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## **APPENDIX B**

### **RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

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## EXHIBIT B

### IMPROVEMENT AREA NO. 1 OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)

#### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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A Special Tax applicable to each Taxable Parcel in Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Taxable Parcels, as described below. All Taxable Parcels in Improvement Area No. 1 shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 1.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

**“Accessory Square Footage”** means, within a non-residential building on a Taxable Parcel, any square footage within the building that is not used directly as part of the business or hotel operations, including, but not limited to, walkways, elevator shafts, mezzanines, corridors, and stairwells.

**“Act”** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), 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 and TIDA carrying out duties with respect to the CFD 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, 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 City and any major property owner, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City and TIDA in any way related to the establishment or administration of the CFD.

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

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

**“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.

**“Association Property”** means any property within the boundaries of Improvement Area No. 1 that is owned in fee or by easement by a homeowners association or property owners association and does not fall within a Land Use Category, not including any such property that is located directly under a residential structure.

**“Authority Housing Lot”** means the lots identified as owned or expected to be owned by TIDA, as originally shown in the Housing Plan, and as may be amended in the Development Approval Documents. Authority Housing Lots expected within Improvement Area No. 1 at the time of CFD Formation are identified in Attachment 3 hereto.

**“Authority Housing Unit”** means a Residential Unit developed on an Authority Housing Lot.

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

**“Base Facilities Special Tax”** means, for any Land Use Category, the per-square foot Facilities Special Tax for square footage within such Land Use Category, as identified in Section C.2a below.

**“Base Services Special Tax”** means, for any Land Use Category, the per-square foot Services Special Tax for square footage within such Land Use Category, as identified in Section C.2b below.

**“Base Special Tax”** means, collectively, the Base Facilities Special Tax and Base Services Special Tax.

**“Board”** means the Board of Supervisors of the City, acting as the legislative body of CFD No. 2016-1.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, that are issued or assumed by or for Improvement Area No. 1 to finance Authorized Expenditures and are secured by the Facilities Special Tax.

**“Building Height”** means the proposed height, as defined in the D4D, of a residential, non-residential, or mixed-use structure, as set forth on the Building Permit issued for the building, or

if the height is not clearly indicated on the Building Permit, the height determined by reference to the Sub-Phase Application, Vertical DDA, condominium plan, or architectural drawings for the building. If there is any question as to the Building Height of any building in the CFD, the Administrator shall coordinate with the Review Authority to make the determination, and such determination shall be conclusive and binding.

**“Building Permit”** means a permit that allows for vertical construction of a building or buildings, which shall not include a separate permit issued for construction of the foundation thereof.

**“Capital Reserve Requirement”** means, for the Project as a whole, the target amount of capital reserves to be established for Sea Level Rise Improvements, which shall be \$250 million in Fiscal Year 2016-17 dollars, escalating, on July 1, 2017 and on each July 1 thereafter, by the Escalator.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay debt service on Bonds.

**“CFD”** or **“CFD No. 2016-1”** means the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

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

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

**“Commercial/Retail Square Footage”** means the net saleable or net leasable square footage within a building that is or is expected to be square footage of a commercial establishment that sells general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to, museums, restaurants, bars, entertainment venues, health clubs, spas, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition, any other square footage in a building that is used for commercial, office, or industrial business operations and is not Accessory Square Footage or Association Property shall be taxed as Commercial/Retail Square Footage. Commercial/Retail Square Footage shall be determined based on reference to the condominium plan, site plan, Building Permit, or Development Approval Documents, or as provided by the Developer or the City. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Commercial/Retail Square Footage on any Parcel within Improvement Area No. 1, and such determination shall be conclusive and binding. Commercial/Retail Square Foot means a single square-foot unit of Commercial/Retail Square Footage. Incidental retail or commercial uses in an otherwise exempt building (e.g., a snack bar in a recreation center on Association Property) shall not constitute Commercial/Retail Square Footage.

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

**“D4D”** means the Treasure Island and Yerba Buena Island Design for Development, approved by the Planning Commission and TIDA, and dated June 28, 2011, and as amended from time to time.

**“DA”** means the Development Agreement Relative to Treasure Island/Yerba Buena Island, including all exhibits and attachments, executed by the City and TICD, dated June 28, 2011, and as amended from time to time.

**“DDA”** means the Disposition and Development Agreement (Treasure Island/Yerba Buena Island), including all exhibits and attachments, executed by TIDA and TICD, dated June 28, 2011, and as amended from time to time.

**“Developed Property”** means, in any Fiscal Year, all Taxable Parcels for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year, but not prior to January 1, 2015.

**“Developer”** means the developer of a Major Phase or Sub-Phase located in Improvement Area No. 1, which shall not include a Vertical Developer that has entered into a Vertical DDA.

**“Developer Maintenance Payment”** means a payment that TIDA requires to be made by the Developer to pay for Ongoing Park Maintenance as described in and pursuant to Section 2.7 of the Financing Plan.

**“Development Approval Documents”** means, collectively, any Major Phase Application, Sub-Phase Application, Vertical DDA, tentative subdivision map, Final Map, Review Authority approval, or other such approved or recorded document or plan that identifies the type of structure(s), acreage, square footage, and/or number of Residential Units approved for development on Taxable Parcels.

**“Development Project”** means a residential, non-residential, or mixed-use development that includes one or more buildings 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 TIDA and the City to be appropriate, and (ii) five percent (5%).

**“Estimated Base Facilities Special Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Facilities Special Tax by square footage within each Land Use Category proposed for development on a Parcel or within a Sub-Block.

**“Expected Land Uses”** means the total square footage in each Land Use Category expected within each Sub-Block in Improvement Area No. 1. The Expected Land Uses at the time of CFD Formation are identified in Attachment 2 and may be revised pursuant to Sections B, C, D, and E below.



**“Expected Maximum Facilities Special Tax Revenues”** means the aggregate Facilities Special Tax that can be levied based on application of the Base Facilities Special Tax to the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues for each Sub-Block at the time of CFD Formation are shown in Attachment 2 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Taxable Property”** means any Parcel within Improvement Area No. 1 that: (i) pursuant to the Development Approval Documents, was expected to be a Taxable Parcel, (ii) based on the Expected Land Uses and as determined by the Administrator, was assigned Expected Maximum Facilities Special Tax Revenues, and (iii) subsequently falls within one or more of the categories that would otherwise be exempt from the Special Tax as set forth in Section H below.

**“Facilities Special Tax”** means a special tax levied in any Fiscal 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, including park maintenance, Sea Level Rise Improvements, and capital reserves, in the priority set forth in the Financing Plan, so long as such levy under this clause (vi) does not increase the Facilities Special Tax levied on Undeveloped Property. Notwithstanding the foregoing, in any Fiscal Year in which any portion of a Developer Maintenance Payment is delinquent, the Maximum Facilities Special Tax shall be levied on Undeveloped Property until the amount collected from Undeveloped Property that is used to pay for park maintenance is equal to the aggregate amount of delinquent Developer Maintenance Payments. The amounts referred to in clauses (i) and (ii) of the definition of Facilities Special Tax Requirement 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 CFD 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.

**“Final Map”** means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots on which Building Permits for new construction may be issued without further subdivision.

**“Financing Plan”** means the Financing Plan attached as Exhibit D to the DA and Exhibit EE to the DDA, as such plan may be amended or supplemented from time to time in accordance with the terms of the DA and DDA.

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

**“Future Annexation Area”** means that geographic area that, at the time of CFD Formation, was considered potential annexation area for the CFD and which was, therefore, identified as “future annexation area” on the recorded CFD boundary map. Such designation does not mean that any or all of the Future Annexation Area will annex into Improvement Area No. 1, but should property designated as Future Annexation Area choose to annex, the annexation may be processed pursuant to the annexation procedures in the Act for territory included in a future annexation area, as well as the procedures established by the Board.

**“Hotel”** means a structure or portion of a structure that constitutes a place of lodging, providing temporary sleeping accommodations for travelers, which structure may include one or more of the following: spa services, restaurants, gift shops, meeting and convention facilities. Residential Units that are offered for rent to travelers (e.g., units offered through Airbnb) shall not be categorized as Hotel.

**“Hotel Condominium”** means a Residential Unit within a Hotel Project.

**“Hotel Project”** means a Development Project within which a building proposed to be constructed is either a Hotel or a residential or mixed-use building being developed in conjunction with a Hotel that will share common area and amenities with the Hotel. Notwithstanding the foregoing, if a Development Project includes multiple buildings, one of which is a Hotel, and one or more other buildings in the Development Project do not share common area or amenities with the Hotel and are not otherwise affiliated with the Hotel, such other building(s) shall be considered a separate Development Project for purposes of this RMA and shall be categorized as a Low-Rise Project, Mid-Rise Project, Tower Project, or Townhome Project based on the definitions set forth herein. If a Hotel Project is constructed on a Parcel that is owned by TIDA, such Parcel shall be treated as a Hotel Project, not Public Property, for purposes of this RMA.

**“Hotel Square Footage”** means the usable square footage within a building that is, or is expected to be, a Hotel, as reflected on a condominium plan, site plan, or Building Permit, as provided by the Developer or the City, or as expected pursuant to Development Approval Documents. All square footage that is not Residential Square Footage or Accessory Square Footage and shares an Assessor’s Parcel number within such a structure, including square footage of restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses, shall be categorized as Hotel Square Footage. Upon assignment of Assessor’s Parcel numbers to the Airspace Parcels for any Hotel Condominiums, the Hotel Condominiums shall be assigned a Maximum Special Tax based on application of the appropriate Base Special Tax for Hotel Condominiums, as set forth in Section C below. If there are separate Assessor’s Parcel numbers for the retail uses associated with the Hotel, the Base Special Tax for Commercial/Retail Square Footage shall be used to determine the Maximum Special Tax for

such Parcels, and the Base Special Tax for Hotel Square Footage shall be used to determine the Maximum Special Tax for Parcels on which uses in the building other than Hotel Condominiums and retail uses are located, including office space associated with Hotel operations. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Hotel Square Footage within a building, and such determination shall be conclusive and binding. Hotel Square Foot means a single square-foot unit of Hotel Square Footage.

**“Housing Plan”** means Exhibit E to the DDA, which sets forth the plan for development of Market Rate Units, Inclusionary Units, and Authority Housing Units on Treasure Island and Yerba Buena Island.

**“Improvement Area No. 1”** means Improvement Area No. 1 of the CFD, as it exists at CFD Formation and as expanded with future annexations to Improvement Area No. 1 (if any).

**“Inclusionary Unit”** means a Residential Unit that is, pursuant to the Housing Plan, subject to restrictions related to the affordability of the Residential Unit or income restrictions for its occupants, and is not an Authority Housing 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 Category”** means, individually, Low-Rise Units, Mid-Rise Units, Tower Units, Treasure Island Townhome Units, Yerba Buena Island Townhome Units, Hotel Condominiums, Hotel Square Footage, or Commercial/Retail Square Footage.

**“Land Use Change”** means a change to the Expected Land Uses within Improvement Area No. 1 after CFD Formation.

**“LDDA”** means a Disposition and Development Agreement between TIDA and a Vertical Developer that has a leasehold interest in property that is subject to the Public Trust, as defined in the DDA.

**“Low-Rise Project”** means a Development Project that meets either of the following criteria: (i) the highest residential or mixed-use building proposed within the Development Project has a Building Height that is greater than 50 feet and less than or equal to 70 feet, or (ii) the highest residential or mixed-use building proposed within the Development Project has a Building Height that is less than or equal to 50 feet and one or more of the ground floor Residential Units within such building do not have a main entry door that is directly accessible from a public street, private street, or courtyard instead of from a common corridor.

All Residential Units within a Low-Rise Project, regardless of the height of each individual building within the Development Project, shall be categorized as Low-Rise Units for purposes of this RMA. For example, if a Development Project includes three separate buildings, the highest building is proposed to be 50 feet tall, and one or more of the ground floor Residential Units

within the 50-foot tall building will not have a main entry door that is directly accessible from a street or courtyard, then the Residential Units in all three buildings in the Development Project will be taxed as Low-Rise Units. If a Development Project includes two buildings that have the same proposed Building Height, both buildings are less than 50 feet tall, and only one of the two buildings has ground floor Residential Units, all of which have main entry doors that will be directly accessible from a street or courtyard, the Residential Units within the Development Project will be categorized as Low-Rise Units and not Treasure Island Townhome Units or Yerba Buena Townhome Units.

**“Low-Rise Unit”** means a Residential Unit within a Low-Rise Project.

**“Major Phase”** is defined in the DDA.

**“Major Phase Application”** means the application and associated documents required to be submitted for each Major Phase Approval, as defined in the DDA.

**“Market Rate Unit”** means a Residential Unit that is not an Authority Housing Unit or Inclusionary 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 IA1 Revenues”** means, at any point in time, the aggregate Maximum Facilities Special Tax that can be levied on all Taxable Parcels.

**“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.

**“Mid-Rise Project”** means a Development Project within which the highest residential or mixed-use building that includes Residential Units proposed for development has a Building Height that is greater than 70 feet but less than or equal to 125 feet. All Residential Units within a Mid-Rise Project, regardless of the height of each individual building within the Development Project, shall be categorized as Mid-Rise Units for purposes of this RMA. For example, if a Development Project proposes three buildings that are 90 feet, 60 feet, and 40 feet, respectively, all Residential Units within all three buildings will be categorized as Mid-Rise Units.

**“Mid-Rise Unit”** means a Residential Unit within a Mid-Rise Project.

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

**“Project”** is defined in the DDA.

**“Proportionately”** means, for Developed Property, 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 Parcels of Developed Property. For Vertical DDA Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Parcels of Vertical DDA Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Parcels of Undeveloped Property. For Expected Taxable Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Parcels of Expected Taxable Property.

**“Public Property”** means any property within the boundaries of Improvement Area No. 1 that is owned by the federal government, the State of California, TIDA, the City, or other public agency. Notwithstanding the foregoing, any property subject to an LDDA with a term of twenty (20) years or more shall not, during the lease term, be considered Public Property and shall be taxed and classified according to the use on the Parcel(s) unless such Parcel is an Authority Housing Lot.

**“Qualified Project Costs”** has the meaning set forth in the Financing Plan and refers to the Project as a whole.

**“Remainder Special Taxes”** means, as calculated between September 1<sup>st</sup> and December 31<sup>st</sup> of any Fiscal Year, any Facilities Special Tax revenues that were collected in the prior Fiscal Year and were not needed to: (i) pay debt service on the Bonds that was due in the calendar year in which the Remainder Special Taxes are being calculated; (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; (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 that have been incurred, or are expected to be incurred, by the City prior to the receipt of additional Facilities Special Tax proceeds, or (vi) apply towards park maintenance costs that are not fully funded because of delinquent Developer Maintenance Payments.

**“Required Coverage”** means the amount by which the Maximum IA1 Revenues must exceed the Bond debt service and priority Administrative Expenses (if any), as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

**“Residential Product Type”** means a Low-Rise Unit, Mid-Rise Unit, Tower Unit, Treasure Island Townhome Unit, Yerba Buena Townhome Unit, or Hotel Condominium. If there is any confusion as to the Residential Product Type that applies to Residential Units within a

Development Project, the Administrator shall coordinate with the Review Authority to make the determination, which shall be conclusive and binding.

**“Residential Property”** means, in any Fiscal Year, all Taxable Parcels for which Building Permits have been issued, or based on Development Approval Documents, are expected to be issued for construction of a structure that includes one or more Residential Units.

**“Residential Square Footage”** means the square footage of a Residential Unit or residential structure reflected on a condominium plan, site plan, or Building Permit, provided by the Developer or the City, or expected pursuant to Development Approval Documents. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Residential Square Footage on a Taxable Parcel, and such determination shall be conclusive and binding. Residential Square Foot means a single square-foot unit of Residential Square Footage.

**“Residential Unit”** means a room or suite of two or more rooms that is designed for residential occupancy for 32 consecutive days or more, including provisions for sleeping, eating and sanitation. “Residential Unit” will include, but not be limited to, an individual townhome, condominium, flat, apartment, or loft unit, and individual units within a senior or assisted living facility.

**“Review Authority”** means, for Parcels within the Tidelands Trust Overlay Zone, the Executive Director of TIDA, and for Parcels outside the Tidelands Trust Overlay Zone, the City Planning Director, or an alternate designee from TIDA or the City who is responsible for approvals and entitlements of a Development Project.

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

**“Sea Level Rise Improvements”** means public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island.

**“Services Special Tax”** means a special tax levied in any Fiscal Year 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.

**“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.

**“Special Use District”** means the Treasure Island/Yerba Buena Island Special Use District, included as Section 249.52 of the Planning Code.

**“Sub-Block”** means a specific geographic area within Improvement Area No. 1 for which Expected Land Uses have been identified. Sub-Blocks and Expected Land Uses within Improvement Area No. 1 at the time of CFD Formation are identified in Attachments 1 and 2 of this RMA and may be revised pursuant to Sections B, C, D, and E below.

**“Sub-Phase”** is defined in the DDA.

**“Sub-Phase Application”** means the application and associated documents required to be submitted for each Sub-Phase Approval, as defined and set forth in the DDA.

**“Taxable Parcel”** means any Parcel within Improvement Area No. 1 that is not exempt from the Special Tax pursuant to law or Section H below.

**“TICD”** means Treasure Island Community Development, LLC, a California limited liability company, and its successors and permitted assigns under the DDA.

**“TIDA”** means the Treasure Island Development Authority, a California non-profit public benefit corporation, or any successor public agency designated by or under law, which may include the City or the San Francisco Port Commission.

**“Tidelands Trust Overlay Zone”** means the areas on Treasure Island and Yerba Buena Island that are subject to the Tidelands Trust after completion of all Tidelands Trust exchanges, as identified in figures set forth in the Special Use District.

**“Tower Project”** means a Development Project within which the highest residential or mixed-use building that includes Residential Units proposed for development has a Building Height that is greater than 125 feet. All Residential Units within a Tower Project, regardless of the height of each individual building within the Development Project, will be categorized as Tower Units for purposes of this RMA. For example, if a Development Project proposes three buildings that are 140 feet, 90 feet, and 40 feet, respectively, all Residential Units within all three buildings will be categorized as Tower Units.

**“Tower Unit”** means a Residential Unit within a Tower Project.

**“Townhome Project”** means a Development Project that meets both of the following criteria: (i) the highest residential or mixed-use building proposed for development has a Building Height that is less than or equal to 50 feet, and (ii) the main entry doors for all ground floor Residential Units within such building will be directly accessible from a public street, private street, or courtyard instead of from a common corridor. All Residential Units within a Townhome Project

will be categorized as Treasure Island Townhome Units or Yerba Buena Townhome Units for purposes of this RMA.

**“Transition Event”** shall be deemed to have occurred when the Administrator determines that either of the following events have occurred: (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Capital Reserve Requirement has been fully funded, or (ii) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD 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 Improvement Area No. 1 for one hundred (100) Fiscal Years.

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

**“Treasure Island Townhome Unit”** means a Residential Unit within a Townhome Project proposed for development on Treasure Island.

**“Undeveloped Property”** means, in any Fiscal Year, all Taxable Parcels that are not Developed Property, Vertical DDA Property, or Expected Taxable Property.

**“Vertical DDA”** means a Vertical DDA or a Vertical LDDA, as defined in the DDA, for a Taxable Parcel.

**“Vertical DDA Property”** means, in any Fiscal Year, any Parcel that is not yet Developed Property against which a Vertical DDA has been recorded, and for which the Developer or the Vertical Developer has, by June 30 of the prior Fiscal Year, notified the Administrator of such recording.

**“Vertical Developer”** means a developer that has entered into a Vertical DDA for construction of vertical improvements on a Taxable Parcel.

**“Yerba Buena Townhome Unit”** means a Residential Unit within a Townhome Project proposed for development on Yerba Buena Island.

## **B. DATA FOR CFD ADMINISTRATION**

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels. The Administrator shall also determine: (i) whether each Taxable Parcel is Developed Property, Vertical DDA Property, Undeveloped Property, or Expected Taxable Property, (ii) within which Sub-Block each Assessor’s Parcel is located, (iii) for Developed Property, the Residential Square Footage, Commercial/Retail Square Footage, and/or Hotel Square Footage on each Parcel, (iv) for Residential Property, the Residential Product Type and number of Market Rate Units and Inclusionary Units, (v) whether there are

any delinquent Developer Maintenance Payments, and (vi) the Special Tax Requirement for the Fiscal Year.

The Administrator shall review Development Approval Documents and coordinate with TIDA, the Developer, and Vertical Developers to identify the number of Inclusionary Units within each building. If there are transfers of Inclusionary Units and Market Rate Units, the Administrator shall refer to Section D.2 to determine the Maximum Special Tax for each Parcel after such transfer. If, at any time after issuance of the first series of Bonds, it is determined that an increase in the number of Inclusionary Units will decrease Maximum IA1 Revenues to a point at which Required Coverage cannot be maintained, then some or all of the Inclusionary Units that were not originally part of the Expected Land Uses shall be designated as Expected Taxable Property and shall be subject to the levy of the Facilities Special Tax pursuant to Step 4 in Section F below. In such a case, the Administrator shall determine how many Inclusionary Units must be subject to the Facilities Special Tax in order to maintain Required Coverage, and TIDA and the City shall determine which Inclusionary Units will be Expected Taxable Property, and the Administrator shall update Attachment 2 accordingly.

If TIDA notifies the Administrator of a change in the number or location of Authority Housing Lots, then at the request of TIDA and the owner of any private Parcel(s) affected by the change, the Administrator shall (i) amend and replace Attachment 3 to reflect the then-current location and designation of Authority Housing Lots, and (ii) amend and replace Attachment 2 to reflect the then-current Expected Land Uses on, and the Expected Maximum Facilities Special Tax Revenues for, the Parcel(s) that are affected by the change. If, at any time after issuance of the first series of Bonds, it is determined that an increase in the number of Authority Housing Units will decrease Maximum IA1 Revenues to a point at which Required Coverage cannot be maintained, then some or all of the Authority Housing Lots that were not originally part of the Expected Land Uses shall be designated as Expected Taxable Property and shall be subject to the levy of the Special Tax pursuant to Step 4 in Section F below. In such a case, the Administrator shall determine how many Authority Housing Units must be subject to the Special Tax in order to maintain Required Coverage, and TIDA shall determine which Authority Housing Lots will be Expected Taxable Property, and the Administrator shall update Attachment 2 accordingly.

If a Building Permit has been issued for development of a structure, and additional structures are anticipated to be built within the Sub-Block as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth herein, categorize the building(s) for which the Building Permit was issued as Developed Property and any remaining buildings for which Building Permits have not yet been issued as Vertical DDA Property for purposes of levying the Special Tax. If the buildings share an Assessor's Parcel, the Administrator shall take the sum of the Special Taxes determined for each building after application of the steps in Section F to determine the Special Tax levy for the Parcel.

In any Fiscal Year, if it is determined that (i) a parcel map or condominium plan 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), (ii) because of the date the map or plan was recorded, the Assessor does not yet recognize the newly-created parcels, and (iii) one or more of the newly-created parcels meets the definition of Developed Property or

Vertical DDA Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the map or plan by determining 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.

In addition to the tasks set forth above, on an ongoing basis, the Administrator will review the Development Approval Documents for property in Improvement Area No. 1 and communicate with the Developer regarding proposed Land Use Changes. The Administrator will, upon receipt of each recorded Vertical DDA, and upon any proposed Land Use Change that is made known to the Administrator, update Attachment 2 to reflect the then-current Expected Land Uses on, and Expected Maximum Facilities Special Tax Revenues for, each Sub-Block.

## **C. MAXIMUM SPECIAL TAX**

### **1. *Undeveloped Property***

#### **1a. Facilities Special Tax**

Prior to the Transition Year, the Maximum Facilities Special Tax for Undeveloped Property in Improvement Area No. 1 shall be the Expected Maximum Facilities Special Tax Revenues shown in Attachment 2 of this RMA, as it may be amended as set forth herein. If, in any Fiscal Year, separate Assessor's Parcels have not yet been created for property within each Sub-Block, the Administrator shall sum the Expected Maximum Facilities Special Tax Revenues for all Sub-Blocks within an Assessor's Parcel to determine the Maximum Facilities Special Tax that shall apply to the Parcel in such Fiscal Year.

If an Assessor's Parcel contains a portion of one or more Sub-Blocks, the Maximum Facilities Special Tax shall be determined by allocating the Expected Maximum Facilities Special Tax Revenues for each Sub-Block proportionately among such Assessor's Parcels based on the Expected Land Uses on each Parcel, as determined by the Administrator. The Maximum IA1 Revenues after such allocation shall not be less than the Maximum IA1 Revenues prior to this allocation.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Undeveloped Property in Improvement Area No. 1, unless there are delinquent Facilities Special Taxes on a Parcel of Undeveloped Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

#### **1b. Services Special Tax**

Prior to the Transition Year, there shall be no Services Special Tax levied on Undeveloped Property in Improvement Area No. 1. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax for Undeveloped Property in

Improvement Area No. 1 shall be \$65,200 per acre, which amount shall be escalated as set forth in Section D.2 below.

## 2. ***Vertical DDA Property***

### 2a. **Facilities Special Tax**

Prior to the Transition Year, when a Parcel becomes Vertical DDA Property, the Administrator shall review the recorded Vertical DDA and coordinate with the Developer and/or the Vertical Developer to confirm the Expected Land Uses on the Sub-Block(s) covered by the Vertical DDA. Using the Base Facilities Special Taxes shown in Table 1 below, the Administrator shall calculate the Estimated Base Facilities Special Tax Revenues based on the Expected Land Uses reflected in the Vertical DDA and the square footage estimated by the Vertical Developer. Prior to issuance of the first series of Bonds, the Maximum Special Tax for each Parcel shall be the Estimated Base Facilities Special Tax Revenues for the Parcel.

<b>Table 1</b> <b>Base Facilities Special Tax</b>		
<b>Land Use Category</b>	<b>Base Facilities Special Tax Before the Transition Year (in Fiscal Year 2016-17 dollars) *</b>	<b>Base Facilities Special Tax In and After the Transition Year (in Fiscal Year 2016-17 dollars) *</b>
Low-Rise Units	\$6.13 per square foot	\$0.00 per square foot
Mid-Rise Units	\$7.10 per square foot	\$0.00 per square foot
Tower Units	\$8.14 per square foot	\$0.00 per square foot
Treasure Island Townhome Units	\$5.39 per square foot	\$0.00 per square foot
Yerba Buena Townhome Units	\$5.82 per square foot	\$0.00 per square foot
Hotel Condominiums	\$5.93 per square foot	\$0.00 per square foot
Commercial/Retail Square Footage	\$1.50 per square foot	\$0.00 per square foot
Hotel Square Footage	\$3.00 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.**

After issuance of the first series of Bonds, for the Sub-Block(s) included in the Vertical DDA, the Administrator shall compare the Estimated Base Facilities Special Tax Revenues to the Expected Maximum Facilities Special Tax Revenues for the Sub-Block as reflected in Attachment 2, and:

- *If the Estimated Base Facilities Special Tax Revenues are greater than or equal to the Expected Maximum Facilities Special Tax Revenues, then the Maximum Facilities Special Tax for the Vertical DDA Property shall be the Estimated Base Facilities Special Tax Revenues. The Administrator shall*

update Attachment 2 to reflect this amount as the Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) in the Vertical DDA.

- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, but the Maximum IA1 Revenues are still sufficient to provide Required Coverage*, then the Maximum Facilities Special Tax for the Vertical DDA Property shall be the Estimated Base Facilities Special Tax Revenues. The Administrator shall revise Attachment 2 to reflect the decreased Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) within the Vertical DDA and the decreased Maximum IA1 Revenues.
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, and such reduction causes the Maximum IA1 Revenues to be insufficient to provide Required Coverage*, then the Base Facilities Special Taxes applied to each Land Use Category in the Vertical DDA shall be increased proportionately until the amount that can be levied on Expected Land Uses in the Vertical DDA, combined with the Expected Maximum Facilities Special Tax Revenues from other Sub-Blocks in Improvement Area No. 1, is sufficient to maintain Required Coverage. The Administrator shall revise Attachment 2 to reflect the new Expected Facilities Maximum Special Tax Revenues for the Sub-Block(s) within the Vertical DDA.

If it is determined that only a portion of a Sub-Block is included within a Vertical DDA, the Administrator shall refer to Attachments 1 and 2 to estimate the Expected Land Uses that should be assigned to the portion of the Sub-Block that is included within the Vertical DDA. The Administrator shall confirm this determination with the Review Authority, the Developer, and the Vertical Developer.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Vertical DDA Property in Improvement Area No. 1, unless there are delinquent Facilities Special Taxes on a Parcel of Vertical DDA Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

## **2b. Services Special Tax**

Prior to the Transition Year, there shall be no Services Special Tax levied on Vertical DDA Property in Improvement Area No. 1. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax for a Parcel of Vertical DDA Property shall be determined by applying the Base Services Special Taxes identified in Table 2 below by the Expected Land Uses for the Parcel, as determined by the Administrator.



<p align="center"><b>Table 2</b> <b>Base Services Special Tax</b></p>		
<b>Land Use Category</b>	<b>Base Services Special Tax Before the Transition Year (in Fiscal Year 2016-17 dollars) *</b>	<b>Base Services Special Tax In and After the Transition Year (in Fiscal Year 2016-17 dollars) *</b>
Low-Rise Units	\$0.00 per square foot	\$1.69 per square foot
Mid-Rise Units	\$0.00 per square foot	\$1.96 per square foot
Tower Units	\$0.00 per square foot	\$2.26 per square foot
Treasure Island Townhome Units	\$0.00 per square foot	\$1.51 per square foot
Yerba Buena Townhome Units	\$0.00 per square foot	\$1.62 per square foot
Hotel Condominiums	\$0.00 per square foot	\$1.65 per square foot
Commercial/Retail Square Footage	\$0.00 per square foot	\$0.41 per square foot
Hotel Square Footage	\$0.00 per square foot	\$0.83 per square foot

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

### 3. *Developed Property*

#### 3a. **Facilities Special Tax**

Prior to the Transition Year, when a Building Permit is issued, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created for land uses within the building:

- Step 1.* Review the Building Permit, condominium plan, architectural drawings, information provided by the Developer and/or Vertical Developer, and any other documents that identify the Building Height, number of Residential Units, square footage within each Land Use Category, and expected layout of Airspace Parcels within the building(s) that will be constructed pursuant to the Building Permit. If additional Building Permits will be issued for other buildings that are within the same Development Project, coordinate with the Review Authority, the Developer, and the Vertical Developer to determine the Building Height for buildings that remain to be developed within the Development Project in order to determine the appropriate Residential Product Type for all Residential Units within the Development Project.
- Step 2.* Determine the Residential Square Footage of each Residential Unit that will be constructed pursuant to the Building Permit, as well as the Commercial/Retail Square Footage and Hotel Square Footage within the building(s).
- Step 3.* Identify the number of Inclusionary Units within the building, as well as the Residential Square Footage of each Inclusionary Unit.

*Step 4.* Using the information from the first three steps, the Administrator shall separately calculate the following:

- For Market Rate Units in the building, multiply the applicable Base Facilities Special Tax from Table 1 for the Residential Product Type that applies to the Development Project by the total aggregate Residential Square Footage of all Market Rate Units expected within the building.
- Multiply the Base Facilities Special Tax from Table 1 for Commercial/Retail Square Footage by the total Commercial/Retail Square Footage expected in the building.
- Multiply the Base Facilities Special Tax from Table 1 for Hotel Square Footage by the total Hotel Square Footage expected in the building.
- If, based on the Expected Land Uses, the Administrator determines that there is Expected Taxable Property within the building, multiply the applicable Base Facilities Special Tax from Table 1 based on what had been anticipated on the Expected Taxable Property by the square footage of the Expected Land Uses for that property.

Prior to issuance of the first series of Bonds, the Maximum Facilities Special Tax for each Taxable Parcel in the building shall be determined by adding all of the amounts calculated above. Steps 5 and 6 below shall not apply.

After issuance of the first series of Bonds, the Administrator shall apply Steps 5 and 6 to determine the Maximum Facilities Special Tax for each Taxable Parcel.

*Step 5.* Sum the amounts calculated in Step 4 to determine the Estimated Base Facilities Special Tax Revenues for the building(s) for which a Building Permit was issued.

*Step 6.* Compare the Estimated Base Facilities Special Tax Revenues from Step 5 to the Expected Maximum Facilities Special Tax Revenues for the property, and apply one of the following, as applicable:

- *If the Estimated Base Facilities Special Tax Revenues are greater than or equal to the Expected Maximum Facilities Special Tax Revenues*, then the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created shall be determined by multiplying the applicable Base Facilities Special Tax by the square footage of each Land Use Category expected on each Taxable Parcel within the building(s) for which the Building Permit has been issued. The Administrator shall update Attachment 2 to reflect the adjusted Expected Maximum Facilities

Special Tax Revenues for the Sub-Block and the increased Maximum IA1 Revenues.

- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, but the Maximum IA1 Revenues are still sufficient to provide Required Coverage*, then the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created shall be determined by multiplying the applicable Base Facilities Special Tax by the square footage of each Land Use Category expected on each Taxable Parcel within the building(s) for which the Building Permit has been issued. The Administrator shall revise Attachment 2 to reflect the decreased Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) and the decreased Maximum IA1 Revenues.
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, and such reduction causes the Maximum IA1 Revenues to be insufficient to provide Required Coverage*, then the Base Facilities Special Taxes that were applied in Step 4 shall be increased proportionately until the amount that can be levied on Taxable Parcels within the building for which the Building Permit was issued, combined with the Expected Maximum Facilities Special Tax Revenues from other Sub-Blocks in Improvement Area No. 1, is sufficient to maintain Required Coverage.

After proportionately increasing the Base Facilities Special Taxes to an amount that will maintain Required Coverage, the Administrator shall use these adjusted per-square foot rates to calculate the Maximum Facilities Special Tax for each Taxable Parcel that has been, or is expected to be, created within the building(s) for which the Building Permit has been issued. The Administrator shall also revise Attachment 2 to reflect the new Expected Maximum Facilities Special Tax Revenues.

Until individual Assessor's Parcels are created for each Residential Unit and for any Commercial/Retail Square Footage, and/or Hotel Square Footage, within a building, the Administrator shall sum the Facilities Special Tax that, pursuant to Section F below, would be levied on all land uses on a Parcel and levy this aggregate Facilities Special Tax amount on the Parcel.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Developed Property in Improvement Area No. 1, unless there are delinquent Facilities Special Taxes on a Parcel of Developed Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

### **3b. Services Special Tax**

Prior to the Transition Year, there shall be no Services Special Tax levied on Developed Property in Improvement Area No. 1. In the Transition Year, the Maximum Services Special Tax for a Parcel of Developed Property shall be determined by the Administrator as follows:

*If the Parcel had been taxed as Developed Property in the Fiscal Year prior to the Transition Year and the Administrator is not aware of any changes to land uses on the Parcel since the Facilities Special Tax was levied, the Administrator shall, based on the information that was used to prepare the prior year's Facilities Special Tax levy, apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel, which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.*

*If the Parcel had been taxed as Developed Property in the Fiscal Year prior to the Transition Year and the Administrator is aware of changes to the Land Use Categories or square footage on the Parcel since the Facilities Special Tax was levied, the Administrator shall update the land use information and apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.*

*If the Parcel becomes Developed Property after the Transition Year, the Administrator shall update the land use information and apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel, which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.*

## **4. Expected Taxable Property**

### **4a. Facilities Special Tax**

Prior to the Transition Year, the Maximum Facilities Special Tax assigned to any Parcel of Expected Taxable Property shall be the Expected Maximum Facilities Special Tax Revenues that were assigned to the Parcel (as determined by the Administrator) based on the Expected Land Uses prior to the Administrator determining that such Parcel had become Expected Taxable Property. In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Expected Taxable Property.

### **4b. Services Special Tax**

Prior to the Transition Year, there shall be no Services Special Tax levied on Expected Taxable Property. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax assigned to any Parcel of Expected Taxable Property shall be determined by the Administrator by applying the Base Services Special Tax to each Land

Use Category that is built on each Parcel of Expected Taxable Property, and such determination shall be conclusive and binding.

**D. CHANGES TO THE MAXIMUM SPECIAL TAX**

***1. Annual Escalation of Facilities Special Tax***

Beginning July 1, 2017 and each July 1 thereafter, the Base Facilities Special Taxes in Table 1, the Expected Maximum Facilities Special Tax Revenues in Attachment 2, and the Maximum Facilities Special Tax assigned to each Parcel in Improvement Area No. 1 shall be increased by 2% of the amount in effect in the prior Fiscal Year.

***2. Annual Escalation of Services Special Tax***

Beginning July 1, 2017 and each July 1 thereafter until the Transition Year, the Base Services Special Taxes in Table 2 shall be increased by 3.4% of the amount in effect in the prior Fiscal Year. On July 1 of the Transition Year and each July 1 thereafter, the Base Services Special Taxes and the Maximum Services Special Tax assigned to each Parcel in Improvement Area No. 1 shall be escalated by the Escalator.

***3. Inclusionary Unit and Market Rate Unit Transfers***

If, in any Fiscal Year after issuance of the first series of Bonds, the Administrator determines that a Residential Unit that had previously been designated as an Inclusionary Unit no longer qualifies as such, the Maximum Facilities Special Tax on the Residential Unit shall be increased to the Maximum Facilities Special Tax that would be levied on a Market Rate Unit of the same square footage. If, after issuance of the first series of Bonds, a Market Rate Unit becomes an Inclusionary Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit and, by exempting the Inclusionary Unit, the Administrator determines that Maximum IA1 Revenues will be reduced to a point at which Required Coverage cannot be maintained, then the Inclusionary Unit shall be designated as Expected Taxable Property and shall be subject to the levy of the Facilities Special Tax pursuant to Step 4 in Section F below.

***4. Changes in Land Use Category on a Parcel of Developed Property***

If the square footage on any Parcel that had been taxed as Developed Property in a prior Fiscal Year is rezoned or otherwise changes Land Use Category, the Administrator shall multiply the applicable Base Special Taxes by the square footage within each of the new Land Use Category(ies); if the first series of Bonds has not yet been issued, this amount shall be the Maximum Special Tax for the Parcel. If the first series of Bonds has been issued, the Administrator shall apply the remainder of this Section D.4.

If the amount determined is greater than the Maximum Facilities Special Tax that applied to the Parcel prior to the Land Use Change, the Administrator shall increase the Maximum Facilities Special Tax for the Parcel to the amount calculated for the new Land Use Category(ies). If the

amount determined is less than the Maximum Facilities Special Tax that applied prior to the Land Use Change, there will be no change to the Maximum Facilities Special Tax for the Parcel. Under no circumstances shall the Maximum Facilities Special Tax on any Parcel of Developed Property be reduced, regardless of changes in Land Use Category or square footage on the Parcel, including reductions in square footage that may occur due to demolition, fire, water damage, or acts of God.

#### **5. *Reduction in Maximum Facilities Special Taxes Prior to First Bond Sale***

As set forth in, and subject to the requirements of, Section 2.3(n) of the Financing Plan, the Maximum Facilities Special Taxes assigned to Taxable Parcels in Improvement Area No. 1 may be proportionately or disproportionately reduced once prior to issuance of the first series of Bonds. Such reduction shall be made without a vote of the qualified CFD electors following: (i) initiation upon written request of TICD, and (ii) consultation with the City and TIDA regarding such request. The reduction shall be codified by recordation of an amended Notice of Special Tax Lien against all Taxable Parcels within Improvement Area No. 1.

### **E. ANNEXATIONS**

If, in any Fiscal Year, a property owner within the Future Annexation Area wants to annex property into Improvement Area No. 1, the Administrator shall apply the following steps as part of the annexation proceedings:

- Step 1.** Working with City staff and the landowner, the Administrator shall determine the Expected Land Uses for the area to be annexed.
- Step 2.** The Administrator shall prepare and keep on file updated Attachments 1, 2, and 3 to reflect the annexed property and identify the revised Expected Land Uses and Maximum IA1 Revenues. After the annexation is complete, the application of Sections C and F of this RMA shall be based on the adjusted Expected Land Uses and Maximum IA1 Revenues including the newly annexed property.
- Step 3.** The Administrator shall ensure that a Notice of Special Tax Lien is recorded against all Parcels that are annexed to the CFD.

### **F. METHOD OF LEVY OF THE SPECIAL TAX**

Each Fiscal Year, the Special Tax shall be levied according to the steps outlined below:

- Step 1.** In all Fiscal Years prior to and including the earlier of (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan, or (ii) 42 years after the first series of Bonds was issued for Improvement Area No. 1, the Maximum Special Tax shall be levied on all Parcels of Developed Property regardless

of debt service on Bonds (if any), and any Remainder Special Taxes collected shall be applied as set forth in the Financing Plan.

In all Fiscal Years after the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan, or (ii) 42 years after the first series of Bonds was issued for Improvement Area No. 1, the Special Tax shall be levied Proportionately on each Parcel of Developed Property, up to 100% of the Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Special Tax Requirement.

- Step 2.* If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Vertical DDA Property, up to 100% of the Maximum Special Tax for each Parcel of Vertical DDA Property for such Fiscal Year.
- Step 3.* If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for each Parcel of Undeveloped Property for such Fiscal Year.
- Step 4:* If additional revenue is needed after Step 3 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Expected Taxable Property, up to 100% of the Maximum Special Tax for each Parcel of Expected Taxable Property.

## **G. 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 earlier of: (i) the Fiscal Year in which the City determines that all Qualified Project Costs have been funded pursuant to the Financing Plan and all other Authorized Expenditures that will be funded by the CFD have been funded, and (ii) 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 Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

## **H. EXEMPTIONS**

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Public Property or Association Property, except Public Property or Association Property that is determined to be Expected Taxable Property or a Hotel Project, (ii) Authority Housing Lots or Inclusionary Units unless any such lots or units have been determined to be Expected Taxable Property, (iii) Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, or open space, and (iv) the Yerba Buena Officers Quarters.

## **I. 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.

## **J. 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 J 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.

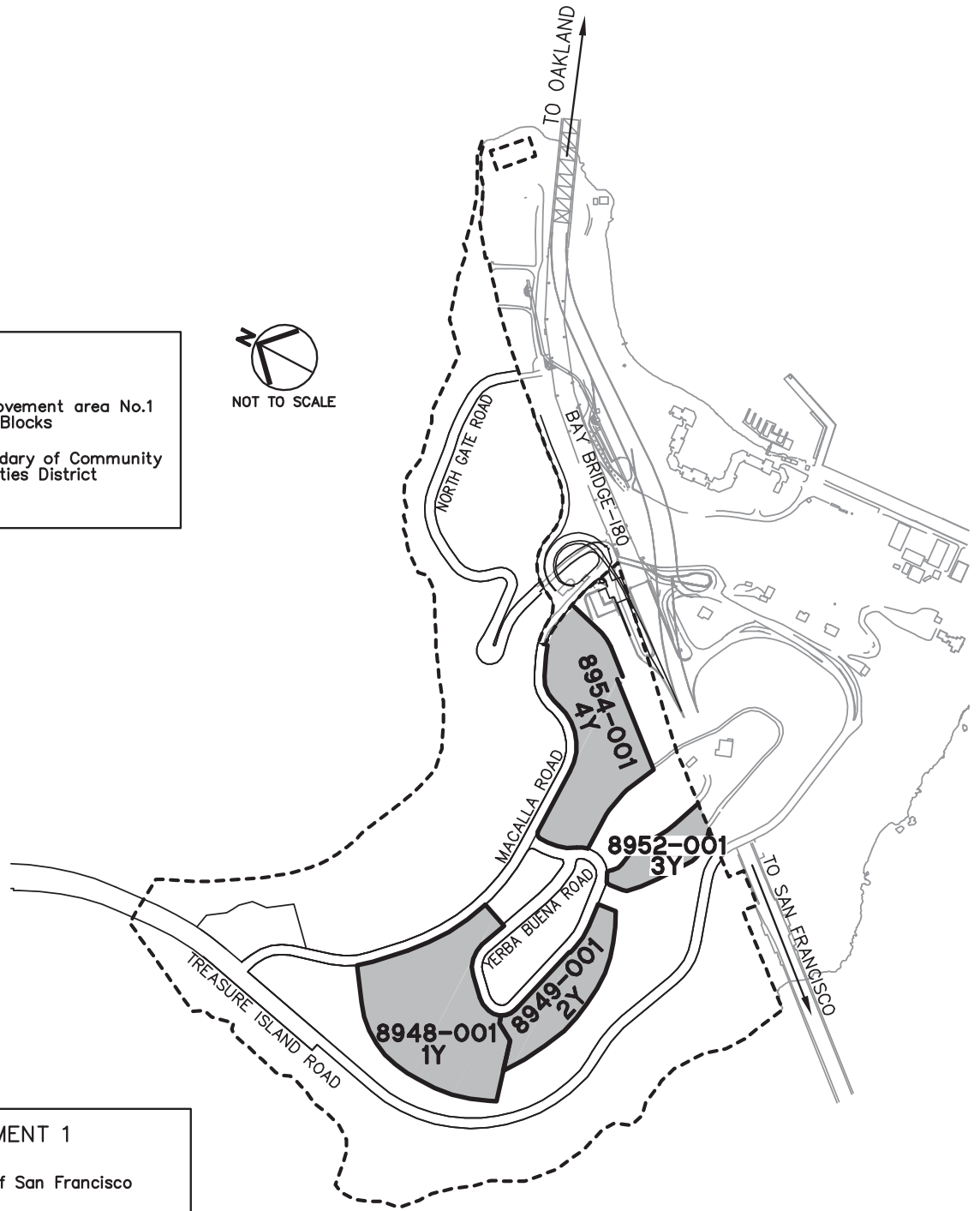
# **ATTACHMENT 1**

## **IMPROVEMENT AREA NO. 1 OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)**

### **IDENTIFICATION OF SUB-BLOCKS IN IMPROVEMENT AREA NO. 1**

**Legend**

	Improvement area No.1 sub-Blocks
	Boundary of Community Facilities District



**ATTACHMENT 1**

City and County of San Francisco

Community Facilities District No. 2016-1  
(Treasure Island)

Identification of Sub-Blocks

## ATTACHMENT 2

### IMPROVEMENT AREA NO. 1 OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)

#### EXPECTED LAND USES AND EXPECTED MAXIMUM FACILITIES SPECIAL TAX REVENUES FOR EACH SUB-BLOCK IN IMPROVEMENT AREA NO. 1 (Updated September 18, 2020)

			<i>Figures from Adopted RMA</i>			<i>Figures from 09/18/20 Update</i>		
Sub-Block /1	Expected Land Use	Base Facilities Special Tax (FY 2016-17) /2	Expected Number of Residential Units	Expected Square Footage	Expected Maximum Facilities Special Tax Revenues (FY 2016-17) /2	Expected Number of Residential Units	Expected Square Footage	Expected Maximum Facilities Special Tax Revenues (FY 2016-17) /2
1Y	Yerba Buena Townhome Project							
	Market Rate Units	\$5.82 per sq. foot	94	223,515	\$1,300,857	32	91,983	\$535,341
	Inclusionary Units	\$0.00 per sq. foot	0	0	\$0	0	0	\$0
	Low-Rise Project							
	Market Rate Units	\$6.13 per sq. foot	0	0	\$0	41	97,907	\$600,170
	Inclusionary Units	\$0.00 per sq. foot	0	0	\$0	0	0	\$0
2Y	Hotel	\$3.00 per sq. foot	N/A	40,000	\$120,000	N/A	50,000	-- /3
3Y	Yerba Buena Townhome Project							
	Market Rate Units	\$5.82 per sq. foot	10	24,220	\$140,960	11	36,000	\$209,520
	Inclusionary Units	\$0.00 per sq. foot	0	0	\$0	0	0	\$0
4Y	Yerba Buena Townhome Project							
	Market Rate Units	\$5.82 per sq. foot	58	127,158	\$740,060	39	100,000	\$582,000
	Inclusionary Units	\$0.00 per sq. foot	3	6,852	\$0	0	0	\$0
	Low-Rise Project							
	Market Rate Units	\$6.13 per sq. foot	101	116,950	\$716,904	124	164,157	\$1,006,282
	Inclusionary Units	\$0.00 per sq. foot	11	13,495	\$0	14	15,440	\$0
<b>TOTAL</b>			<b>277</b>	<b>552,190</b>	<b>\$3,018,781</b>	<b>261</b>	<b>555,487</b>	<b>\$2,933,313</b>

1. See Attachment 1 for the geographic area associated with each Sub-Block.
2. Beginning July 1, 2017 and each July 1 thereafter, the dollar amounts shown above shall be escalated as set forth in Section D.1.
3. Parcel 2Y is public trust property owned by TIDA, and is exempt from Special Taxes until it is subject to an LDDA with a term of twenty (20) years or more, or it is developed with a Hotel Project. Therefore, Parcel 2Y is not Expected Taxable Property and no Expected Maximum Special Tax Revenues can be expected from the parcel unless and until TIDA enters into an LDDA with a vertical developer or Parcel 2Y is developed with a Hotel Project.

## **ATTACHMENT 3**

### **IMPROVEMENT AREA NO. 1 OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)**

#### **IDENTIFICATION OF AUTHORITY HOUSING LOTS IN IMPROVEMENT AREA NO. 1**

*[No Authority Housing Lots are expected within Improvement Area No. 1.]*

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

*The following is a summary of certain provisions of the Fiscal Agent Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the complete terms and provisions of the Fiscal Agent Agreement, to which reference is hereby made.*

#### **Certain Definitions**

“Acquisition Agreement” means that certain Acquisition and Reimbursement Agreement (Treasure Island/Yerba Buena Island), dated March 8, 2016, by and among the City, Treasure Island Development Authority and the Developer, as it may be amended from time to time in accordance with the terms thereof.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 *et seq.* of the California Government Code.

“Administrative Expenses” means costs directly related to the administration of the CFD consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the City or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under the Fiscal Agent Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Fund” means the fund designated the “Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Administrative Expense Fund” established and administered under the Fiscal Agent Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“Auditor” means the tax collector of the City, or such other official at the City who is responsible for preparing property tax bills.

“Authorized Officer” means the Mayor, the Controller, the Director of the Office of Public Finance, the Clerk of the Board of Supervisors, or any other officer or employee authorized by the Board of Supervisors of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

“Board of Supervisors” means the Board of Supervisors of the City, in its capacity as the legislative body of the CFD.

“Bond” or “Bonds” means the 2020 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund designated the “Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Bond Fund” established and administered under the Fiscal Agent Agreement.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2021.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“CFD” means the “City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)” formed under the Resolution of Formation.

“City” means the City and County of San Francisco, California and any successor thereto.

“City Attorney” means any attorney or firm of attorneys employed by the City in the capacity of general counsel.

“Closing Date” means the date upon which there is a physical delivery of the 2020 Bonds in exchange for the amount representing the purchase price of the 2020 Bonds by the Original Purchaser.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant’s fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund designated the “Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Costs of Issuance Fund” established and administered under the Fiscal Agent Agreement.

“Dated Date” means October 29, 2020 the dated date of the 2020 Bonds, which is the Closing Date.



“DDA” means the Disposition and Development Agreement (Treasure Island/Yerba Buena Island), dated June 28, 2011, including a Financing Plan (Treasure Island/Yerba Buena Island), between TIDA and the Developer, as amended from time to time.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2020 Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Developer” means Treasure Island Community Development, LLC, and its successors and assigns.

“Development Agreement” means the Development Agreement, dated June 28, 2011, between the City and the Developer, as it may be amended from time to time.

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the Director of the Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

“Fiscal Agent” means Zions Bancorporation, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Area No. 1” means “Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)” formed under the Resolution of Formation.

“Improvement Area No. 1 Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all Taxable Parcels in Improvement Area No. 1 and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent Taxable Parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Taxable Parcels as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Improvement Area No. 1 Value, the City may rely on an appraisal to determine the value of some or all of the Taxable Parcels in Improvement Area No. 1 and/or the most recent City real property tax roll as to the value of some or all of the Taxable Parcels in Improvement Area No. 1. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“Improvement Fund” means the fund designated “Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Bonds, Improvement Fund,” established under the Fiscal Agent Agreement.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Treasurer, and who, or each of whom: (i) is judged by the Treasurer to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the Improvement Area No. 1, or any real property in the Improvement Area No. 1; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Interest Payment Date” means each March 1 and September 1 of every calendar year, commencing March 1, 2021.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Maximum Special Taxes” has the meaning given that term in the Rate and Method.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the Board of Supervisors of the City levying the Special Taxes, including but not limited to Ordinance No. 22-17 introduced by the Board of Supervisors on January 24, 2017, and adopted by the Board of Supervisors on January 31, 2017, and signed by Mayor Edwin Lee on February 9, 2017.

“Original Purchaser” means Stifel, Nicolaus & Company, Inc. and Backstrom McCarley Berry & Co., LLC, the first purchasers of the 2020 Bonds from the City.

“Other District Bonds” has the meaning given that term in the Fiscal Agent Agreement.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the provisions of the Fiscal Agent Agreement relating to discharge of the Bonds; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under the Fiscal Agent Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under the Fiscal Agent Agreement.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market mutual funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory, transfer agency, custodial or other management services for which it receives and retains a fee for such services to the fund) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A;

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(k) the California Asset Management Program.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, or such other office designated by the Fiscal Agent from time to time.

“Proceeds” when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter’s discount.

“Project” means those items described as the “Facilities” in the Resolution of Formation.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P, or "A" from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P or "A" from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2020 Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit,

insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2020 Bonds and any 2020 Related Parity Bonds.

“Rate and Method” means the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 set forth in the Resolution of Formation.

“Record Date” means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

“Refunding Bonds” means bonds issued by the City for the CFD with respect to Improvement Area No. 1, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Remainder Taxes” means the Special Taxes available for disbursement pursuant to the Fiscal Agent Agreement.

“Resolution” has the meaning given that term in the recitals of the Fiscal Agent Agreement.

“Resolution of Formation” means Resolution No. 8-17, adopted by the Board of Supervisors on January 24, 2017, forming the CFD and Improvement Area No. 1, and signed by Mayor Edwin Lee on February 3, 2017.

“Resolution of Necessity” means Resolution No. 9-17 adopted by the Board of Supervisors on January 24, 2017, and signed by Mayor Edwin Lee on February 3, 2017.

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Special Tax Fund” means the special fund designated “Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Fund” established and administered under the Fiscal Agent Agreement.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund under the Fiscal Agent Agreement.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“Special Taxes” means the Facilities Special Tax levied by the Board of Supervisors within Improvement Area No. 1 under the Act, the Rate and Method, the Ordinance and the Fiscal Agent Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.

“Taxable Parcels” has the meaning given that term in the Rate and Method.

“TIDA” means the Treasure Island Development Authority, a California nonprofit public benefit corporation.

“TIDA Inclusion Conditions” consist of the following for purposes of Section 3.06(D) of the Fiscal Agent Agreement: (A) TIDA’s Board of Directors has adopted a resolution in which it (1) covenants for the benefit of the Owners of the Bonds that, as long as Bonds are Outstanding, (a) TIDA will not terminate such leasehold interest unless TIDA concurrently enters into a new lease the term of which ends on or after the final maturity date of any Bonds payable from such special tax and that covers substantially the same real property and improvements as the terminated lease (a “Replacement Lease”) and (b) such leasehold interest may not be terminated by the lessee unless TIDA concurrently enters into a Replacement Lease and (2) grants to the City and the Fiscal Agent the right to enforce such covenant on behalf of the Owners of the Bonds, and (B) the City has covenanted in a Supplemental Agreement to take all actions permitted under law to enforce TIDA’s covenant described in clause (A)(1), including directing the Fiscal Agent to take all such actions.

“TIDA Parcel” means a parcel owned by TIDA that is subject to an LDDA (as defined in the Rate and Method) with a term of twenty (20) years or more that is leased to a developer and that is subject to the Special Taxes under the RMA.

“Unimproved Property” means “Undeveloped Property” and “Vertical DDA Property” as those terms are defined in the Rate and Method.

“Unimproved Property Bonds” means a portion of any Bonds then Outstanding and any proposed Parity Bonds equal to the aggregate principal amount of such Outstanding Bonds and proposed Parity Bonds multiplied by a fraction, the numerator of which is the revenues that would be generated by the expected levy of the Special Tax on Unimproved Property in the immediately succeeding Fiscal Year, and the denominator of which is the revenues that would be generated by the expected levy of the Special Tax on all Taxable Parcels in Improvement Area No. 1 in the immediately succeeding Fiscal Year, based upon information from the most recent available Fiscal Year, in both cases assuming that there is no capitalized interest available to pay debt service on the Bonds.



“Unimproved Property Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all parcels of Unimproved Property in Improvement Area No. 1 subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent parcels of Unimproved Property as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Unimproved Property Value, the City may rely on an appraisal to determine the value of some or all of the parcels of Unimproved Property in Improvement Area No. 1 and/or the most recent City real property tax roll as to the value of some or all of the parcels of Unimproved Property in Improvement Area No. 1. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“2020 Bonds” means the Bonds so designated and authorized to be issued under the Fiscal Agent Agreement.

“2020 Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2020 Reserve Fund so that the balance therein is equal to the 2020 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2020 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

“2020 Reserve Fund” means the fund designated the “Improvement Area No. 1 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Bonds, Reserve Fund” established and administered under the Fiscal Agent Agreement.

“2020 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2020 Bonds and 2020 Related Parity Bonds, if any, (b) 125% of average Annual Debt Service on the 2020 Bonds and 2020 Related Parity Bonds, if any and (c) 10% of the outstanding principal of the 2020 Bonds and 2020 Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2020 Bonds or any 2020 Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2020 Bonds or any 2020 Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2020 Bonds or any 2020 Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated hereunder exceed the amount on deposit in the 2020 Reserve Fund on the date of issuance of the 2020 Bonds (if they are the only Bonds covered by the 2020 Reserve Fund) or the most recently issued series of 2020 Related Parity Bonds except in connection with any increase associated with the issuance of 2020 Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2020 Reserve Fund in connection with the issuance of a series of 2020 Related Parity Bonds exceed the maximum



amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

### **Certain Provisions Relating to the Bonds**

**Interest.** The 2020 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such 2020 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**Method of Payment.** Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

**Transfer or Exchange of Bonds** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of the Fiscal Agent Agreement by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

**Bond Register.** The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be

registered or transferred, on said books, the ownership of the Bonds as provided in the Fiscal Agent Agreement. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

### **Certain Provisions Relating to Security for the Bonds**

**Pledge of Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent in the Fiscal Agent Agreement) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are by the Fiscal Agent Agreement dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the provisions of the Fiscal Agent Agreement relating to discharge of the Bonds.

The 2020 Bonds and all 2020 Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2020 Reserve Fund. The moneys in the 2020 Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2020 Bonds and all 2020 Related Parity Bonds as provided herein and in the Act until all of the 2020 Bonds and all 2020 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03 of the Fiscal Agent Agreement.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

**Limited Obligation.** All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefore under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

**No Acceleration.** The principal of the Bonds is not subject to acceleration.

**Parity Bonds.** In addition to the 2020 Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement, and, to the extent provided therein, shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The City may only issue such Parity Bonds subject to the following specific conditions precedent:

(A) **Compliance.** Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental

Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the indebtedness limit of Improvement Area No. 1.

(B) Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on September 1 (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) Debt Service Reserve Fund. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2020 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2020 Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2020 Reserve Fund and that the Owners of the Bonds covered by the 2020 Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2020 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2020 Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) Value. (i) The Improvement Area No. 1 Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels in Improvement Area No. 1, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on Taxable Parcels within Improvement Area No. 1 (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on Taxable Parcels within Improvement Area No. 1, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds, based upon information from the most recent available Fiscal Year.

(ii) The Unimproved Property Value shall be at least two and one-half (2.5) times the sum of: (i) the aggregate principal amount of all Unimproved Property Bonds, plus (ii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels of Unimproved Property in Improvement Area No. 1 that are subject to the levy of Special Taxes, plus (iii) a portion of the aggregate principal amount of any and all Other District Bonds equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of Unimproved Property within Improvement Area No. 1, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds, based upon information from the most recent available Fiscal Year.

(iii) For the purpose of calculating the Improvement Area No. 1 Value and the Unimproved Property Value in connection with the issuance of Parity Bonds, the City shall not

include the value of any leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

(E) Coverage. An Independent Financial Consultant shall certify:

(i) For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, will be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

(ii) In the event Special Taxes are prepaid under the Rate and Method and applied in accordance with the Rate and Method and the Agreement, the Special Taxes that may be levied for each Fiscal Year after the prepayment under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year will be at least 110% of the Annual Debt Service payable with respect to the remaining Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For the purpose of calculating the Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds, the City shall not include the following:

(jjj) for any Fiscal Year the Special Taxes that may be levied on any parcel of Unimproved Property (as defined herein) that is delinquent in the payment of Special Taxes on the date of the Officer's Certificate required by subsection (F) and

(iv) for any Fiscal Year the Special Taxes that may be levied on the leasehold interest in a TIDA Parcel unless the TIDA Inclusion Conditions have occurred.

(F) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in paragraphs (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of subsections (D) or (E) above, and, in connection therewith, the Officer's Certificate in subsection (F) above need not make reference to said subsections (D) and (E).

Nothing in the Fiscal Agent Agreement shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

### **Certain Funds and Accounts**

#### **2020 Reserve Fund.**

Establishment of 2020 Reserve Fund. The 2020 Reserve Fund is established under the Indenture as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required thereunder, which deposit, as of the Closing Date, is equal to the initial 2020 Reserve Requirement with

respect to the 2020 Bonds, and deposits shall be made as described in paragraph (C) of the section entitled “Parity Bonds” above and in the section entitled “Special Tax Fund.” Moneys in the 2020 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2020 Bonds and any 2020 Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2020 Bonds and any 2020 Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2020 Bonds and any 2020 Related Parity Bonds.

Use of 2020 Reserve Fund. Moneys in the 2020 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2020 Bonds and any 2020 Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds. Except as otherwise provided in the provisions of the Fiscal Agent Agreement relating to the Reserve Fund, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2020 Bonds and any 2020 Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement relating to the 2020 Reserve Fund, for the purpose of redeeming 2020 Bonds and any 2020 Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2020 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2020 Bonds and any 2020 Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2020 Reserve Fund exceeds the 2020 Reserve Requirement, the Fiscal Agent shall provide written notice to the Finance Director of the amount of the excess and shall transfer an amount equal to the excess from the 2020 Reserve Fund to (i) the Improvement Fund, to be used to pay for Project costs, and (ii) after the Improvement Fund is no longer open, the Bond Fund, to be used to pay interest on the 2020 Bonds and any 2020 Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2020 Reserve Fund shall be withdrawn for purposes of making rebate payments to the federal government, upon receipt by the Fiscal Agent of an Officer’s Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the 2020 Reserve Fund shall be used for rebate unless the amount in the 2020 Reserve Fund following such withdrawal equals the 2020 Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2020 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2020 Bonds and any 2020 Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2020 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with the Fiscal Agent Agreement and the provisions of the Supplemental Agreement related to the 2020 Related Parity Bonds, as applicable, of all of the Outstanding 2020 Bonds and Outstanding 2020 Related Parity Bonds. In the event that the amount so transferred from the 2020 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2020 Bonds and Outstanding 2020 Related Parity Bonds, the balance in the 2020 Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

No amounts shall be transferred from the 2020 Reserve Fund until after: (i) the calculation of any rebate amounts due to the federal government and withdrawal of any such amount for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.



Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2020 Bonds and 2020 Related Parity Bonds are to be redeemed with the proceeds of such prepayment, pursuant to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2020 Related Parity Bonds, any resulting reduction in the 2020 Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2020 Bonds pursuant to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2020 Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Investment. Moneys in the 2020 Reserve Fund shall be invested by Fiscal Agent under the Fiscal Agent Agreement.

Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2020 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2020 Bonds or any 2020 Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2020 Reserve Fund to the Improvement Fund to be used for the purposes thereof. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2020 Reserve Requirement, to be derived from the first available Special Tax Revenues. If the 2020 Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2020 Bonds and any 2020 Related Parity Bonds. If the 2020 Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2020 Bonds and any 2020 Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2020 Reserve Fund may be established for such series, and the calculation of the 2020 Reserve Requirement with respect to any 2020 Related Parity Bonds shall exclude the debt service on such issue of 2020 Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2020 Reserve Fund with cash if, at any time that the 2020 Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn on under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon. The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

## **Bond Fund.**

Establishment of Bond Fund. The Bond Fund is established pursuant to the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

The Fiscal Agent may establish a "Special Tax Prepayments Account" in the circumstances described in the Fiscal Agent Agreement.

Disbursements. At least 10 Business Days before each Interest Payment Date or redemption date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date or redemption date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date or redemption date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date or redemption date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the 2020 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds (including the process of any Qualified Reserve Account Credit Instrument held therein) or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2020 Bonds and any 2020 Related Parity Bonds. Amounts so withdrawn from the 2020 Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2020 Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments.

Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given, under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement and shall be used (together with any amounts transferred from the 2020 Reserve Fund and any reserve account for Parity Bonds that are not



2020 Related Parity Bonds to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Excess. Any excess moneys remaining in the Bond Fund, following the payment of Debt Service on the Bonds on any September 1, shall be transferred to the Special Tax Fund.

### **Special Tax Fund**

Establishment of Special Tax Fund. The Special Tax Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) Special Tax Revenues in an amount not to exceed the amount included in the Special Tax levy for such Fiscal Year for Administrative Expenses shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, without preference or priority, for transfer to the 2020 Reserve Fund to the extent needed to increase the amount then on deposit in the 2020 Reserve Fund up to the then 2020 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and third, to be held in the Special Tax Fund for use as described in the Fiscal Agent Agreement; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds) shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Disbursements. At least 7 Business Days prior to each Interest Payment Date or redemption date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2020 Reserve Fund and any reserve account for Parity Bonds that are not 2020 Related Parity Bonds and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date and any past due principal or interest on the Bonds not theretofore paid from a transfer

described in the Fiscal Agent Agreement, and (ii) without preference or priority (a) to the 2020 Reserve Fund an amount, taking into account amounts then on deposit in the 2020 Reserve Fund, such that the amount in the 2020 Reserve Fund is equal to the 2020 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2020 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and (iii) on each October 1, beginning on October 1, 2021, all of the moneys remaining in the Special Tax Fund, to the extent that they are not needed to pay for Administrative Expenses, shall be transferred to the Finance Director for deposit in accordance with the DDA and the Development Agreement.

### **Administrative Expense Fund.**

Establishment of Administrative Expense Fund. The Administrative Expense Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance.

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw from the Administrative Expense Fund and transfer to the Special Tax Fund any amount in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, as identified by the Finance Director in an Officer's Certificate.

### **Improvement Fund.**

Establishment of Improvement Fund. The Improvement Fund is established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by Sections 4.01, 4.02(D), and 4.05(A) of the Fiscal Agent Agreement.

Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in the following subsections of this section, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form attached to the Fiscal Agent Agreement which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that the disbursements described in the certificate are properly chargeable to the Improvement Fund; and

(iii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Closing of Fund. When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund shall be closed. Moneys transferred from the Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

### **Certain Covenants**

**Collection of Special Tax Revenues.** The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

Processing. On or within 5 Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2020 Reserve Fund and any reserve account for Parity Bonds that are not 2020 Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2020 Reserve Fund is less than the 2020 Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2020 Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

Levy. The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the Improvement Area No. 1 for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

Computation. The Finance Director shall fix and levy the amount of Special Taxes within the Improvement Area No. 1 required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement: (i) the principal of and interest on any outstanding Bonds of the CFD with respect to Improvement Area No. 1 becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2020 Reserve Fund and any other reserve account for Parity Bonds that are not 2020 Related Parity Bonds to the extent such

replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Special Taxes. Nothing in this Section is intended to limit the amount of Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA and the Development Agreement.

**Collection.** Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

**Covenant to Foreclose.** Under the Act, the City covenants under the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in Improvement Area No. 1 to the amount of Special Tax Revenues theretofore received by the City, and:

(A) **Individual Delinquencies.** If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of two installments of Special Taxes for Developed Property consisting of a Residential Unit and one installment for all other Taxable Parcels, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2020 Reserve Fund is at least equal to the 2020 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds is at least equal to the required amount.

(B) **Aggregate Delinquencies.** If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 1, (including the total of delinquencies under paragraph (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year determined by reference to the latest available secured property tax roll of the City, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 1 with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are authorized pursuant to the Fiscal Agent Agreement to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

### **Books and Records.**

(A) City. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

**Private Activity Bond Limitations.** The City shall assure that the proceeds of the 2020 Bonds are not so used as to cause the 2020 Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

**Federal Guarantee Prohibition.** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2020 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

**Rebate Requirement.** The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2020 Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2020 Bonds, and shall take such actions as are necessary to ensure compliance with this covenant, such as increasing the portion of the Special Tax levy for Administrative Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this covenant. If necessary to satisfy its obligations under this covenant, the City may use:

- (A) Amounts in the 2020 Reserve Fund if the amount on deposit in the 2020 Reserve Fund, following the proposed transfer, is at least equal to the 2020 Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2020 Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Amounts on deposit in the Administrative Expense Fund; and
- (C) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A) and (B).



**No Arbitrage.** The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2020 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2020 Bonds would have caused the 2020 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

**Yield of the 2020 Bonds.** In determining the yield of the 2020 Bonds to comply with its federal tax law-related covenants under the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2020 Bonds, without regard to whether or not prepayments are received or 2020 Bonds redeemed.

**Maintenance of Tax-Exemption.** The City shall take all actions necessary to assure the exclusion of interest on the 2020 Bonds from the gross income of the Owners of the 2020 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2020 Bonds.

**Limits on Special Tax Waivers and Bond Tenders.** The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

**City Bid at Foreclosure Sale.** The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the City and that the Special Taxes levied on the property are payable while the City owns the property.

**Amendment of Rate and Method.** The City will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Notwithstanding the above provision, the City may initiate proceedings to reduce the maximum Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the Taxable Parcels in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then-existing Taxable Parcels in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved; (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants will compute the Administrative Expenses for the current Fiscal Year and escalate such amounts by 2% in each subsequent Fiscal Year.

**Limitation on Principal Amount of Parity Bonds.** Following issuance of the 2020 Bonds in the aggregate principal amount of \$17,135,000, the City will not issue more than \$232,865,000 initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

### **Investment of Moneys in Funds**

**General.** Moneys in any fund or account created or established by the Fiscal Agent and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent will hold such funds uninvested.

**Moneys in Funds.** Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

**Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2020 Reserve Fund shall be valued at their present value (within the meaning of Section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

**Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

**Sale of Investments.** The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.



### **Liability of City**

**General.** The City shall not incur any responsibility or liability in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

**No General Liability.** No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

### **Certain Provisions Relating to the Fiscal Agent**

**Merger.** Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Fiscal Agent Agreement to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession under the Fiscal Agent Agreement.

**Removal.** Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this covenant, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

**Resignation.** The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

**No Successor.** If no appointment of a successor Fiscal Agent shall be made within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

**Court Order.** If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds.

#### **Liability of Fiscal Agent.**

General. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct.

No Expenditures. No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners under the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses (including attorney's fees) and liabilities which might be incurred by it in compliance with such request or direction.

#### **Amendments Permitted**

**With Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement.

**Without Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City in the Fiscal Agent Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;
- (ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

**Fiscal Agent's Consent.** Any amendment of the Fiscal Agent Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of the Fiscal Agent Agreement and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

**Procedure for Amendment with Written Consent of Owners.** The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City), to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Fiscal Agent Agreement.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed provided in the Fiscal Agent Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Fiscal Agent Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner provided in the Fiscal Agent Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Fiscal Agent Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Fiscal Agent Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise provided in the Fiscal Agent Agreement) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent

jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

**Discharge of Agreement.** The City may pay and discharge the entire indebtedness on all or a portion of the Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2020 Reserve Fund, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund, the 2020 Reserve Fund or the reserve account for any Parity Bonds that are not 2020 Related Parity Bonds (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act and the Resolution of Formation.

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**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

October 29, 2020

City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**OPINION:**     \$17,135,000 Improvement Area No. 1 of the City and County of San Francisco  
Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds,  
Series 2020

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Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City of the special tax bonds captioned above, dated as of the date first written above (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “Act”), resolutions of the Board of Supervisors adopted on January 24, 2017 and September 22, 2020 (together, the “Resolution”), and a Fiscal Agent Agreement dated as of October 1, 2020, (the “Fiscal Agent Agreement”), between the City and Zions Bancorporation, National Association, as Fiscal Agent (the “Fiscal Agent”).

Under the Fiscal Agent Agreement, the City has pledged certain revenues (“Special Tax Revenues”) for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1.     The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2.     The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3.     The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation



## APPENDIX E-1

### FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

#### CONTINUING DISCLOSURE CERTIFICATE

#### IMPROVEMENT AREA NO. 1 OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND) SPECIAL TAX BONDS, SERIES 2020

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) in connection with the issuance of the above captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 12-17 adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on January 24, 2017, and approved by Mayor Edwin Lee on February 3, 2017, as supplemented by Resolution No. 411-20 adopted by the Board of Supervisors of the City on September 22, 2020 and approved by Mayor London N. Breed on September 25, 2020 (together, “Resolution”) and Fiscal Agent Agreement, dated as of October 1, 2020, by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California). The City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

### **SECTION 3. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which date shall be June 30 of each year), commencing with the report for the 2019-20 Fiscal Year (which is due not later than March 31, 2021), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided the Annual Report for the 2019-20 Fiscal Year shall consist solely of the financial statements of the City and the Official Statement dated October 7, 2020 related to the Bonds (which need not be reposted to EMMA). If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB as required by Section 5(c).

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

**SECTION 4. Content of Annual Reports.** The City’s Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

The City's annual financial statement is provided solely to comply with the Securities Exchange Commission staff's interpretation of rule 15c2-12. The bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

(b) the principal amount and total debt service of the outstanding Bonds, as of each June 30 preceding the date of the Annual Report.

(c) the balance in the Improvement Fund as of June 30 preceding the date of the Annual Report (until such fund has been closed).

(d) the balance in the 2020 Reserve Fund and any reserve for any 2020 Related Parity Bonds and the then-current reserve requirement amount for the Bonds and any 2020 Related Parity Bonds as of June 30 preceding the date of the Annual Report.

(e) a completed table for the then current fiscal year (based on development status or mixed development status), as follows:

Development Status	Taxable Parcels	Expected Residential Units	Square Footage	Assessed Value	Current FY Maximum Special Tax Revenue	Current FY Special Tax Levy	Allocated Bond Debt	Average VTL
Developed Property <sup>(1)</sup>								
Vertical DDA Property <sup>(1)</sup>								
Undeveloped Property <sup>(1)</sup>								

(1) As applicable.

(f) for any delinquent parcels in Improvement Area No. 1:

- number of parcels delinquent in payment of the Special Tax,
- amount of total delinquency and delinquency as a percentage of total Special Tax, and
- status of the City's actions to pursue foreclosure proceedings upon delinquent properties pursuant to the Fiscal Agent Agreement,

in each case, for the most recently concluded Fiscal Year.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available (with ownership information based on the most

recent information available, which is not necessarily the most up to date information as of the date of the report).

(h) any changes to the Rate and Method since the filing of the prior Annual Report.

(i) to the extent not otherwise provided pursuant to the preceding items (a)-(h), annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

## **SECTION 5. Reporting of Significant Events.**

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the City; or
10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 11-18 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bond holders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee; or
18. Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights or similar terms of Financial Obligation of the City, any of which affect security holders.

(c) The City shall give, or cause to be given, in a timely manner, notice (substantially in the form of Exhibit A) of a failure to provide the annual financial information on or before the date specified in Section 3.

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

**SECTION 6. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

**SECTION 7. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Remedies.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 11. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: October 29, 2020

CITY AND COUNTY OF SAN FRANCISCO

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Benjamin Rosenfield  
Controller

Approved as to form:

DENNIS J. HERRERA  
CITY ATTORNEY

By: \_\_\_\_\_  
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A**

**FORM OF NOTICE TO THE  
MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020

Date of Issuance: October 29, 2020

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated October 29, 2020. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, 20\_\_

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_ [to be signed only if filed]

Title: \_\_\_\_\_

stop

## APPENDIX E-2

### FORM OF TI SERIES 1 CONTINUING DISCLOSURE CERTIFICATE

**\$17,135,000**  
**IMPROVEMENT AREA NO. 1 OF THE**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**  
**(TREASURE ISLAND)**  
**SPECIAL TAX BONDS, SERIES 2020**

### TI SERIES 1 CONTINUING DISCLOSURE CERTIFICATE

This TI Series 1 Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of October 29, 2020, is executed and delivered by Treasure Island Series 1, LLC, a Delaware limited liability company (the “**Developer**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) with respect to Improvement Area No. 1 of the District (“**Improvement Area No. 1**”), of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of October 1, 2020 (the “**Fiscal Agent Agreement**”), by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from special taxes levied on property in Improvement Area No. 1, and the Developer is the master developer of property in Improvement Area No. 1.

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the owners and the beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“**Affiliate**” of the Developer means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Developer; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Developer; and (c) any Person directly or indirectly controlling, controlled by, or under common control with the Developer, and, in each such case, about whom information, including financial information or operating data, concerning such Person could be material to potential

investors in their investment decision regarding the Bonds (i.e. information regarding such Person's assets or funds that would materially affect the Developer's ability to complete the development of the Property as described in the Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency). For purposes hereof, the term "control" (including the terms "**controlling**," "**controlled by**" or "**under common control with**") means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Notwithstanding the foregoing, for purposes of this Disclosure Certificate, neither Stockbridge/Wilson Meany YBI Investors, LLC nor any entity created by Stockbridge/Wilson Meany YBI Investors, LLC (including, but not limited to, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC and YBI Phase 3 Investors, LLC) shall be considered Affiliates of the Developer.

"**Beneficial Owner**" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"**Bondowners**" shall mean the owner of any of the Bonds.

"**Dissemination Agent**" shall mean the Developer or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

"**District**" shall mean the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

"**EMMA**" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

"**Fiscal Year**" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

"**Improvement Area No. 1**" shall mean Improvement Area No. 1 of the District.

"**Listed Event**" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Official Statement**" shall mean the Official Statement, dated October 7, 2020, relating to the Bonds.

"**Participating Underwriters**" shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and Backstrom McCarley Berry & Co., LLC.

"**Person**" shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

**“Property”** means the real property within the boundaries of Improvement Area No. 1 that is owned by the Developer or any Affiliate at the time of the applicable Semiannual Report.

**“Repository”** shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

**“Semiannual Report”** shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

**“State”** shall mean the State of California.

### SECTION 3. Provision of Semiannual Reports.

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing May 1, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Developer, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination is other than the Developer), the City, and the Participating Underwriters certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

#### SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information in the Official Statement under the caption "IMPROVEMENT AREA NO. 1" (other than under "Merchant Builder Development and Financing Plans" for which no update is required).

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and the number of parcels for which sales have closed, all since the date of the information provided in the Official Statement or the most recent Semiannual Report.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer to or affecting the horizontal or vertical development of the Property or the time for construction of any public or private improvements to the property to be made by the Developer (the "**Developer Improvements**").

4. Any sale by the Developer or any Affiliate of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

#### SECTION 5. Reporting of Significant Events.

(a) Until the Developer's obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under

clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property for Improvement Area No. 1 on or prior to the delinquency date.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer or any Affiliate on any loan of the Developer or any Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Property.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or such Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts that, in the reasonable judgment of the Developer, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

7. The filing of any lawsuit against the Developer or any Affiliate that, in the reasonable judgment of the Developer, would materially adversely affect the completion of the Developer Improvements, or litigation which if decided against the Developer or any Affiliate that, in the reasonable judgment of the Developer, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriters, or (ii) file a notice of such

occurrence with the Repository, with a copy to the City, the Participating Underwriters, and the Dissemination Agent (if other than the Developer).

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) if, at any time, the Developer no longer owns any Property in Improvement Area No. 1 and the Total Estimated Project Costs in Table 3 is at least 90% complete, or
- (c) upon the delivery by the Developer to the City of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Certificate is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the City and the Participating Underwriters, and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted;
- (b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriters, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and
- (c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.



SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be

the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Transferees. The Developer shall, in connection with any sale or transfer of ownership of any Property which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within Improvement Area No. 1 in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the property acquired; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer:	Treasure Island Series 1, LLC c/o Lennar Corporation 15131 Alton Parkway Irvine, CA 92618 Attention: Jorge Cardenas Email: <a href="mailto:jorge.cardenas@lennar.com">jorge.cardenas@lennar.com</a>
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Participating Underwriters:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35 <sup>th</sup> Floor San Francisco, CA 94104 Attention: Municipal Bond Division Email: <a href="mailto:egallagher@stifel.com">egallagher@stifel.com</a>
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	Backstrom McCarley Berry & Co., LLC 115 Sansome Street, Mezzanine A San Francisco, California 94104 Attention: Leonard Berry Email: <a href="mailto:lberry@bmcbco.com">lberry@bmcbco.com</a> <a href="mailto:plangston@bmcbco.com">plangston@bmcbco.com</a>
--	--

City or District:

City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94201  
Attention: Luke Brewer  
Email: [anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)  
[Bridget.katz@sfgov.org](mailto:Bridget.katz@sfgov.org)  
[Luke.brewer@sfgov.org](mailto:Luke.brewer@sfgov.org)  
[Jamie.querubin@sfgov.org](mailto:Jamie.querubin@sfgov.org)

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

TREASURE ISLAND SERIES 1, LLC,  
A Delaware limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## APPENDIX E-3

### FORM OF MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE

**\$17,135,000**  
**IMPROVEMENT AREA NO. 1 OF THE**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**  
**(TREASURE ISLAND)**  
**SPECIAL TAX BONDS, SERIES 2020**

### MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE

This Merchant Builder Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of October 29, 2020, is executed and delivered by Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “**Company**”), on behalf of itself and the Merchant Builders (defined herein), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) with respect to Improvement Area No. 1 of the District (“**Improvement Area No. 1**”), of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of October 1, 2020 (the “**Fiscal Agent Agreement**”), by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from special taxes levied on property in Improvement Area No. 1, and the Company is the parent company of the Merchant Builders, the developers of property in Improvement Area No. 1.

The Company covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Company for the benefit of the owners and the beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“**Affiliate**” of the Company means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Company; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Company; and (c) any Person directly or indirectly controlling, controlled by, or under common control with the Company, and, in each such case, about whom information, including financial

information or operating data, concerning such Person could be material to potential investors in their investment decision regarding the Bonds (i.e. information regarding such Person's assets or funds that would materially affect the Merchant Builders' (defined below) ability to complete the development of the Property as described in the Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Merchant Builders) prior to delinquency). For purposes hereof, the term "**control**" (including the terms "controlling," "controlled by" or "under common control with") means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Notwithstanding the foregoing, for purposes of this Disclosure Certificate, neither Treasure Island Series 1, LLC nor Treasure Island Community Development, LLC shall be considered an Affiliate of the Company; provided, however, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC, YBI Phase 3 Investors, LLC, and any new entity created by the Company to hold title to any portion of the property in Improvement Area No. 1 (each, a "**Merchant Builder**" and, collectively, the "**Merchant Builders**") shall be considered Affiliates of the Company.

"**Beneficial Owner**" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"**Bondowners**" shall mean the owner of any of the Bonds.

"**Dissemination Agent**" shall mean the Company or any successor Dissemination Agent designated in writing by the Company and which has filed with the Company and the City a written acceptance of such designation.

"**District**" shall mean the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

"**EMMA**" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

"**Fiscal Year**" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

"**Improvement Area No. 1**" shall mean Improvement Area No. 1 of the District.

"**Listed Event**" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Official Statement**" shall mean the Official Statement, dated October 7, 2020, relating to the Bonds.

**“Participating Underwriters”** shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and Backstrom McCarley Berry & Co., LLC.

**“Person”** shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

**“Property”** means the real property within the boundaries of Improvement Area No. 1 that is owned by the Company or any Affiliate.

**“Repository”** shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

**“Semiannual Report”** shall mean any report to be provided by the Company on or prior to May 1 and November 1 of each year pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

**“State”** shall mean the State of California.

### SECTION 3. Provision of Semiannual Reports.

(a) Until the Company’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Company shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing May 1, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Company, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Company shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Company is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Company of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.



(d) The Company shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Company (if the Dissemination is other than the Company), the City, and the Participating Underwriters certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

#### SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information in the Official Statement under the captions "IMPROVEMENT AREA NO. 1 – Merchant Builder Development and Financing Plans".

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and the number of parcels for which sales have closed, all since the date of the information provided in the Official Statement or the most recent Semiannual Report.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Company to or affecting the horizontal or vertical development of the Property or the time for construction of any public or private improvements to be made on the Property (the "**Merchant Builder Improvements**").

4. Any sale by the Company or any Affiliate of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Company shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

## SECTION 5. Reporting of Significant Events.

(a) Until the Company's obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Company shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property for Improvement Area No. 1 on or prior to the delinquency date.

2. Damage to or destruction of any of the Merchant Builder Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Company or any Affiliate on any loan with respect to the construction or permanent financing of the Merchant Builder Improvements.

4. Material default by the Company or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Company or any Affiliate on any loan of the Company or any such Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment of the Company, would materially adversely affect the financial condition of the Company or the development of the Property.

6. The filing of any proceedings with respect to the Company or any Affiliate, in which the Company or any such Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts that, in the reasonable judgment of the Company, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

7. The filing of any lawsuit against the Company or any Affiliate that, in the reasonable judgment of the Company, would materially adversely affect the completion of the Merchant Builder Improvements, or litigation which if decided against the Company or any Affiliate that, in the reasonable judgment of the Company, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

(b) Whenever the Company obtains knowledge of the occurrence of a Listed Event, the Company shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Company) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Company determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Company shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriters, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriters, and the Dissemination Agent (if other than the Company).

SECTION 6. Termination of Reporting Obligation. The Company's obligations under this Disclosure Certificate shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) the earlier of (i) the date that YBI Phase 1 Investors, LLC has sold and closed 100 of the 124 Bristol units to homebuyers or (ii) the date that the Company and its Affiliates collectively own property that is responsible for less than 20% of the special tax levy for Improvement Area No. 1, or
- (c) upon the delivery by the Company to the City of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Certificate is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Company or a private letter ruling obtained by a similar entity to the Company.

If such termination occurs prior to the final maturity of the Bonds, the Company shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Company may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Company, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Company pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Company, the City and the Participating Underwriters, and (ii) upon appointment of a new Dissemination Agent hereunder. The Company is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Company may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Company, or the type of business conducted;
- (b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal

Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriters, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Company, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Company chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Company shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

The Company acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Company, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Company under such laws.

SECTION 10. Default. In the event of a failure of the Company to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Company or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Company to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Company agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Company, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Company or an opinion of nationally recognized bond counsel. The obligations of the Company under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy

other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Company as constituting the Semiannual Report required of the Company in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Company in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Transferees. The Company shall, in connection with any sale or transfer of ownership of any Property which will result in the transferee (which term shall include any successors and assigns of the Company) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within Improvement Area No. 1 in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Section 4 and 5 of this Disclosure Certificate with respect to the property acquired; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Company as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Company is an independent contractor and not an agent of the City or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Company:	Stockbridge/Wilson Meany YBI Investors, LLC c/o Wilson Meany Four Embarcadero Center, Suite 3330 San Francisco, CA 94111 Attention: Daniel Fedder Email: <a href="mailto:dfedder@wilsonmeany.com">dfedder@wilsonmeany.com</a> <a href="mailto:agalovich@wilsonmeany.com">agalovich@wilsonmeany.com</a>
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Participating Underwriters:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35 <sup>th</sup> Floor San Francisco, CA 94104 Attention: Municipal Bond Division Email: <a href="mailto:egallagher@stifel.com">egallagher@stifel.com</a>
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Backstrom McCarley Berry & Co., LLC  
115 Sansome Street, Mezzanine A  
San Francisco, California 94104  
Attention: Leonard Berry  
Email: [lberry@bmcbco.com](mailto:lberry@bmcbco.com)  
[plangston@bmcbco.com](mailto:plangston@bmcbco.com)

City or District:

City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94201  
Attention: Luke Brewer  
Email: [anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)  
[Bridget.katz@sfgov.org](mailto:Bridget.katz@sfgov.org)  
[Luke.brewer@sfgov.org](mailto:Luke.brewer@sfgov.org)  
[Jamie.querubin@sfgov.org](mailto:Jamie.querubin@sfgov.org)

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Company, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Company shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Company and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

STOCKBRIDGE/WILSON MEANY YBI INVESTORS, LLC,  
A Delaware limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the each issue of the 2020 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *Information on such website is not incorporated by reference herein.*

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC

has no knowledge of the actual Beneficial Owners of the 2020 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Bond documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Fiscal Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

**APPENDIX G**  
**APPRAISAL REPORT**

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**Integra Realty Resources**  
**San Francisco**

**Appraisal of Real Property**

**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)**  
**Improvement Area No. 1 Special Tax Bonds, Series 2020**

Vacant Land  
Yerba Buena Rd.  
San Francisco, San Francisco County, California 94130

**Prepared For:**  
City and County of San Francisco

**Effective Date of the Appraisal:**  
July 31, 2020

**Report Format:**  
Appraisal Report – Standard Format

**IRR - San Francisco**  
File Number: 192-2019-0140





**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)**  
**Improvement Area No. 1 Special Tax Bonds, Series 2020**  
Yerba Buena Rd.  
San Francisco, California



September 28, 2020

Ms. Anna Van Degna  
Director, Controller's Office of Public Finance  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Pl.  
San Francisco, CA 94102

SUBJECT:       Market Value Appraisal  
                  City and County of San Francisco Community Facilities District No. 2016-1  
                  (Treasure Island) Improvement Area No. 1 Special Tax Bonds, Series 2020  
                  Yerba Buena Rd.  
                  San Francisco, San Francisco County, California 94130  
                  IRR - San Francisco File No. 192-2019-0140

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, of the fee simple interest in the taxable properties within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1 (“CFD No. 2016-1”), under the assumptions and conditions set forth in the attached report. The client for the assignment is the City and County of San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City and County of San Francisco and CFD No. 2016-1 in the marketing of the Special Tax Bonds of CFD No. 2016-1 (“Bonds”) and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by



entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP. A more detailed description of the subject property is described in the attached report.

Please note, there is a fourth parcel, Parcel 2Y, within the boundaries of the City and County of San Francisco Communities Facility District No. 2016-1 (Treasure Island) Improvement Area No. 1. A 50-key boutique hotel is proposed for the site. However, this parcel is not currently subject to the Lien of the Special Tax and is, therefore, excluded from this appraisal.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of the City and County of San Francisco. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

We have been requested to provide the market value of the appraised properties as of the date of value (July 31, 2020). As the subject parcels are within entities related to the same owner, one value is reported. The market value of the appraised properties in CFD No. 2016-1 account for the impact of the Lien of the Special Tax securing the repayment of the Bonds.

As a result of the analyses herein, the market value in bulk of the appraised properties, subject to a hypothetical condition, as of July 31, 2020 is presented in the following table:



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**Value Conclusions**

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Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value of the CFD - Parcels 3Y & 4Y	Fee Simple	July 31, 2020	\$50,160,000
Market Value of the CFD - Parcel 1Y	Fee Simple	July 31, 2020	\$43,410,000

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 31, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
- 

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,


**INTEGRA REALTY RESOURCES - SAN FRANCISCO**



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## Summary of Salient Facts and Conclusions

Property Name	City and County of San Francisco Community Facilities
Address	Yerba Buena Rd.
Property Type	San Francisco, San Francisco County, California 94130
Owner of Record	Proposed Residential Property - Condo/Townhouse
Tax ID	Treasure Island Series I, LLC, YBI Phase 1 Investors, LLC, YBI 8948-001, 8952-001 and 8954-002
Land Area	13.22 acres; 575,866 SF
Zoning Designation	YBI-R, Yerba Buena Island Residential
Highest and Best Use	Residential use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	July 31, 2020
Date of the Report	September 28, 2020
Property Interest Appraised	Fee Simple

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City and County of San Francisco and associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 31, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

## General Information

### Identification of Subject

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP. A legal description of the property is included in the addenda to this report.

Please note, there is a fourth parcel, Parcel 2Y, within the boundaries of the City and County of San Francisco Communities Facility District No. 2016-1 (Treasure Island) Improvement Area No. 1. A 50-key boutique hotel is proposed for the site. However, this parcel is not currently taxable and is therefore excluded from this appraisal.

#### Property Identification

Property Name	City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1 Special Tax Bonds, Series 2020
Address	Yerba Buena Rd. San Francisco, California 94130
Tax ID	8948-001, 8952-001 and 8954-002
Owner of Record	Treasure Island Series I, LLC, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC

A summary of the three subject parcels is provided below. Further description of the land uses associated with each parcel will be provided later in the body of this report. Please note, YBI Phase 1 Investors, LLC and YBI Phase 2 Investors, LLC are entities of Stockbridge Capital Group, LLC and Wilson Meany, L.P., the merchant builders associated with the subject.

#### Land Area Summary

Tax ID	Developable		SF	Acres
	Parcel	Ownership Entity		
8948-001	1Y	Treasure Island Series I, LLC	282,758	6.49
8952-001	3Y	YBI Phase 2 Investors, LLC	61,345	1.41
8954-002	4Y	YBI Phase 1 Investors, LLC	231,763	5.32
Total			575,866	13.22

Source: Public Records

## Sale History

The most recent closed sale of a portion of the subject is summarized below. The transaction includes only Parcels 3Y and 4Y.

Sale Date	June 22, 2018
Seller	Treasure Island Series, LLC
Buyer	YBI Phase 1 Investors, LLC
Sale Price	\$61,216,000
Recording Instrument Number	K629735

Development of Yerba Buena Island (Improvement Area No. 1) involves multiple City and County of San Francisco agencies, master developer entities, and merchant builders. Transfers of land are anticipated to occur at varying stages throughout the development process, the specific details of which have not been provided for consideration herein. The reported transaction price above is inconsistent with the estimate of market value derived herein, based on the condition of the appraised properties at this time, and may not be reflective of an arms-length market transaction with adequate exposure to the market.

In addition, Parcel 1Y, owned by Treasure Island Series 1, LLC, is the subject of an option agreement dated March 31, 2018. According to the agreement, the YBI Phase Parent Company may purchase Parcel 1Y for \$78,784,000 once certain public improvements are completed by the seller. It is anticipated the buyer will acquire the property in approximately June 2021.

To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

## Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, of the fee simple interest in the taxable properties within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, under the assumptions and conditions set forth in the attached report. The date of the report is September 28, 2020. The appraisal is valid only as of the stated effective date.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and

assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Definition of Property Rights Appraised**

Fee simple estate is defined as, "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

### **Intended Use and User**

The intended use of the appraisal is for bond underwriting purposes. The client is the City and County of San Francisco. The intended users are the City and County of San Francisco and associated finance team. The appraisal is not intended for any other use or user. No party or parties other than City and County of San Francisco and associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

### **Applicable Requirements**

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;



## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records and a preliminary title report. Numerous documents were provided for the appraisal, including: developer’s budget, tentative map, project renderings, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Francisco County Assessor’s office.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area, newspaper articles, and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining

entitlements, completion of spinal infrastructure and/or recordation of final subdivision maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, subject to the Lien of the Special Tax securing the Bonds, the market value of the taxable components comprising CFD No. 2016-1 were estimated using multiple approaches to value. For the subject's residential land, a land residual analysis is the most applicable method of valuation and is utilized. Comparable bulk land sales are also considered as secondary support. The sales comparison approach to value is utilized for the subject land associated with the five homesites.

In the land residual analysis (a variation of the cost approach and income capitalization approaches combined), all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the land. In the direct sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparable sales and the subject property. It should be noted, a portion of The Bristol residential project, which is located on Parcel 4Y, will include 14 units set aside to meet inclusionary housing requirements. These 14 units will not be subject to the Lien of the Special Tax securing the Bonds. Since the subject comprises land at this time (under development), the obligation to construct (cost) and sell (at a restricted price) such inclusionary housing units will be considered in the valuation of the underlying land.

After the market value of the various land use components comprising the subject property is determined, the subdivision development method to value is also employed in the estimate of market value of CFD No. 2016-1, in bulk, by ownership. The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses, and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users was utilized.

Under the subdivision development method to value, it is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project. The estimates of market values for the various land use components served as the revenue component of the subdivision development method (DCF analysis). In addition to the expected revenue, the absorption period, expenses and discount rate associated with the development and sell-off of the residential land components comprising the subject property to developers was utilized, the results of which provided an estimate of market value for the appraised property.

**Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

**Inspection**

Eric Segal, MAI, conducted an on-site inspection on July 11, 2020. Kevin Ziegenmeyer, MAI, and Laura Diaz have also inspected the subject property.

## Economic Analysis

### Area Analysis - San Francisco

#### Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and evolving rapidly. Healthcare and economic responses to this crisis are unfolding in the present, with limited quantifiable data currently available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis.

San Francisco is one of nine counties that comprise the greater San Francisco Bay Area. Spanning 47 square miles of peninsula land between the Pacific Ocean and San Francisco Bay, San Francisco County is unique in that it also defines the boundaries of the city of San Francisco. San Mateo County lies directly to the south, Marin County lies to the north, across the Golden Gate Bridge, and Alameda County lies to the east, across the Bay Bridge. San Francisco is the geographic and economic center of the Bay Area. Each day more than 400,000 workers commute to the city.

The topography of the city/county consists generally of rolling hills. The peninsula that San Francisco County rests on is surrounded by three bodies of water – the Pacific Ocean, the Golden Gate strait, and the San Francisco Bay. The area has a mild climate, with a relatively comfortable temperature range year-round. Rarely does the overall temperature rise above 75 degrees or dip below 45 degrees Fahrenheit. Earthquakes are a common occurrence in the Bay Area due to the proximity to the San Andreas and Hayward Faults. The last major earthquake occurred in 1989 and measured 7.1 on the Richter scale.

#### Population

The nine-county Bay Area is home to more than 7.79 million residents and has shown moderate growth over the past five years, with an average annual growth rate of 0.5%. San Francisco County has had an average growth of 0.8%. The following table shows recent population trends for San Francisco County, as well as the other counties that make up the Bay Area.

<b>Population Trends</b>							
County	2015	2016	2017	2018	2019	2020	%/Yr
Alameda	1,613,528	1,632,599	1,646,711	1,655,306	1,664,783	1,670,834	0.7%
Contra Costa	1,113,341	1,128,405	1,138,861	1,145,141	1,150,621	1,153,561	0.7%
Marin	262,743	263,327	263,018	262,652	262,240	260,831	-0.1%
Napa	141,010	141,607	141,444	140,528	139,970	139,088	-0.3%
<b>San Francisco</b>	<b>863,623</b>	<b>872,723</b>	<b>880,646</b>	<b>888,575</b>	<b>891,021</b>	<b>897,806</b>	<b>0.8%</b>
San Mateo	761,748	767,921	770,785	772,984	774,231	773,244	0.3%
Santa Clara	1,912,180	1,931,565	1,942,176	1,951,088	1,954,833	1,961,969	0.5%
Solano	426,881	430,530	435,546	437,361	438,832	440,224	0.6%
Sonoma	500,640	502,602	503,842	501,129	496,947	492,980	-0.3%
<b>Total</b>	<b>7,595,694</b>	<b>7,671,279</b>	<b>7,723,029</b>	<b>7,754,764</b>	<b>7,773,478</b>	<b>7,790,537</b>	<b>0.5%</b>

Source: California Department of Finance

## Employment & Economy

The California Employment Development Department has reported the following employment data for the City/County of San Francisco in the recent past.

<b>Employment Trends</b>						
	2014	2015	2016	2017	2018	2019
Labor Force	528,600	541,400	555,300	563,800	569,300	583,200
Employment	505,500	521,700	537,000	547,300	555,600	570,400
Job Growth	17,400	16,200	15,300	10,300	18,600	23,100
Unemployment Rate	4.4%	3.6%	3.3%	2.9%	2.4%	2.2%

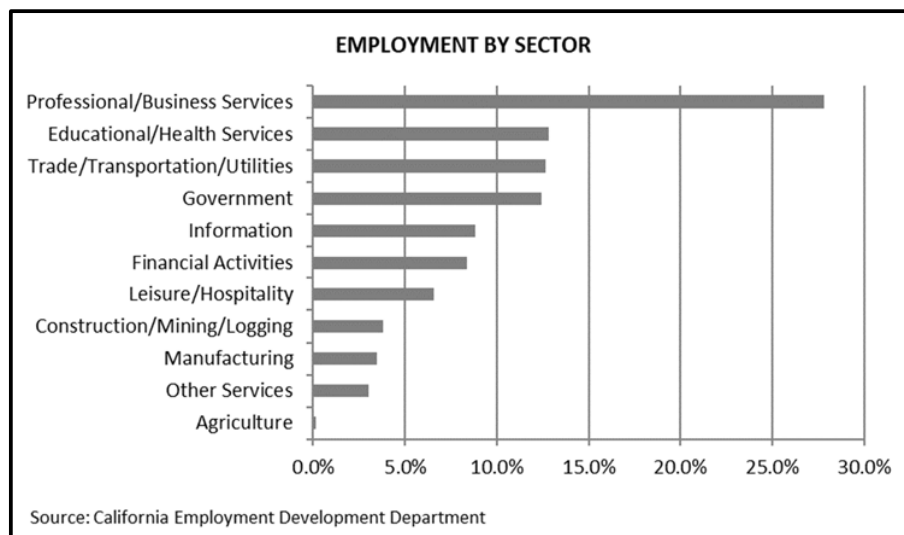
Source: California Employment Development Department

Most areas within the state and nation, including San Francisco County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019. However, this downward trend has shifted as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide Stay-At-Home Orders were issued by the governor on March 19th, which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment.

The average annual unemployment rate in San Francisco County was 2.2% in 2019 and remained in the 2.3% to 3.1% range during the first quarter of 2020. However, the California Employment Development Department reported an unemployment rate of 12.6% in San Francisco County in both April and May 2020, compared to 15.9% for California and 13.0% for the nation.

As of May 2020, it was reported 162,000 jobs were lost (13.8%) year-over-year. The greatest job loss was in the Leisure/Hospitality sector with 81,700 jobs lost, followed by the Trade/Transportation/Utilities sector with 24,800 jobs lost.

The chart on the following page indicates the percentage of total employment for each sector within the city/county.



As illustrated above, San Francisco's largest employment sector is Professional and Business Services, accounting for roughly 27.8% of all employment, having outpaced all other major industries in terms of job growth prior to the pandemic. The remainder of employment is divided among all other industry sectors, with Educational and Health Services, Trade/Transportation/Utilities (which includes wholesale and retail trade) and Government each accounting for roughly 12% - 13% of the total. The following table shows the largest employers in the city/county.

#### Largest Employers

	Employer	Industry	Employees
1	University of California San Francisco	Education	34,690
2	City and County of San Francisco	Government	32,749
3	San Francisco Unified School District	Education	10,506
4	Salesforce	Technology	8,000
5	Wells Fargo & Co.	Financial Activities	7,747
6	Kaiser Permanente	Healthcare	6,659
7	Sutter Health	Healthcare	5,359
8	Uber Technologies, Inc.	Technology	5,000
9	Gap, Inc.	Retail	4,000
10	PG&E Corporation	Utilities	3,800

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2019

#### Transportation

Access to and through San Francisco is provided by Interstate 280, U.S. Highway 101 and State Highway 1. Interstate 280 runs northeast to Interstate 80, which traverses the Bay Bridge, connecting to Oakland (Alameda County) in the East Bay and heading north through Solano County and the city of Sacramento before continuing on through the Sierra Nevada Mountains and Reno, Nevada. Interstate 280 and U.S. Highway 101 run relatively parallel south of San Francisco, along the peninsula through San Mateo County and Silicon Valley to San Jose (Santa Clara County). U.S. Highway 101 runs north along the eastern side of San Francisco and connects to Interstate 80 at the Bay Bridge. U.S. Highway 101 also

leads from the northern edge of the county over the Golden Gate Bridge into Marin County and beyond. State Highway 1 travels along the Pacific coast of California from southern California to northern California where it merges with U.S. Highway 101 in Mendocino County.

As indicated above, vehicular access to the city/county of San Francisco is provided by the Golden Gate Bridge from the north, the Bay Bridge from the east, and the southern peninsula (San Mateo and Santa Clara Counties) to the south. Public transportation is provided by Amtrak trains, bus service and the Bay Area Rapid Transit (BART), which links Pittsburg/Bay Point and Richmond (Contra Costa County), Dublin/Pleasanton and Fremont (Alameda County) and Millbrae and the San Francisco International Airport (San Mateo County) to the city/county of San Francisco. Cable-car, Muni and BART service provide public transportation within the city. BART and County Connection buses shuttle commuters to and from outlying areas. In addition, commuter ferry service is available from the Ferry Building in San Francisco to various cities in Marin County (Sausalito, Tiburon, Larkspur) and Alameda County (Oakland, Alameda, Richmond), as well as to the city of Vallejo. The aforementioned San Francisco International Airport lies about 12 miles south of the city.

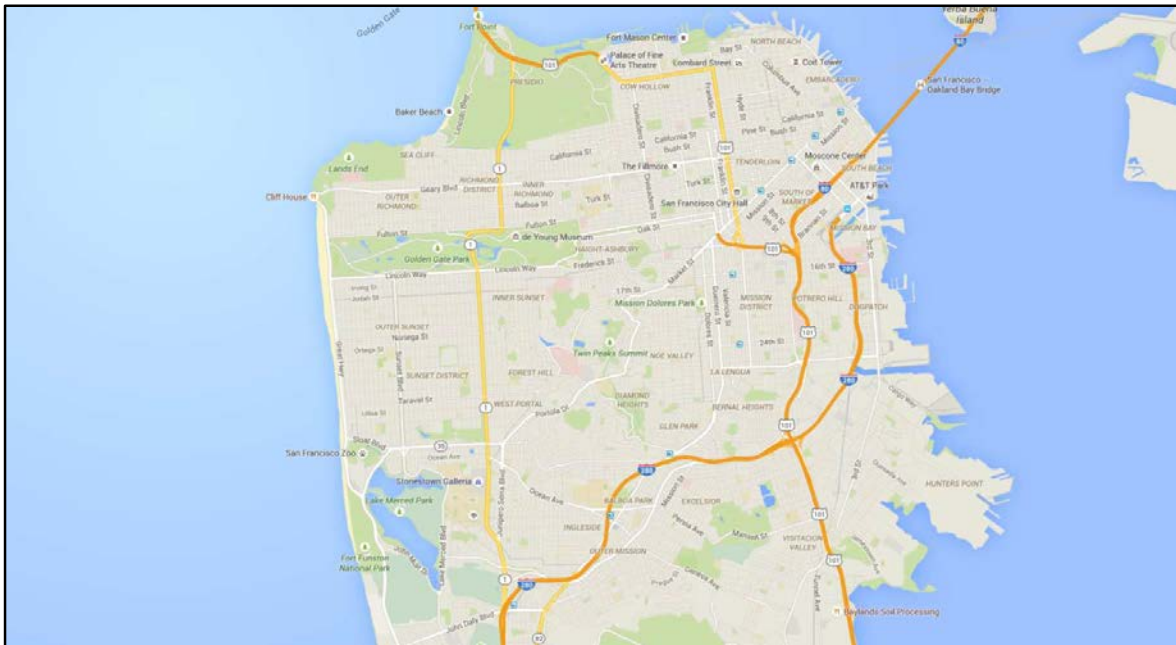
### **Household Income**

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The U.S. Census Bureau estimates a median household income for San Francisco County of \$104,552 in 2018 dollars (most recent data available). This is significantly higher than the state of California's median income of \$71,228. The county's income is the fourth highest among California counties, trailing only Santa Clara, San Mateo and Marin counties.

### **Neighborhoods**

San Francisco is identified by many smaller submarkets or neighborhoods. The main neighborhoods are described in the following paragraphs based on information from [onlyinsanfrancisco.com](http://onlyinsanfrancisco.com) and Urban Bay Properties.





**Castro/Upper Market:** San Francisco's historic F-Line streetcars are one of the best ways to reach the Castro and Upper Market areas. The Castro, and nearby Noe Valley, offer village-like amenities including pedestrian-friendly streets, Victorian homes in historic Eureka Valley, an array of trendy stores and outdoor cafes for the "see and scene" crowd. The upper stretch of Market Street coils around the lower reaches of Twin Peaks. Noted for their sweeping vistas of the Bay Area, these crests are popular with sightseers. Glen Park on the lower slopes of Diamond Heights has a canyon park and is near a BART station.

**Chinatown:** The entrance to Chinatown at Grant Avenue and Bush Street is called the "Dragon's Gate." Inside are 24 blocks of hustle and bustle, most of it taking place along Grant, the oldest street in San Francisco. This city within a city is best explored on foot; exotic shops, food markets, temples and small museums are comprised within its boundaries. The former central telephone exchange of the Pacific Telephone and Telegraph Company stands at 743 Washington Street. Now a bank, it is the first Chinese-style building constructed in San Francisco, and the exact site where California's first newspaper was printed.

**Civic Center:** San Francisco's widest street, Van Ness Avenue, runs down the middle of Civic Center. A short distance from Civic Center is Hayes Valley, which boasts galleries, antique shops, restaurants and book nooks. A stretch of Larkin Street, starting just beyond the Asian Art Museum's front door at Larkin and McAllister up to O'Farrell, has been designated Little Saigon. Some 250 Vietnamese-owned businesses are concentrated in this and the nearby Tenderloin areas. The Polk Street district parallels Van Ness Avenue and extends all the way to Fisherman's Wharf, where it terminates in front of the historic Maritime Museum. Catering to a diverse population, Polk Street is one of the oldest shopping districts in San Francisco.

**Embarcadero/Financial District:** Lined with deep-water piers, The Embarcadero is literally where one embarks. At the foot of Market Street is the Ferry Building, which houses a food hall, restaurants and a farmer's market. The Ferry Building is also the terminal for ferries to Marin County, Vallejo, Oakland and

Alameda. Across the bay is Treasure Island, a man-made island that was the site of the 1939 Golden Gate International Exposition. Much of Jackson Square, one of 11 historic districts, has many buildings dating from the mid-1800s.

**Fisherman's Wharf:** Fisherman's Wharf is home to fishing boats, seafood stalls, steaming crab cauldrons, seafood restaurants and sourdough French bread bakeries, as well as souvenir shops and museums. The historic F-Line streetcar and two cable car lines terminate in the area and sightseeing boats and boat charters link to Alcatraz, Angel Island and other points around San Francisco Bay.

**Haight-Ashbury:** One of the most photographed scenes in San Francisco, Alamo Square's famous "postcard row" at Hayes and Steiner Streets is a tight formation of Victorian houses back-dropped by downtown skyscrapers. The corner of Haight and Ashbury Streets still has its tie-dyed roots; vintage clothing, books and records are abundant here and along lower Haight Street. Locals will point out Buena Vista Park, with its city views, and, for architectural highlights, Masonic, Piedmont and Delmar Streets. Parnassus Heights is home to the University of California, San Francisco.

**Japantown/Fillmore:** Founded in 1906, Japantown is the oldest Japanese district in the United States and one of only three remaining. This small slice of Japanese life is near the Fillmore, the "Harlem of the West," which is witnessing a revival of its jazz heritage and is the setting for an annual open-air jazz festival.

**Marina/Presidio:** The Golden Gate Bridge is one of the world's most famous landmarks. Its southern approach via State Highway 1/U.S. Highway 101 traverses some of the city's most scenic and historic areas including the Presidio of San Francisco and the Marina, site of the 1915 Panama-Pacific International Exposition. The outdoor cafes of Union Street in Cow Hollow, former dairy land, are ideal spots for people watching and gazing up at the mansions of Pacific Heights. Outer Sacramento Street and Laurel Heights contain a variety of shopping areas.

**Mission District:** Boasting some of the best weather in the city, the Mission District, Bernal Heights and Potrero Hill take advantage of an abundance of fog-free days. New restaurants and night spots are a draw while Mission Dolores, 16th and Dolores Streets, is the oldest structure in San Francisco. Many of the city's pioneers are buried in an adjacent cemetery. The largest concentration of murals in the city adorns buildings, fences and walls throughout the District. Potrero Hill's Dogpatch neighborhood is one of 11 historic Districts in the city.

**Nob Hill:** Once the home of the silver kings and railroad barons, the "nabobs," Nob Hill's noble tenants include Grace Cathedral, a replica of Notre Dame in Paris; Huntington Park, site of many art shows and graced by a replica of a 16th century Roman fountain; Nob Hill Masonic Center, an architectural dazzler hosting various musical events; the Cable Car Barn, where the cable cars are stored when not in service, and grand hotels, including the Mark Hopkins (Intercontinental Hotel) and the famous Top Of The Mark restaurant/bar and the Fairmont. Russian Hill, named for burial sites of Russian hunters who were active in California waters in the early 1800s, is most famous for the winding curves of Lombard Street.

**North Beach:** North Beach is transformed into one of San Francisco's most electric playgrounds with live music and dancing. Many local residents practice tai chi in Washington Square. Coit Tower atop Telegraph Hill offers marvelous views of the city. Thirty local artists painted murals on its ground floor walls in 1933.

**Richmond District:** Laid out in a grid of multifamily houses all the way to the Great Highway and Ocean Beach, the area is bordered by Golden Gate Park, Lincoln Park/Presidio and Lone Mountain. Shopping is concentrated along major thoroughfares, including Geary Boulevard and Clement Street. The Richmond District sprouted a second Chinatown along Clement Street in the early 1970s thanks to the numerous Asian restaurants and retail stores.

**Soma/Yerba Buena:** Yerba Buena Gardens, “the largest concentration of art west of the Hudson River,” is an oasis in the heart of the city. Moscone Center and more than a dozen museums are located here as well as a memorial to Dr. Martin Luther King, Jr. The University of California San Francisco, Mission Bay is the largest biomedical university expansion in the United States. The home of the San Francisco Giants, AT&T Park, is nearby. The South Beach area, recently transformed into a mixed-use waterfront neighborhood, includes the restored warehouses in the South End Historic District and several marinas.

**Union Square:** Virtually every fashion label in the world has set up shop in and around Union Square, a landmark park in the heart of the downtown shopping and hotel district. Granite plazas, a stage, a café and four grand entrance corner plazas bordered by the park’s signature palms, pay tribute to the Square’s distinctive history and offer a forum for civic celebrations. The cable cars head up Powell Street from here and flower stands populate every corner. Thousands originally from Laos, Cambodia and Vietnam have given the Tenderloin, a 20-square-block district west of Union Square, new life. A landmark church, an experimental theatre house, jazz and blues clubs, restaurants and cafes point to a neighborhood renaissance.

**Mission Bay:** Established as a redevelopment area by the City and County of San Francisco in 1998, this neighborhood was primarily undeveloped for several years, with warehouses, shipping yards and factories the primary land uses in the area. Now, since the construction of AT&T Park, home to the San Francisco Giants baseball team, the Mission Bay and Central Waterfront area of San Francisco is developing as a biotech research hub for the Bay Area. California’s Stem Cell Research headquarters is located in Mission Bay, as is a new University of California San Francisco (UCSF) Mission Bay campus. Newly constructed and proposed residential lofts and condos are also part of the neighborhood resurgence.

**Bayview/Candlestick Point/Hunters Point:** This area is primarily south of Interstate 280 and is home to the former Hunters Point shipyard. The Point, located within the former shipyard, is hyped as “America’s largest art colony,” and hosts several open art events and exhibitions during the year. The Bayview Opera House is the city’s first opera house. Candlestick Point was the former home of Candlestick Park stadium.

**Treasure Island/Yerba Buena Island:** Treasure Island and Yerba Buena Island are located in the San Francisco Bay west of Interstate 80/The Bay Bridge. Treasure Island was artificially created with bay sand and became a U.S. Naval Station in 1941. After World War II, the island was utilized as a naval training and administrative center. Yerba Buena Island is a natural island which has historically been utilized by the U.S. Army, which established a post on the northeast portion of the island in 1867. In 1997, the Treasure Island Development Agency (TIDA) was created to oversee the reuse and redevelopment of the Treasure Island Naval Station, which had been closed by the Base Realignment and Closure Commission in 1993. Currently, the Treasure Island Development Project is underway which will eventually result in 461-acres of land across both islands being redeveloped for residential, office, retail, and hotel use with substantial infrastructure upgrades.

## Recreation & Culture

San Francisco is a city rich with cultural and recreational opportunities that attract residents and visitors alike. The city is home to live theater, symphony, ballet, opera, many diverse restaurants, professional sports teams, numerous public parks, a national recreation area, museums, beaches and a wide variety of residential neighborhoods. The city's main professional sports teams are the Golden State Warrior (NBA basketball) and San Francisco Giants (major league baseball). The San Francisco 49ers (NFL football) relocated from the city of San Francisco to Santa Clara in 2014.

San Francisco is known for drawing tourists from around the globe with its wide array of attractions. Major points of interest include Alcatraz Island, Angel Island, Fisherman's Wharf, the Embarcadero, the Aquarium of the Bay, and a city zoo. The 1,000-acre Golden Gate Park is San Francisco's largest park and offers a treasure trove of attractions, including Strybing Arboretum and Botanical Gardens, a biodiversity hub with 6,000 plant species and a towering display of California redwoods; the Japanese Tea Garden; a children's playground; MH de Young Memorial Museum; and the California Academy of Sciences.

## Conclusion

San Francisco is one of the largest metropolitan areas in the U.S. and serves as a hub for international commerce, financial services and tourism. The city is densely built-out with a limited supply of developable land. After a period of contraction in the economy and real estate markets around 2008-2010, the region saw improvement in employment and economic conditions over the past few years. Unemployment was very low and represented one of the lowest rates in California. Most real estate sectors had moved beyond recovery to a stage of expansion. However, employment conditions declined sharply in April and May 2020 following stay-at-home mandates and business closures, and the near-term outlook is uncertain as a result of the COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented. The historical stability of the local economy bodes well for the long-term outlook for the region.

## A detailed map of the San Francisco Bay Area. The map shows the San Francisco Peninsula, the East Bay, and the Central Valley. Major cities labeled include San Francisco, Oakland, Berkeley, Richmond, San Rafael, San Jose, and San Mateo. The map also shows the Golden Gate Bridge, the San Francisco Bay, and the San Francisco Peninsula. Major highways are shown with their respective shields (e.g., I-80, I-580, I-880, I-205, I-5, I-8, I-680, I-68, I-58, I-505, I-504, I-503, I-502, I-501, I-500, I-499, I-498, I-497, I-496, I-495, I-494, I-493, I-492, I-491, I-490, I-489, I-488, I-487, I-486, I-485, I-484, I-483, I-482, I-481, I-480, I-479, I-478, I-477, I-476, I-475, I-474, I-473, I-472, I-471, I-470, I-469, I-468, I-467, I-466, I-465, I-464, I-463, I-462, I-461, I-460, I-459, I-458, I-457, I-456, I-455, I-454, I-453, I-452, I-451, I-450, I-449, I-448, I-447, I-446, I-445, I-444, I-443, I-442, I-441, I-440, I-439, I-438, I-437, I-436, I-435, I-434, I-433, I-432, I-431, I-430, I-429, I-428, I-427, I-426, I-425, I-424, I-423, I-422, I-421, I-420, I-419, I-418, I-417, I-416, I-415, I-414, I-413, I-412, I-411, I-410, I-409, I-408, I-407, I-406, I-405, I-404, I-403, I-402, I-401, I-400, I-399, I-398, I-397, I-396, I-395, I-394, I-393, I-392, I-391, I-390, I-389, I-388, I-387, I-386, I-385, I-384, I-383, I-382, I-381, I-380, I-379, I-378, I-377, I-376, I-375, I-374, I-373, I-372, I-371, I-370, I-369, I-368, I-367, I-366, I-365, I-364, I-363, I-362, I-361, I-360, I-359, I-358, I-357, I-356, I-355, I-354, I-353, I-352, I-351, I-350, I-349, I-348, I-347, I-346, I-345, I-344, I-343, I-342, I-341, I-340, I-339, I-338, I-337, I-336, I-335, I-334, I-333, I-332, I-331, I-330, I-329, I-328, I-327, I-326, I-325, I-324, I-323, I-322, I-321, I-320, I-319, I-318, I-317, I-316, I-315, I-314, I-313, I-312, I-311, I-310, I-309, I-308, I-307, I-306, I-305, I-304, I-303, I-302, I-301, I-300, I-299, I-298, I-297, I-296, I-295, I-294, I-293, I-292, I-291, I-290, I-289, I-288, I-287, I-286, I-285, I-284, I-283, I-282, I-281, I-280, I-279, I-278, I-277, I-276, I-275, I-274, I-273, I-272, I-271, I-270, I-269, I-268, I-267, I-266, I-265, I-264, I-263, I-262, I-261, I-260, I-259, I-258, I-257, I-256, I-255, I-254, I-253, I-252, I-251, I-250, I-249, I-248, I-247, I-246, I-245, I-244, I-243, I-242, I-241, I-240, I-239, I-238, I-237, I-236, I-235, I-234, I-233, I-232, I-231, I-230, I-229, I-228, I-227, I-226, I-225, I-224, I-223, I-222, I-221, I-220, I-219, I-218, I-217, I-216, I-215, I-214, I-213, I-212, I-211, I-210, I-209, I-208, I-207, I-206, I-205, I-204, I-203, I-202, I-201, I-200, I-199, I-198, I-197, I-196, I-195, I-194, I-193, I-192, I-191, I-190, I-189, I-188, I-187, I-186, I-185, I-184, I-183, I-182, I-181, I-180, I-179, I-178, I-177, I-176, I-175, I-174, I-173, I-172, I-171, I-170, I-169, I-168, I-167, I-166, I-165, I-164, I-163, I-162, I-161, I-160, I-159, I-158, I-157, I-156, I-155, I-154, I-153, I-152, I-151, I-150, I-149, I-148, I-147, I-146, I-145, I-144, I-143, I-142, I-141, I-140, I-139, I-138, I-137, I-136, I-135, I-134, I-133, I-132, I-131, I-130, I-129, I-128, I-127, I-126, I-125, I-124, I-123, I-122, I-121, I-120, I-119, I-118, I-117, I-116, I-115, I-114, I-113, I-112, I-111, I-110, I-109, I-108, I-107, I-106, I-105, I-104, I-103, I-102, I-101, I-100, I-99, I-98, I-97, I-96, I-95, I-94, I-93, I-92, I-91, I-90, I-89, I-88, I-87, I-86, I-85, I-84, I-83, I-82, I-81, I-80, I-79, I-78, I-77, I-76, I-75, I-74, I-73, I-72, I-71, I-70, I-69, I-68, I-67, I-66, I-65, I-64, I-63, I-62, I-61, I-60, I-59, I-58, I-57, I-56, I-55, I-54, I-53, I-52, I-51, I-50, I-49, I-48, I-47, I-46, I-45, I-44, I-43, I-42, I-41, I-40, I-39, I-38, I-37, I-36, I-35, I-34, I-33, I-32, I-31, I-30, I-29, I-28, I-27, I-26, I-25, I-24, I-23, I-22, I-21, I-20, I-19, I-18, I-17, I-16, I-15, I-14, I-13, I-12, I-11, I-10, I-9, I-8, I-7, I-6, I-5, I-4, I-3, I-2, I-1, I-0). The map also shows the San Francisco Bay, the San Francisco Peninsula, and the Central Valley. Major cities labeled include San Francisco, Oakland, Berkeley, Richmond, San Rafael, San Jose, and San Mateo. The map also shows the Golden Gate Bridge, the San Francisco Bay, and the San Francisco Peninsula. 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## Surrounding Area Analysis

### Boundaries

The subject is located on Yerba Buena Island, an island in the San Francisco Bay between the city of San Francisco and the city of Oakland. To the north, Yerba Buena Island is connected to the man-made Treasure Island via Treasure Island Road.

A map identifying the location of the property follows this section.

### Access and Linkages

Vehicular access to Yerba Buena Island is provided by Interstate 80 via the Oakland-San Francisco Bay Bridge, which provides access to San Francisco and Oakland. Yerba Buena Tunnel runs through the island and connects it with the Bay Bridge. Interstate 80 connects to Highway 101 south of the subject property in San Francisco and connects to Interstates 580 and 880 east of the subject in Oakland. Access to the subject property from the I-80 ramp is provided by various local roads on Yerba Buena Island. San Francisco's central business district, the economic and cultural center of the region, is approximately three to four miles from the subject property. Downtown Oakland is located approximately eight miles east of Yerba Buena Island.

Upon completion of the proposed development, Yerba Buena Island is expected to enjoy bus service, with ferry service to San Francisco also available from Treasure Island. The San Francisco International Airport is approximately 18 miles south of the subject property, while the Oakland International Airport is 16 miles southeast of the subject.

### Demand Generators

Access to employment centers in San Francisco and Oakland is a major demand generator. In San Francisco, the Financial District is a three to four-mile drive from Yerba Buena Island. Employers in the Financial District represent significant concentrations in the utilities, retail, financial services, healthcare and technology industries. The adjacent SOMA neighborhood has become the premier location for technology employers, with a combination of large, established technology firms, growth stage firms and newer start-ups.

### Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.



<b>Surrounding Area Demographics</b>					
	10-Minute Drive Time	15-Minute Drive Time	20-Minute Drive Time	San Francisco County	San Francisco- Oakland MSA
2020 Estimates					
Population 2010	58,852	598,124	1,391,597	805,235	4,335,391
Population 2020	79,404	678,961	1,534,636	893,702	4,771,564
Population 2025	84,997	711,529	1,599,545	933,038	4,969,844
Compound % Change 2010-2020	3.0%	1.3%	1.0%	1.0%	1.0%
Compound % Change 2020-2025	1.4%	0.9%	0.8%	0.9%	0.8%
Households 2010	28,189	274,133	572,518	345,811	1,627,360
Households 2020	39,677	316,821	639,862	389,167	1,794,339
Households 2025	42,705	333,375	669,242	407,622	1,870,296
Compound % Change 2010-2020	3.5%	1.5%	1.1%	1.2%	1.0%
Compound % Change 2020-2025	1.5%	1.0%	0.9%	0.9%	0.8%
Median Household Income 2020	\$134,289	\$99,716	\$101,544	\$121,916	\$113,154
Average Household Size	1.8	2.1	2.3	2.2	2.6
College Graduate %	61%	56%	52%	57%	49%
Median Age	39	40	39	39	40
Owner Occupied %	28%	29%	38%	35%	54%
Renter Occupied %	72%	71%	62%	65%	46%
Median Owner Occupied Housing Value	\$1,030,012	\$999,124	\$975,228	\$1,157,923	\$965,899
Median Year Structure Built	2000	1956	1955	1943	1969
Average Travel Time to Work in Minutes	35	36	36	37	37
Source: EnviroNics Analytics					

As shown above, the current population within a 15-minute drive time of the subject is 678,961, and the average household size is 2.1. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to San Francisco County overall, the population within a 15-minute drive time is projected to grow at a similar rate.

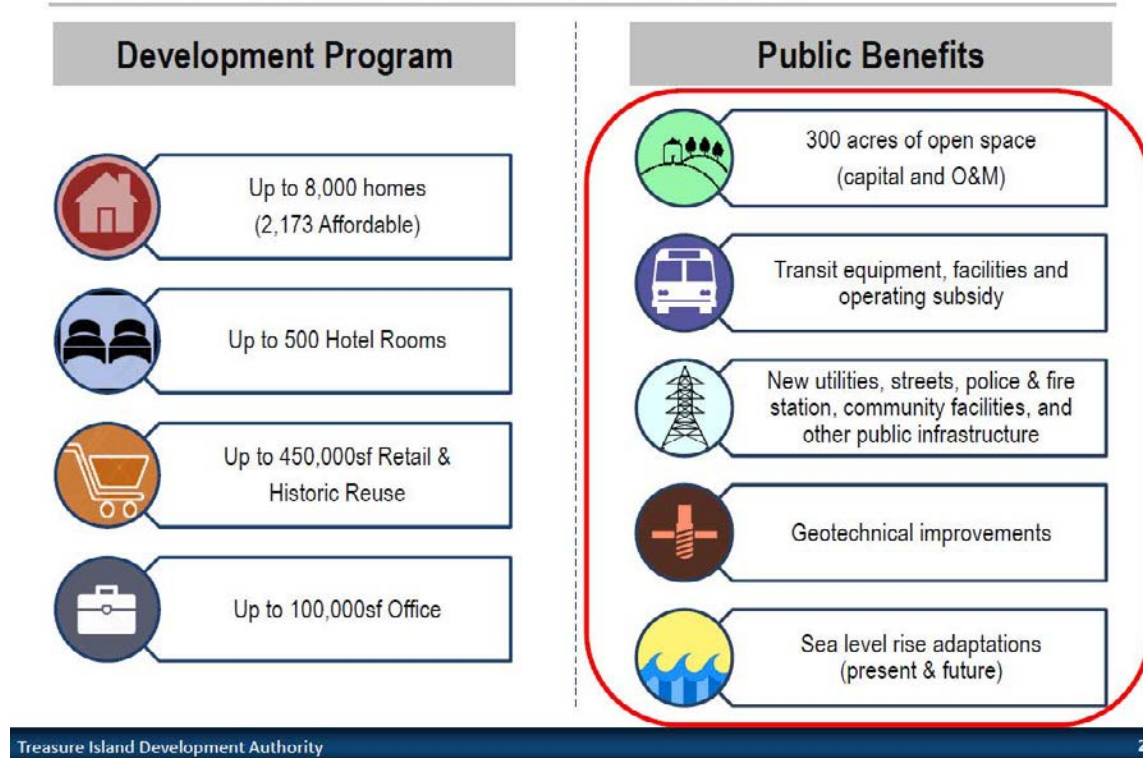
Median household income is \$99,716, which is lower than the household income for San Francisco County. Residents within a 15-minute drive time have a lower level of educational attainment than those of San Francisco County, while median owner occupied home values are considerably lower.

## Land Use

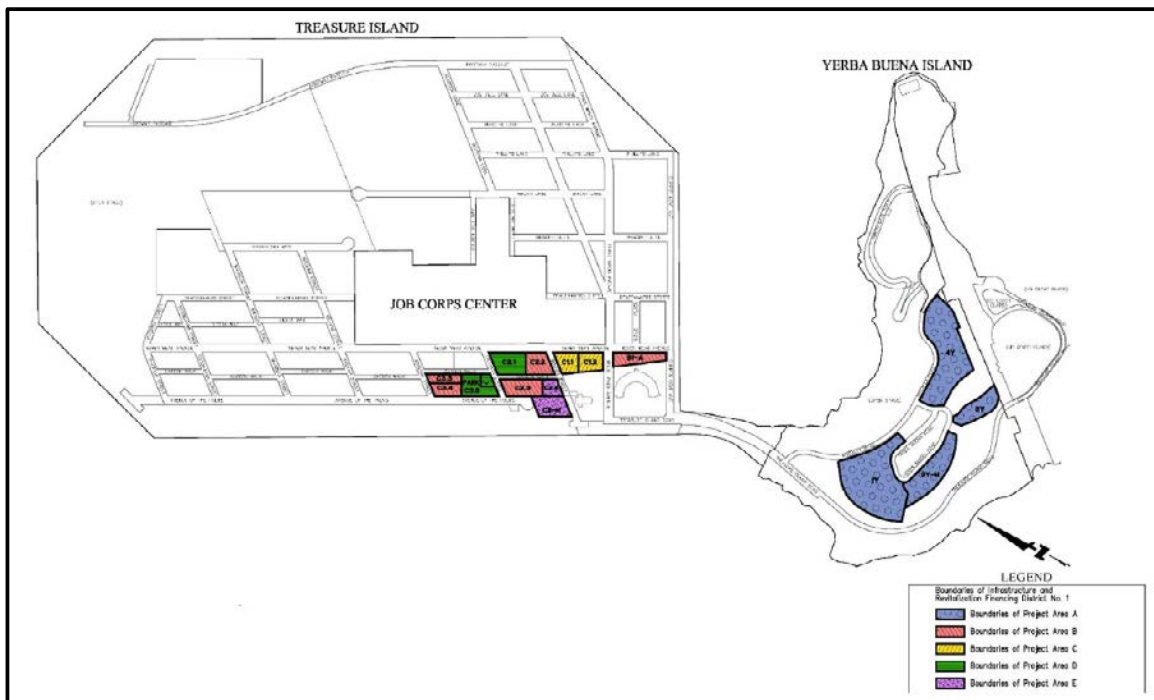
The subject property is the first phase of the larger Treasure Island Development Program, a proposed 461-acre project which, upon completion, will include up to 8,000 homes, 500 hotel rooms, 450,000 square feet of retail space, 100,000 square feet of office space, a marina, ferry terminal, open space/public parks and pedestrian trails. The project is located on a portion of a former United States Navy base which includes Treasure Island (artificially created with bay sand) and 89-acres of Yerba Buena Island. The following chart summarizes the overall proposal for the Development Program.



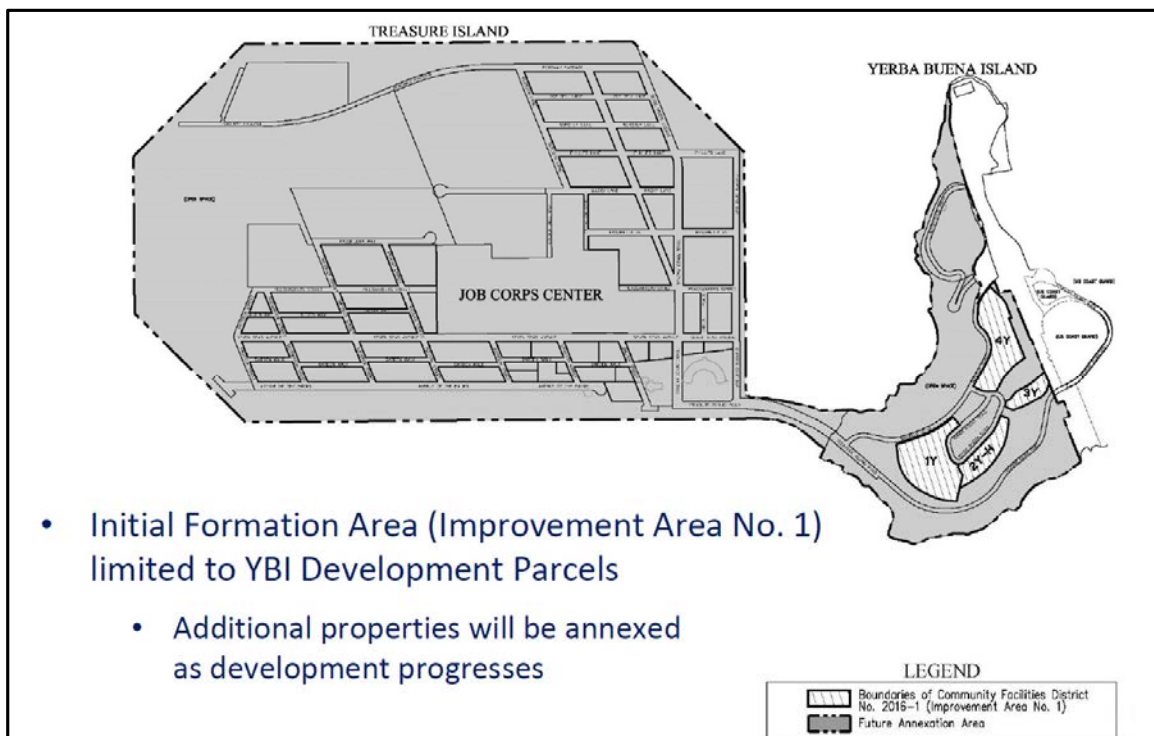
## Treasure Island Development Program



The subject is the first of at least five phases associated with the planned development (Phase A on the following map). As discussed, Parcel 2Y is not a part of the subject property and is excluded from this appraisal.

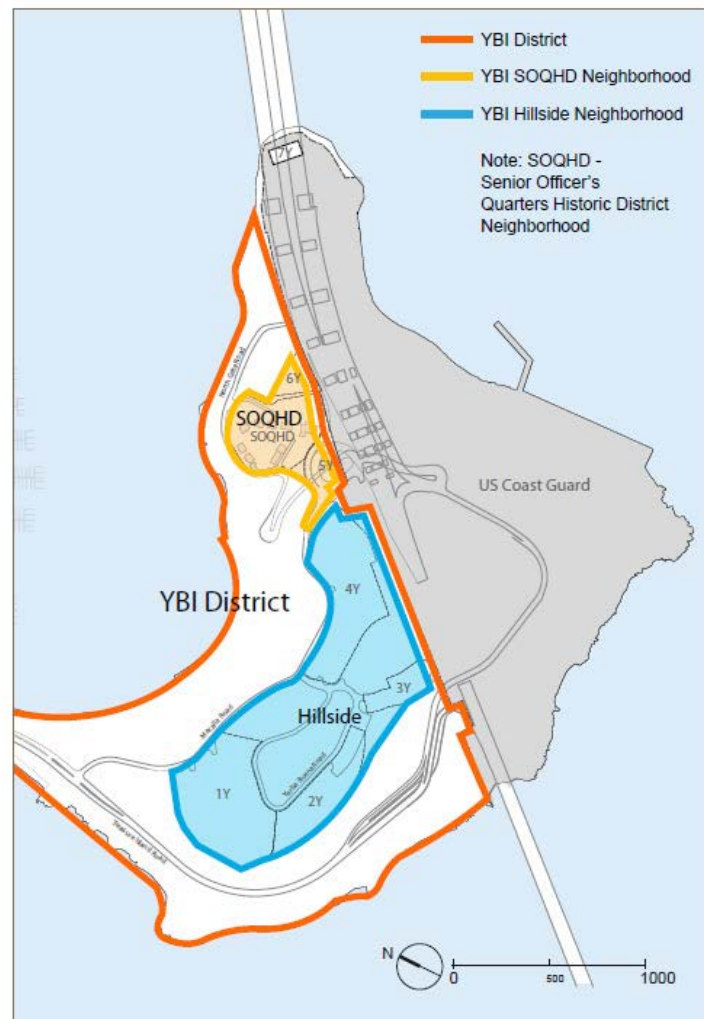


The boundaries of CFD No. 2016-1, which include the three subject parcels, are presented below.



Currently, land use on Treasure Island includes a mix of residential, retail, and office uses, as well the Treasure Island museum and marina. Yerba Buena Island includes former military offices and

improvements, many of which will be demolished for the subject development. There are reportedly approximately 1,005 existing residences on Treasure Island and Yerba Buena Island combined, and 100 non-residential improvements. The eastern portion of Yerba Buena Island, east of the Bay Bridge, remains utilized by the United States Coast Guard. The subject is part of the Hillside area designated on the below map.

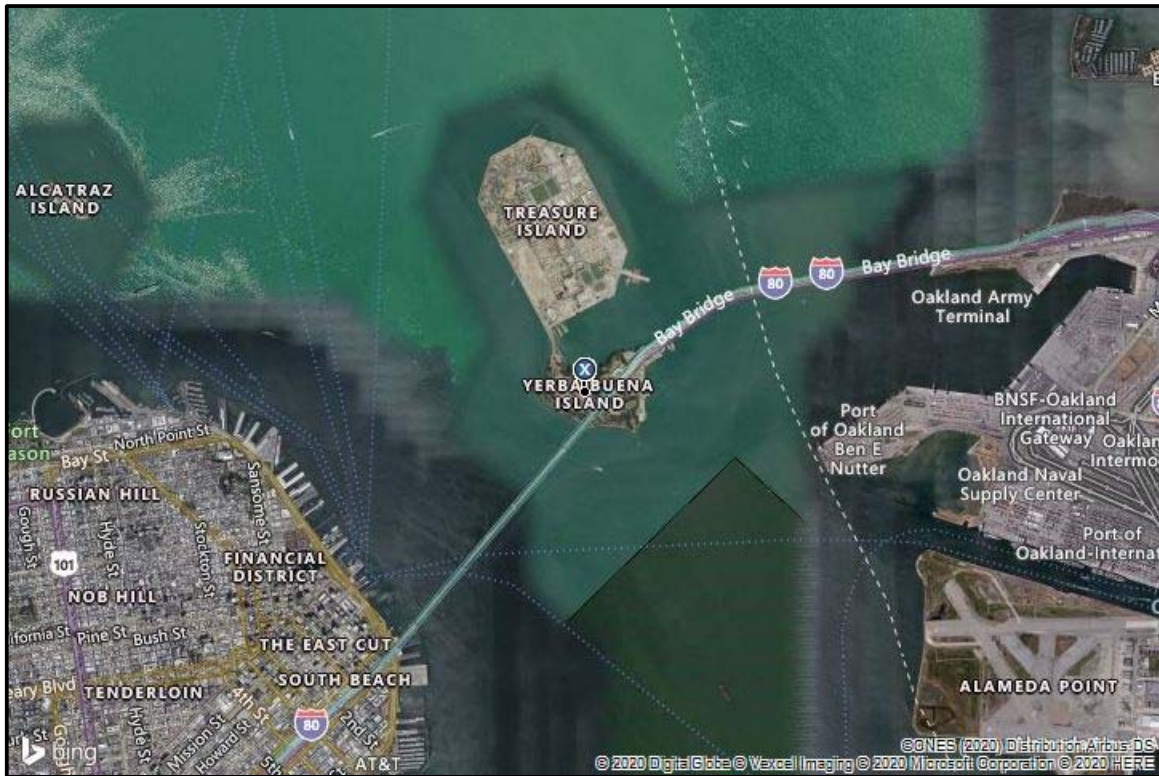


Note the U.S. Coast Guard on the eastern portion of the island; the historical Senior Officer's Quarters on the west side of the Bay Bridge will also remain intact.

**Outlook and Conclusions**

The area is in the growth stage of its life cycle. The plans for Yerba Buena and Treasure Islands include substantial development to an area previously largely only utilized for military purposes. Given its steep sloping topography and location in the Bay, Yerba Buena Island in particular benefits from sweeping views of the San Francisco Bay and skyline, Golden Gate Bridge, Bay Bridge, Treasure Island, Alcatraz, and Angel Island State Park. Yerba Buena Island also benefits from proximity to employment centers in San Francisco and Oakland, while offering a more secluded setting. Given the history of the surrounding area and growth trends, it is anticipated that property values on Yerba Buena and Treasure Islands will increase in the future, though the current COVID-19 pandemic casts some uncertainty over the immediate near term.

## Surrounding Area Map



## COVID-19 Impact On Valuation

The prior market analysis focuses on historical trends before the impact of the COVID-19 crisis began showing up in the numbers. The historical reference is significant in that many market participants believe the commercial real estate (CRE) markets will return to trend – the only question is the depth and duration of the current economic climate. At a minimum, near term economic performance will remain dreadful. Shelter-in-Place and Stay-at-Home executive orders are having a profound impact on GDP with elevated unemployment hurting economic performance and CRE sector. How bad will things get (depth) and how long will it last (duration) are questions that simply cannot be answered at this point in time. The curve is flattening and restrictions are slowly easing in California, but Governor Newsom has yet to offer a timeline as when restrictions will be further relaxed. Numerous counties are in Stage 3 of a four-stage re-opening schedule, which permits the opening of lower risk workplaces and retail establishments with social distancing protocols. The City and County of San Francisco is currently in Phase 2B of the four-phase re-opening plan, but has put the re-opening of salons, museums, indoor dining, and outdoor bars on-hold due to a recent uptick in cases. Some indoor retail and curbside pickup are permitted. Nevertheless, by all accounts business operations are significantly down with the exception of essential businesses such as distribution facilities, medical facilities and grocery stores. As the crisis evolves, the market will provide clarity.

In the absence of transaction data, there is empirical data in the market that can be gleaned and assist in estimating the valuation metrics and assessing their reliability in estimating current value. In the current phase of the pandemic, emerging trends include:

- Market confidence (fundamental economic fear)
- Expectations of impaired property/operating performance
- Re-pricing risk (debt and equity)
- Liquidity duration
- Impaired market and pricing activity

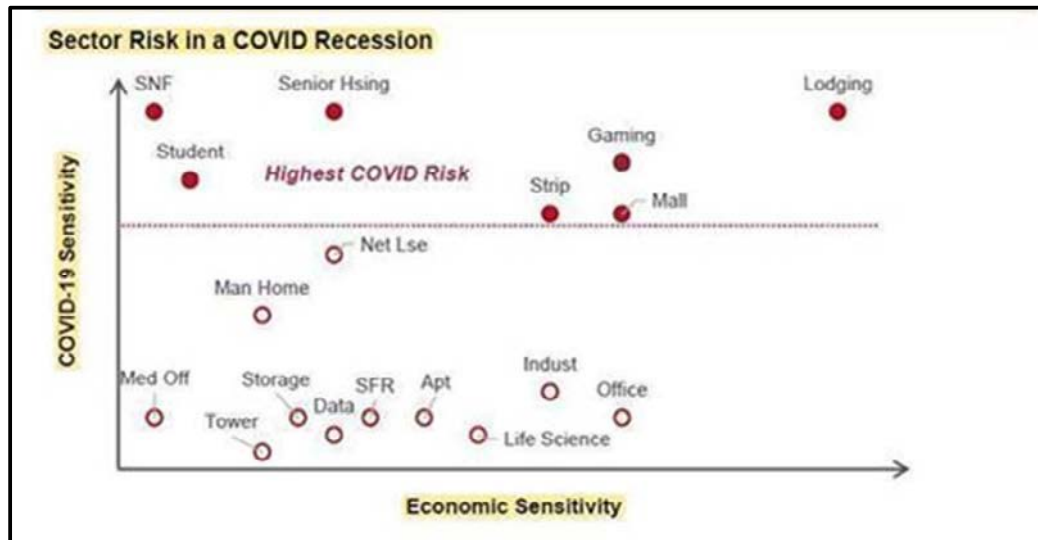
All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the CRE sector along a continuum of time. Our surveys of market participants indicate a focus in the following areas impacting value:

- Impact will vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class and location
- Capitalization rate premiums vary by property type, class and location
- Marketing times for most assets will increase



### Impact by Property Type, Class & Location

Below is a graph from Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is challenging.



### Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows through early 1Q20. Borrowers had a myriad of options from a variety of capital sources. As the crisis began to unfold in early 2020, treasury rates were moving down as the Fed sought to keep the market liquid. When it became clear the global crisis had landed in the United States, the Fed moved rates to near zero. Many lending institutions instituted floors (spreads widened) because the fixed costs of doing a deal had to be covered.

As lenders came to grips with the severity of the economic outlook, many pulled back from the market altogether while others reacted by raising interest rates, lowering loan to values, increasing reserve requirements, or a combination thereof. Some lenders are "out" while others remain in the market. Clearly, there are fewer options in the market and those options are more expensive. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multifamily market while at the other end of the spectrum, financing a hotel at this point is challenging.

The rising cost of debt and equity and its impact on capitalization rates is illustrated below:



<b>OAR Sensitivity Matrix - 70% LTV/25Yr AM</b>						
Interest Rate	Equity Dividend Rate					
	3.00%	5.00%	7.00%	9.00%	11.00%	13.00%
	3.50%	5.11%	5.71%	6.31%	6.91%	7.51%
	3.75%	5.22%	5.82%	6.42%	7.02%	7.62%
	4.00%	5.33%	5.93%	6.53%	7.13%	7.73%
	4.25%	5.45%	6.05%	6.65%	7.25%	7.85%
	4.50%	5.57%	6.17%	6.77%	7.37%	7.97%
	4.75%	5.69%	6.29%	6.89%	7.49%	8.09%
	5.00%	5.81%	6.41%	7.01%	7.61%	8.21%

An asset for example that historically attracted debt at 3.75 percent and equity (cash on cash) at 5 percent would see a rise in overall capitalization rate of 83bps (6.65% versus 5.82%) if the cost of debt rises to 4.25 percent (50 bp increase) and equity rates move to 7 percent (40 percent increase). All else equal, the rise in the overall rate would equate to a drop in value (potential market conditions adjustment) of 14 percent (.0083 / .0582).

### Declines in Property Operations / Forecasts

The lodging, retail, student housing and senior sectors are expecting to suffer the greatest. Once again, this varies by location and type. Restaurant retail is generally viewed as having high risk but is expected to rebound quickly as pent-up demand explodes when social distancing requirements loosen. Grocery retail is performing well with big box stores setting record sales per square foot. Apartments should fare well but once again, varying by type and location depending on the tenant base employment and its ability to weather the crisis. Industrial distribution facilities are expected to perform well while multi-tenant industrial with non-essential businesses may struggle.

There is an expectation in the market that, for many retail centers in particular, tenants will not be paying rent. Without customers, particularly in states with stay-at-home orders, there simply is no revenue available. Tenants and owners alike are reviewing force majeure clauses in their leases.

Rent projections are being held flat in modeling many cash flows going forward with the length of time dependent on the asset type.

### Premiums on Capitalization Rates

While many deals have fallen out of contract, other deals are still closing. Some are closing at their pre-crisis contract price levels while many deals are being re-traded in the market with discounts influenced by property type, location and buyer/seller motivations.

As the transaction market solidifies, the impact on capitalization rates will become more clear. The OAR sensitivity matrix presented earlier can be viewed as a potential leading indicator. Some market participants believe the answer to market value lies in the capitalization rates while others believe rates are not moving – only net operating income in the short run is being impacted. Once again, the answers vary by property type and location.

### Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that marketing time on properties either for

sale or lease, will be extended for most assets. Comparing recent pre-COVID-19 market time (perhaps the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean insight to potential market times going forward.

Sector	Months on Market March 2008-09	Months on Market March 2018-19	Change in Months	% Change Peak to Trough
Office	29.6	14.8	14.8	100%
Retail	15	11.4	3.6	32%
Industrial	19.6	6.7	12.9	192%
Average	21.4	11.0	10.4	95%

*Source: Costar – data presented in Months*

Marketing time increased substantially in the last economic crisis of 2008-2009 from the prior boom with an average of 21 months for major property classes at the bottom of the market. Market times for the trailing 12 months preceding the COVID-19 crisis averaged 11 months. We note these are national averages with well located, better quality assets having substantially lower market times.

Based on this historical perspective, exposure time could potentially double from current levels. This would have to be tempered recognizing that the depth and duration of this current crisis is health centric and may return to more recent norms when a resolution becomes apparent.

### Implication on Residential Land Market

The following was included in a recent market survey conducted by The Gregory Group.

“Before the COVID-19 crisis, the region’s housing market was expanding at the greatest pace since the Great Recession, ten years earlier. Despite the many economic concerns associated with the virus, there is some hope that housing will be one of the few bright spots in an economy hard hit by stay-at-home orders across the nation. Homebuilders are still engaging in sales and building activities, and most are operating and trying to market and sell homes (with altered and restrictive processes).

Never-the-less, new-home sales are anticipated to decrease significantly in the coming quarters based on the effects of COVID-19 and as the width and depth of the economic contraction becomes reality. While it is believed that an immediate reduction in sales is probable, the same cannot be said for pricing. There are currently no indications that new-home pricing is undergoing fundamental pricing pressure; this may change as some builders try to make up for slower sales with lower prices, but it is believed that the current lack of increased sales is not a demand issue, but more a disruption issue (the inability of buyer to physically visit new-home projects).

Other factors which would affect sales in the future:

- Shortages in labor for vertical construction and land development (infrastructure and grading);
- Increasing construction costs that are generally increasing at faster rates than home price appreciation;

- Longer, more difficult entitlement process;
- Buyers being more diligent and selective in what/where/why they buy;
- The inability and unwillingness of buyers to pay above and beyond a reasonable “perceived-value” for new-housing.

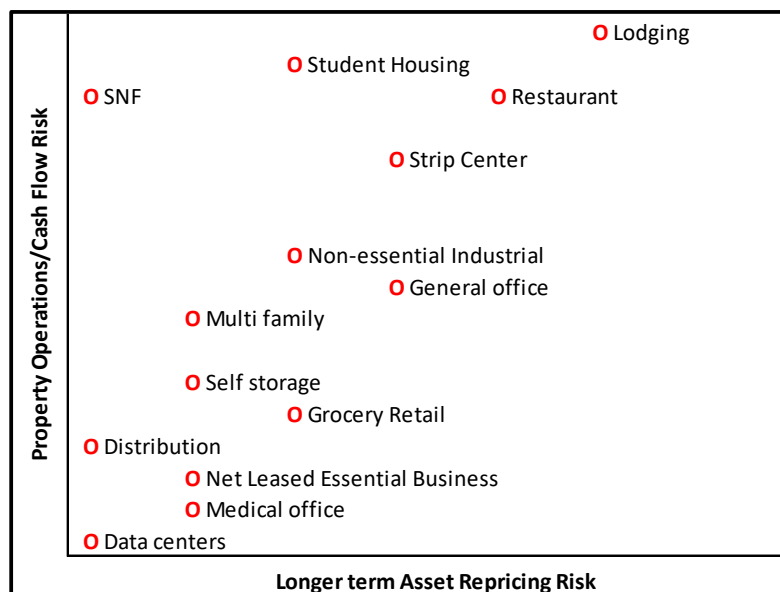
It’s worth noting, based on a survey of local and regional land developers and merchant builders, most were currently still pursuing new acquisitions and/or development deals, and none had witnessed lower prices for land or lots.”

## Conclusion

Based on the above information, which is empirical more so than transactional, it is clear the market has changed and valuation parameters must be modified.

Many market participants believe the current disruption in the market is *operational* in nature with the impact on asset pricing limited to cash flow short falls until the market returns to “normal.” Others believe *repricing* risk exists due to the cost of capital (debt and equity) as well as a rethinking of CRE investments.

The following chart represents our understanding of market sentiment regarding operational and repricing risk by property class. Assets in the lower left portion of the chart reflect low near-term cash flow loss expectation and little longer-term repricing risk while the opposite is true for assets in the upper right corner. And as noted throughout, there are various risk profiles within each property type displayed.



This heightened uncertainty forms the basis of defined risk. The following section provides an overview of the Alameda County residential market.

## Residential Market Analysis

In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

The outbreak of the Novel Coronavirus (COVID-19), was declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020. A Shelter-in-Place order was enacted for San Francisco County in mid-March, though the county is currently in Phase 2B of a 4 phase re-opening plan.

This analysis will begin with a summary of California homebuilding and market participant interviews in light of the current COVID-19 climate. This will be followed by an overview of the San Francisco market.

### California Residential Building and Developer Market

We surveyed California market participants in the residential building and development sector, specifically land developers, land brokers, and builders (National and Regional), regarding the impact the pandemic is having on their business operations and forward planning. The following outlines the information requested from those surveyed, with the responses subsequently tabulated.

With regard to marketing of residential lots and homes, we asked participants:

- Has there been a change in the number of listings/offerings/sales?
- Have you experienced or heard of deals being cancelled or homebuyers cancelling their purchase?
- Are you still marketing properties?
- Do you know either firsthand or indirectly of sellers lowering prices for land or lots?

Regarding business operations, survey responders were asked:

- Do you have an interim plan in place or is it business as usual?
- Is there any effect on labor and/or materials that was not the case prior to March 11, 2020?
- Do you expect normal business operations to resume by the end of the second quarter?
- Will that resumption occur quickly or gradually?
- Are contractors attempting to retain their workers or are they being released/furloughed?

With regard to financing, survey responders were asked:

- Do you expect a significant number of bankruptcies to occur in the residential sector?
- Are you concerned about the level of leverage on your deals?
- Are you pursuing new acquisition or development deals at this time?
- Are you pursuing refinancing at this time?

The survey responses are compiled within the matrix on the following page.

Market Participant	Region	Marketing		Business Operations							Financial			
		Change in sales volume	Deals cancelled	Still marketing properties	Price reductions	Interim Plan	Change in Materials & Labor	Normal operations by end of Q2	Gradual or quick resume	Employee retention	Bankruptcies	Leverage concern	Pursuing new deals	Pursuing Refinancing
Land Developer	Northern CA	Yes	No / Delayed	Yes	No	None	No	Yes / June 1	Gradual	Yes	Yes - Apts & Hotels	No	Yes	Yes
Land Developer	Northern CA	Unsure	Yes / not many	Yes	No	Slight pause, but no change	Unsure	Yes	Unsure	Yes	No	No	No	No
Land Developer	Northern CA	--	Yes	Yes	No	Staff working from home	Yes	Yes	Gradual	Yes	Possible	No	Yes	No
Land Developer	Northern CA	--	No	Yes	No	None	No	Yes	Gradual	Yes	No	No	Yes	No
Land Developer	Northern CA	--	No / Postponed	No	No	Yes / Wait and See	Yes	Yes-builders No-developers	Unsure	Yes	Unsure	No	No	No
Developer/Builder	Northern CA	No	Yes / Five	Yes	No	--	No	Yes	Gradual	Yes	--	No	Yes	--
Land Developer	Southern CA	Yes	No	On Hold	No	Slowing down schedules	No	Yes	Unsure	--	Unsure	Yes	No	No
Broker	Northern CA	No	No	Yes	No	Slight pause, but no change	No	Yes	Quick	Yes	No	--	Yes	--
Broker	Northern CA	Yes	Yes	Barely	No	None / Wait and See	--	Yes	Gradual	--	No	--	No	--
Broker	Northern CA	No	No	Yes	No	None / Pause for now	--	Yes	Quick	Yes/possible furlough	Yes - small businesses	--	Yes	--
Broker	Northern CA	No	Yes / Two	Yes	No	--	No	Unsure	Quick	Yes	--	No	Yes	--
Broker	Northern CA	Yes	Yes	Yes	No	--	No	No	Gradual	Unsure	--	No	No	--
Broker	Northern CA	Unsure	No	Yes	No	Work from home / Usual	Unsure	No	Gradual	Yes	No	--	Yes	--
Broker / Consultant	Southern CA	--	Yes / One	Yes	No	Work from home / Usual	No	Yes	Unsure	Yes	No	--	Yes	--
Broker / Consultant	Southern CA	--	No	Yes	No	Work from home / Usual	No	Yes	Quick	Yes	No	--	Yes	--
Builder	Northern CA	No	Yes / not many	Yes	No	--	No	Yes	Unsure	Yes	--	No	Yes	--
Builder	Southern CA	--	No / Delayed	Yes	No	None	Yes / Lower	Yes	Quick	Yes	Yes	--	No	--

### Submarket Overview

Given prevailing land use patterns, the subject's entitlements for development of the Yerba Buena Island, and current market conditions, the maximally productive use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

In this analysis of the residential market, we will analyze market trends within the regional area of San Francisco, and then focus on the subject's immediate neighborhood and similar communities.

The subject is located on Yerba Buena Island in the San Francisco Bay. The subject is considered to have good transportation linkages to both San Francisco and Oakland. The neighborhood is characterized as a suburban area that appeals those who want both proximity to and seclusion from the city. Based on the characteristics of Yerba Buena Island, the subject characteristics best support a project designed for established home buyers.

### Single-Family Building Permits

Single-family building permits for San Francisco are shown in the table below. For comparison purposes, multifamily permits are also shown.

<b>Building Permits - San Francisco</b>		
<b>Year</b>	<b>Single Family</b>	<b>Multi-family</b>
2008	57	2,238
2009	17	283
2010	22	757
2011	31	1,787
2012	24	3,293
2013	54	4,420
2014	35	2,676
2015	64	2,601
2016	123	3,964
2017	43	4,211
2018	28	5,150
2019	22	3,178
2020 (May)	8	1,163

Source: SOCDS Building Permits Database

### Future Development – San Francisco

The following table summarizes the development pipeline according to the San Francisco Planning Department. The units are predominantly part of mixed-use buildings with ground-floor commercial space. It is noted that the pipeline data does not differentiate between for-sale and for-rent projects.

**Development Pipeline (net units)**

Planning Status	Total No. of Residential Units	Total Affordable Units	% Affordable
Planning Application Filed	15,998	2,434	15%
Planning Application Approved	30,641	6,609	22%
Building Permit Filed	9,648	1,022	11%
Building Permit Approved	1,403	127	9%
Building Permit Issued	5,936	1,769	30%
Under Construction	10,198	2,411	24%
<b>Total</b>	<b>73,824</b>	<b>14,372</b>	<b>19%</b>

Source: San Francisco 4Q 2019 Development Pipeline data

**Active New Home Projects Pricing and Absorption**

The following tables include active and recently sold out newly constructed condominium projects for which we were able to obtain absorption data. The comparables are located in various neighborhoods but all reflect recent construction.

**Active Projects - Year End 2019**

Project	Neighborhood	Developer	No. of Units	Year Blt	Sale Price (Low)	Sale Price (High)	Avg. \$/SF	Stories	Monthly HOA	Sales per Month
Four Seasons Private Residences	Yerba Buena	Westbrook Partners	146	2021	\$2,300,000	\$13,000,000	\$1,356 to \$2,198	--	\$3,140 to \$6,200	4.1
1433 Bush Street	Lower Nob Hill	JS Sullivan	40	2019	\$580,000	\$1,435,000	\$1,286 to \$1,514	8	\$470 to \$615	7.6
The Avery	Yerba Buena	Related	118	2019	\$1,785,000	\$5,100,000	\$1,890 to \$2,124	55	\$1,530 to \$1,900	1.1
950 Tennessee	Leap Development	Leap Development	100	2019	\$664,000	\$1,430,000	\$1,278 to \$1,659	4	\$435 to \$680	12.0
The Westerly	Sunset	Propriis	56	2019	\$797,000	\$1,354,000	\$998 to \$1,223	5	\$450 to \$550	3.3
2177 Third Street	Dogpatch	Align Partners	114	2019	\$795,000	\$2,150,000	\$1,377 to \$1,590	6	--	15.0
One Eleven	SOMA	Z&L Properties	39	2019	\$825,000	\$1,171,000	\$1,199 to \$1,647	9	\$525 to \$640	4.0
99 Rausch	SOMA	Belrich Partners	112	2018	\$580,000	\$2,600,000	\$1,285 to \$1,545	6	\$515 to \$900	3.6
One Mission Bay	Mission Bay	CIM Group	348	2017	\$582,000	\$3,000,000+	\$1,221 to \$1,569	16	\$622 to \$825	7.9
The Austin	Lower Nob Hill	Pacific Eagle	103	2017	\$615,000	\$2,045,000	\$1,340 to \$1,428	12	\$650 to \$1,050	3.1
181 Fremont	Yerba Buena	Jay Paul Company	67	2017	\$1,400,000	\$8,750,000	\$2,275 to \$3,176	17 of residential	\$2,000 to \$3,500	1.7
Stage 1075	Mid Market	Encore Housing	90	2017	\$539,000	\$1,259,000	\$1,294 to \$1,336	8	\$585 to \$820	3.5
555 Fulton	Hayes Valley	Fulton Street Ventures	139	2016	\$691,380	\$1,344,801	\$1,097 to \$1,388	5	\$490 to \$600	0.9
The Harrison	Rincon Hill	Maximus Real Estate	278	2016	\$740,000	\$7,500,000	\$1,359 to \$2,163	49	\$1,240 to \$1,480	7.0
Lumina	Rincon Hill	Tishman Speyer	656	2016	\$7,375,000	\$11,495,000	--	37 to 42	\$930 to \$1,350	--
<b>Average</b>										<b>5.3</b>

The average absorption rate for active condominium projects is 5.3 sales per month. With the exception of Pacific Heights, the subject's location is also superior to many of the comparable neighborhoods. The projects with units with lower price points generally tend to reflect higher absorption rates, and few of the projects offer units over \$3,000,000. Four Seasons Private Residences reflects the highest absorption rate for higher priced units, at 4.1 sales per month. However, this is somewhat offset by 181 Fremont and The Avery, which are averaging 1.7 and 1.1 units per month, respectively. Projects which offer homes under \$1,000,000 (at the low end of the sale price range) are generally reporting absorption rates between 3 and 8 units per month. However, it should be noted, at the time of survey (year end 2019) 950 Tennessee and 2177 Third Street had recently commenced selling and were reporting only one month of data. It is unlikely these projects will maintain an absorption rates of 12 and 15 units per month over the entire sell-out period.

We have also obtained absorption data for Mira, a high-rise, 40-story project with 392 units between \$900,000 and \$3,000,000. The project is located in the Transbay neighborhood. As of July 2020, the



project has closed escrow on 40 homes. Given the October 2018 opening of the project, this implies an absorption rate of 1.9 sales per month.

In addition, the following table reflects recently constructed condominium projects which achieved sell out over the past several years.

Project	Neighborhood	Developer	No. of Units	Year Blt	Monthly HOA	Sale Price (Low)	Sale Price (High)	Avg. \$/SF	Stories	Sold Out Date	Sales per Month
719 Larkin	Tenderloin	JS Sullivan	42	2019	\$517 to \$548	\$650,000	\$815,000	\$1,194 to \$1,206	8	Nov-19	6.0
901 Tennessee	Dogpatch	Local Development Group	44	2019	\$622 to \$825	\$499,000	\$1,779,000	\$1,327 to \$1,675	4	Nov-19	4.9
Sutter North	Lower Nob Hill	Marc Dimalanta	37	2018	\$490 to \$575	\$599,000	\$999,000	--	9	Aug-19	1.5
1868 Van Ness	Nob Hill	Peter Iwate	35	2017	\$695 to \$842	\$789,000	\$1,189,000	\$1,276 to \$1,371	8	Jun-19	1.2
The Alexandria	Central Richmond	Time Space San Francisco	43	2018	\$410 to \$540	\$780,000	\$1,200,000	\$1,185 to \$1,370	4	May-19	3.0
288 Pacific	Jackson Square	Grosvenor	33	2018	--	+/- \$2,300,000	+/- \$2,300,000	+/- \$1,906	7	Apr-19	2.4
1598 Bay St	Marina	Presidio Development Partners	28	2018	\$700 to \$865	\$845,000	\$1,950,000	\$1,365 to \$1,577	4	Mar-19	2.5
815 Tennessee	Dogpatch	DM Development	68	2017	--	--	--	--	5	Nov-18	5.2
1188 Valencia	Mission	JS Sullivan	49	2018	\$480 to \$620	--	--	--	5	Sep-18	4.7
The Pacific	Pacific Heights	Trumark Urban	76	2016	--	--	--	--	9	Jul-18	3.3
1450 Franklin	Lower Pacific Heights	Village Properties	67	2016	\$700 to \$875	--	--	--	13	Jun-18	3.1
The District	Lower Pacific Heights	KB Homes	81	2016	\$680 to \$950	\$860,000	\$1,562,500	\$1,084 to \$1,192	6	May-18	2.8
72 Townsend	South Beach	KB Homes	74	2016	\$700 to \$1,100	--	--	--	9	Mar-18	2.0
The Rockwell	Lower Pacific Heights	Oyster Development	259	2016	\$500 to \$900	\$784,500	\$3,100,000	\$1,240 to \$1,467	13	Jan-18	8.0
La Maison	SOMA	JS Sullivan	28	2017	--	--	--	--	5	Jan-18	2.3
Knox	Dogpatch	Trumark Urban	91	2016	--	--	--	--	4 to 5	Nov-17	11.1
Rowan	Inner Mission	Trumark Urban	70	2015	\$572 to \$778	--	--	--	9	Nov-17	5.3
Luxe	Pacific Heights	Belrich Partners	34	2016	\$800 to \$1,000	--	--	--	7	Mar-17	0.5
Summit 800	Duboce Triangle	Comestock Homes	182	2016	\$180 to \$300	--	--	--	3	Feb-17	6.0
388 Fulton	Civic Center	7x7 Development	69	2016	\$345 to \$500	--	--	--	6	Dec-16	7.5
450 Hayes	Hayes Valley	DM Development	41	2016	\$700 to \$1,000	--	--	--	4	Nov-16	4.4
One Franklin	Hayes Valley	JS Sullivan	35	2016	\$550 to \$650	--	--	--	8	Oct-16	8.6
1001 17th St	Potrero Hill	Eamonn Herlihy	26	2016	\$400 to \$750	--	--	--	4	Aug-16	2.8
Average (2019)											3.1
Average (all)											4.3

The average rate of absorption for all projects in the above table is 4.3 sales per month. Projects which sold out in 2019 reflect an absorption rate of 3.1 sales per month.

The previous absorption tables presented include data through the end of December 2019, which reflects a pre-COVID-19 market. The following paragraphs present our conclusions for the subject based upon this data. Further analysis of the impact of COVID-19 on the San Francisco residential market will be provided next.

The subject's residential product will range from condominiums within a five-story improvement (The Bristol) to townhomes and flats between three and four stories. Therefore, the subject is most similar to comparables with eight stories or less. Our market value conclusion for The Bristol's average unit reflects a price point of around \$1,700,000, which falls within the range of comparable sale prices. Given the price point and size of the proposed units, and the previous data on active and recently sold out projects, we project an absorption rate of between **4.0** and **5.0** sales per month is appropriate for The Bristol units (1,175 square feet). Therefore, we conclude at an absorption rate of **14.0** sales per quarter.

However, at 2,850 to 2,890 square feet, the subject's average townhome and flat will be considerably larger than The Bristol units. The price point for these units is also expected to be significantly higher, with our market value conclusion around \$4,250,000. Given this higher price point, and the pool of buyers with interest in this product type, we project an absorption rate of **2.0** sales per month for these units. This is toward the lower end of the comparable range, but is consistent with active and recently sold out projects with higher priced units.

**Absorption Projection - Parcels 1Y, 3Y, & 4Y**

	Units/Month	Units/Quarter
The Bristol	4.7	14
Townhomes/Flats	1.7	5

**COVID-19 Impact on Local Market**

As part of this analysis, we have interviewed multiple sales agents throughout the Bay Area in recent months regarding the impact of COVID-19 on home sales. The following is a summary of these interviews:

- The majority of agents we spoke with indicate there has been little (under 5%) to no reduction in sale prices for homes priced below the \$2 million price point. This is particularly true for new homes, many of which continue to achieve pre-COVID-19 asking prices. However, there are some reports of overall condo sales dropping approximately 4% in San Francisco from 2019.
- Though sale prices have not been heavily impacted, the pace of sales slowed dramatically in the second quarter due to shelter-in-place orders, as well as restrictions in place which forbade showings of occupied homes. Some sellers chose to take their homes off the market during the second quarter of 2020. Conversations with agents are consistent with data from brokerage Vanguard, as reported by the SF Chronicle, which indicated a 57.7% decline in closed condo sales from 2Q 2019 to 2Q 2020, and a 42.3% decline on in-contract units over the same period.
- Despite the slowed pace of sales in March and April due to shelter-in-place restrictions and a reduced number of listings, most sales agents reported continued interest in newly listed homes, particularly in June. According to the agents we spoke with, it continues to be common to quickly receive multiple offers on newly listed homes.
- Some sales agents also noted that new construction is currently enjoying an advantage due to buyer sentiments; because of COVID-19, a new home is more desirable to many buyers than a home which has been previously occupied.
- Multiple sales agents reported an increased interest in private outdoor space, either balconies, rooftop terraces, or yards. Buyers are also often looking for additional square footage above their current living space. The shelter-in-place orders and the increased prevalence of working from home have made private outdoor space and larger living spaces more attractive to homebuyers. Many Bay Area employees have been told not to return to the office at least through 2020, with Google recently announcing employees may work from home through July 2021.
- During the course of this process, we analyzed new home developments in desirable submarkets throughout the Bay Area. Overwhelmingly, these projects saw a dip in homes

sales in March and April due to strict shelter-in-place orders, followed by a strong rebound in sales in May, June, and July. Projects considered as part of our analysis include the following:

- Attached townhome new construction on the island of Alameda, which is undergoing significant redevelopment. Model homes for the project are not yet open, and pre-sales for new homes began in March 2020. From March through June, the project averaged 4 homes going into contract per month, despite shelter-in-place orders. No dip in sales prices was reported due to COVID-19. Price points range from approximately \$900,000 to \$1,200,000.
- Project in the city of Santa Clara offering new attached townhomes and new detached single-family residences. Since model homes opened in November 2019, the project overall has averaged 13.1 closings per month, with townhome product lines outperforming detached product with an average absorption rate of 11.5 sales per month. No dip in sale prices was reported due to the pandemic, and the developer has been moving forward with scheduled price increases. The price point for this project is \$1.2 million to \$2+ million.
- New attached townhome project in the city of Fremont; project is approaching sellout with price points between \$850,000 and \$1,030,000. Developer reported no drop in sale prices due to COVID-19, and project has supported scheduled increases in pricing. Project averaged 3 homes entering into contract a week in January 2020, followed by a slowdown to 1 sale per month in March and April due to shelter-in-place orders. Sales rebounded in May and June, with an average of 1 home entering contract per week in May (4 per month) and 1.5 sales per week in June (6 per month).
- New single-family residential project with homes on small lots in Marin County. Local sales agents noted very little price discounting to homes under the \$2 million price point. Homes continued to enter into contract in Marin County with multiple offers throughout the spring. Project had recently started offering units for sale when the pandemic hit. The developer revised absorption expectations from 4 to 5 homes per month to 3 to 4 homes per month during Spring 2020.
- New single-family residential project in coastal San Mateo County with price points over \$2 million. Project was under construction in April 2020 and homes have not yet been offered for sale. However, the developer does not plan to revise pricing or absorption projections due to COVID-19, as homes will not be complete until 2021. Local sales agents reported an initial dip in coastal San Mateo County home prices over \$2 million in March, followed by a rebound in April to prices consistent with the pre-COVID market. Sales agents gave anecdotal evidence of multiple homes in the \$2 to \$5 million price range in escrow (which came on the market in the midst of COVID-19). Agents noted new construction commands a premium, but sales activity slowed in March and April due to shelter-in-place orders.

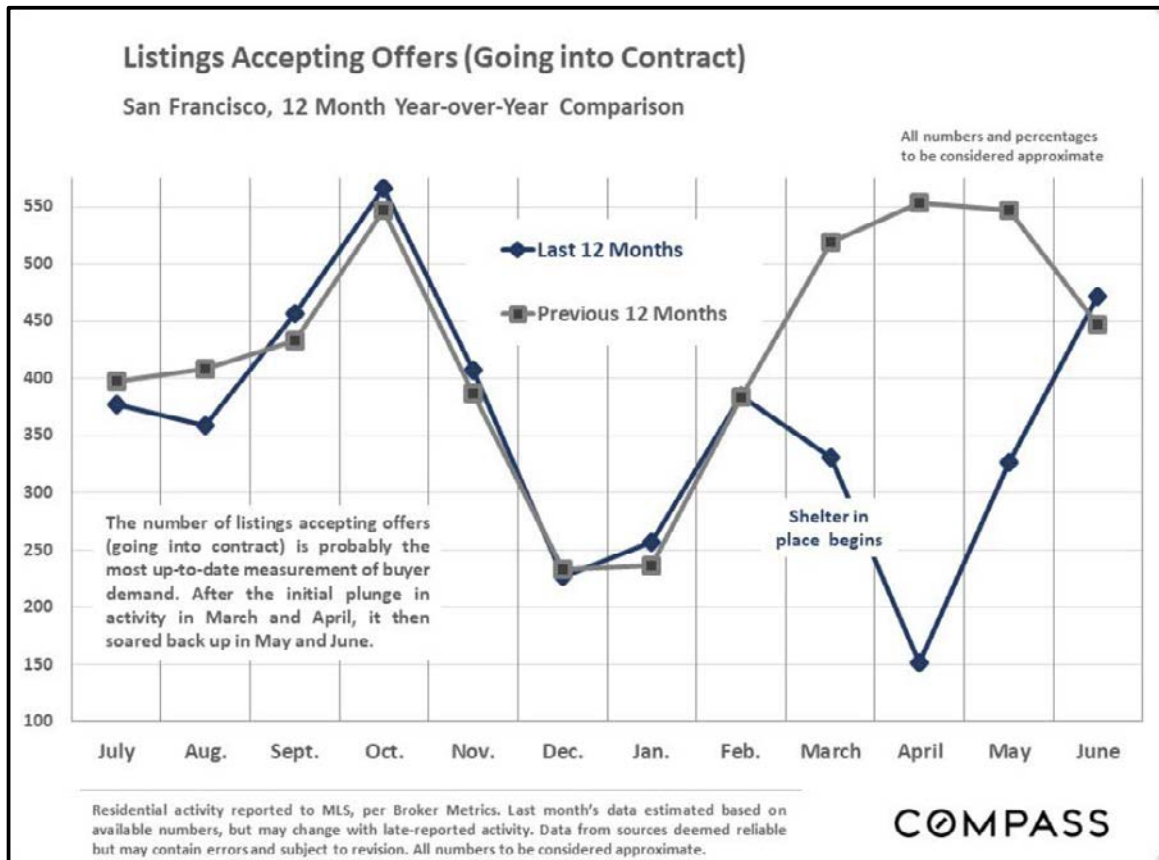
In addition to the above market participant interviews and analysis, we also consider data from real estate firm Compass, which publishes quarterly reports on San Francisco's housing market. The upcoming charts and data are courtesy of a Compass July 2020 report, entitled "*San Francisco Market Continues to Rebound*." Compass reports the single-family residential market in San Francisco is showing many positive indicators; though, the condominium market lags somewhat behind. The following is an excerpt from the article:

"Despite the ongoing health and economic crisis precipitated by COVID-19, the SF real estate market made a large recovery from the steep declines in March and April. The SF median house price hit a new monthly high in June (\$1,800,000), and high-end houses, in particular, have seen very strong demand –this applies to virtually every market in the Bay Area. More affluent buyers – the demographic least affected by COVID-19, unemployment, and also having the greatest financial resources—have been jumping back into the market to a greater degree than other segments.

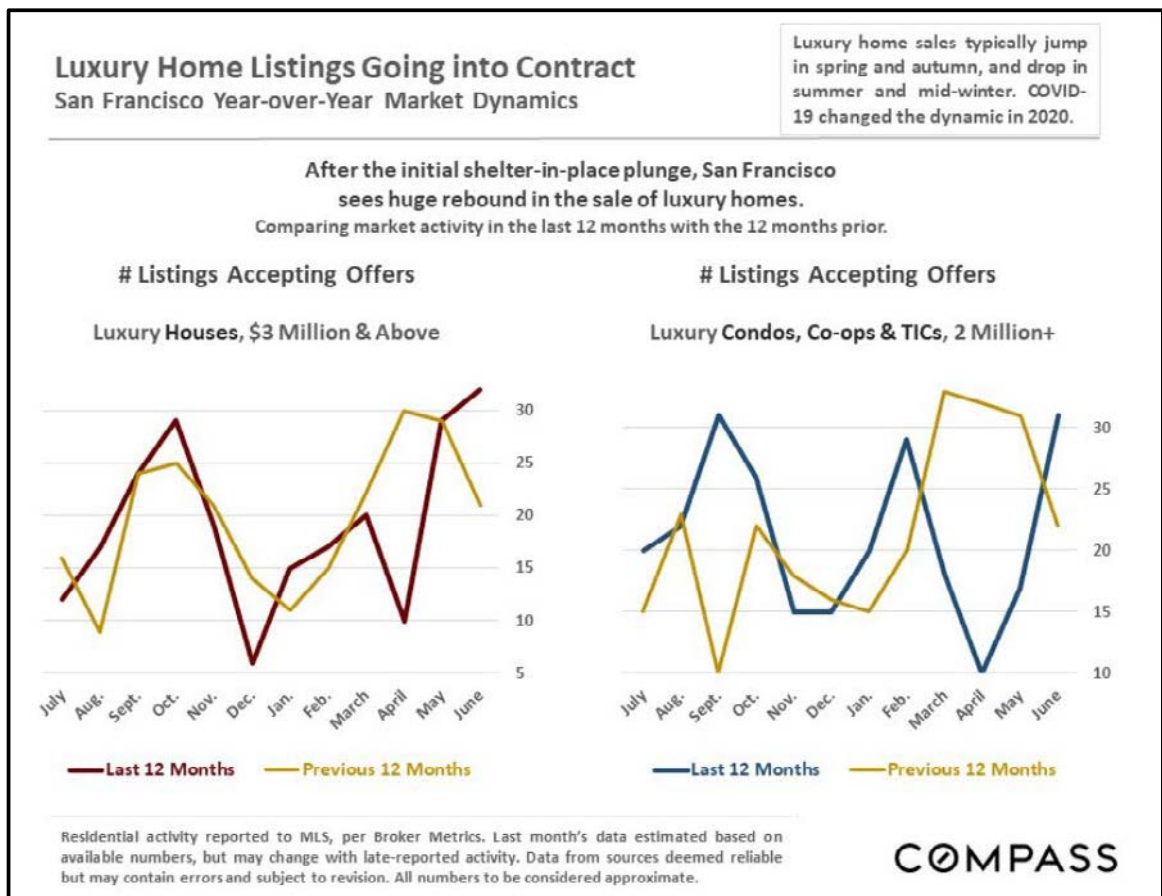
The condo market has been weaker than the house market, as measured by both supply and demand metrics and median sales price. It may be that prospective condo buyers—often younger and less affluent than house owners—have been more affected by the huge jump in unemployment."

While the San Francisco condominium market has not achieved the same metrics as the house market, it is worth noting the luxury condominium sales activity in May and June 2020 surpassed sales activity over the same time period in 2019. Though, condo sale prices as of the second quarter of 2020 were lower than 2019 averages, but higher than 2018. However, current condominium inventory listed for sale has spiked in San Francisco compared to recent years. This abundance of supply may result in a softening of the condominium market, as buyers have more options and room to negotiate. Further data is provided on the following pages.

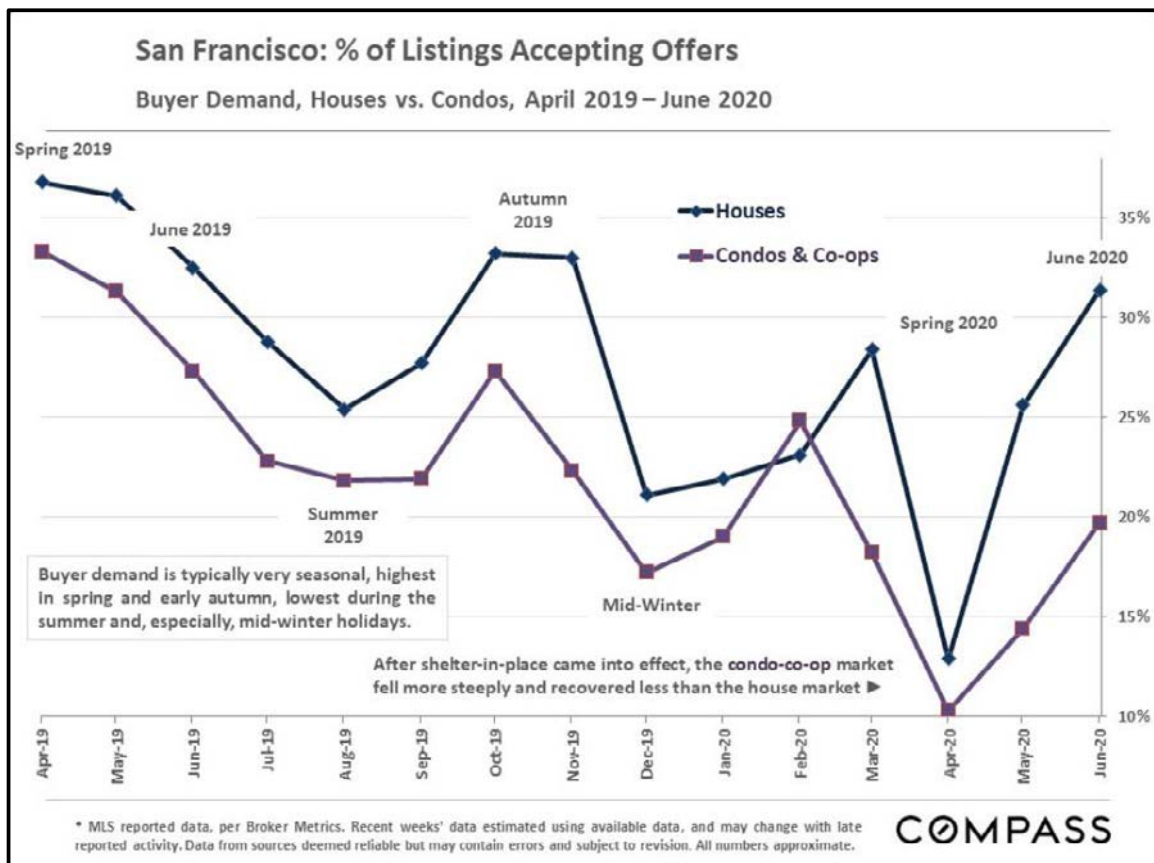
The following graphic compares sales activity between 2020 and 2019 and demonstrates the impact of shelter-in-place orders, as well as the subsequent rebound.



The following table demonstrates the May and June rebound of luxury product in San Francisco.

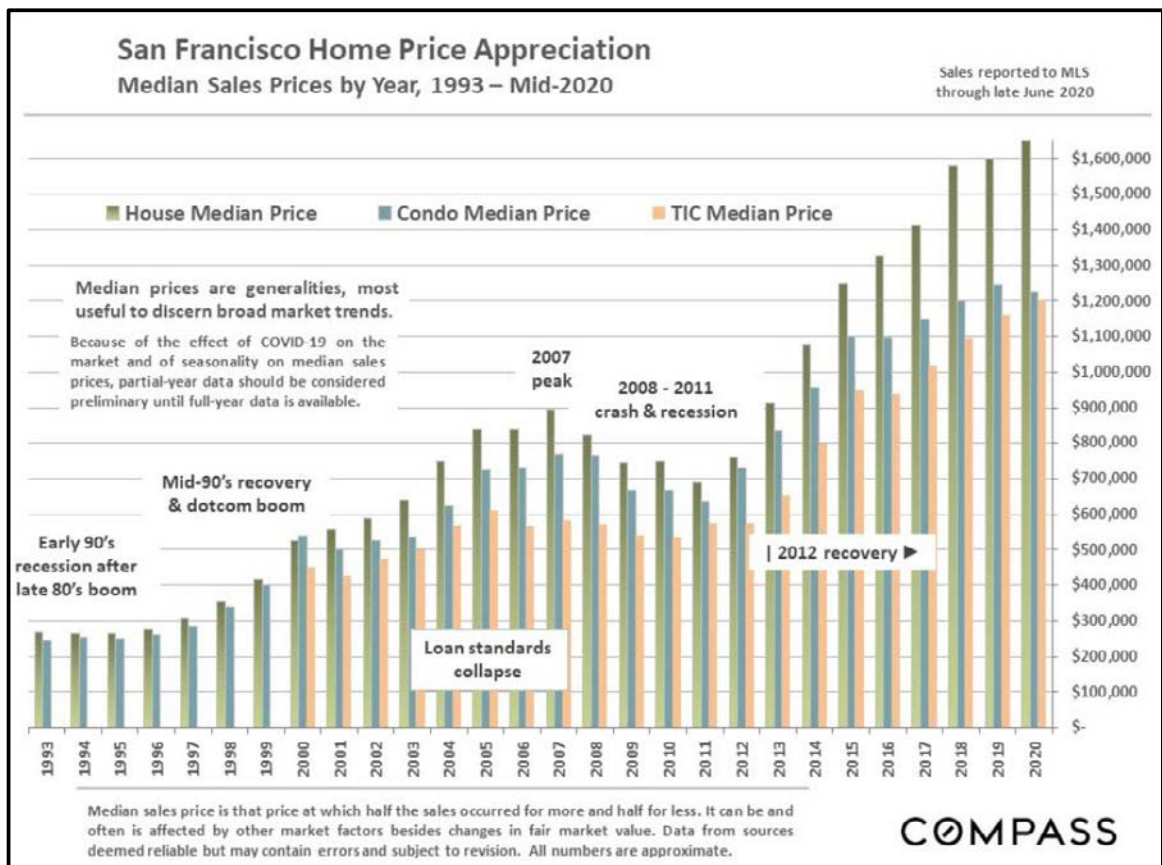


With the exception of The Bristol, the subject's other units would fall into the luxury condo category based upon price point. Both luxury homes and condos saw higher May and June sales activity over the previous year, after dramatic drops in March and April. As indicated in the following table, the condo market has lagged behind the house market; though, both have rebounded since April. Median condo sales have not reached 2019 highs, however.



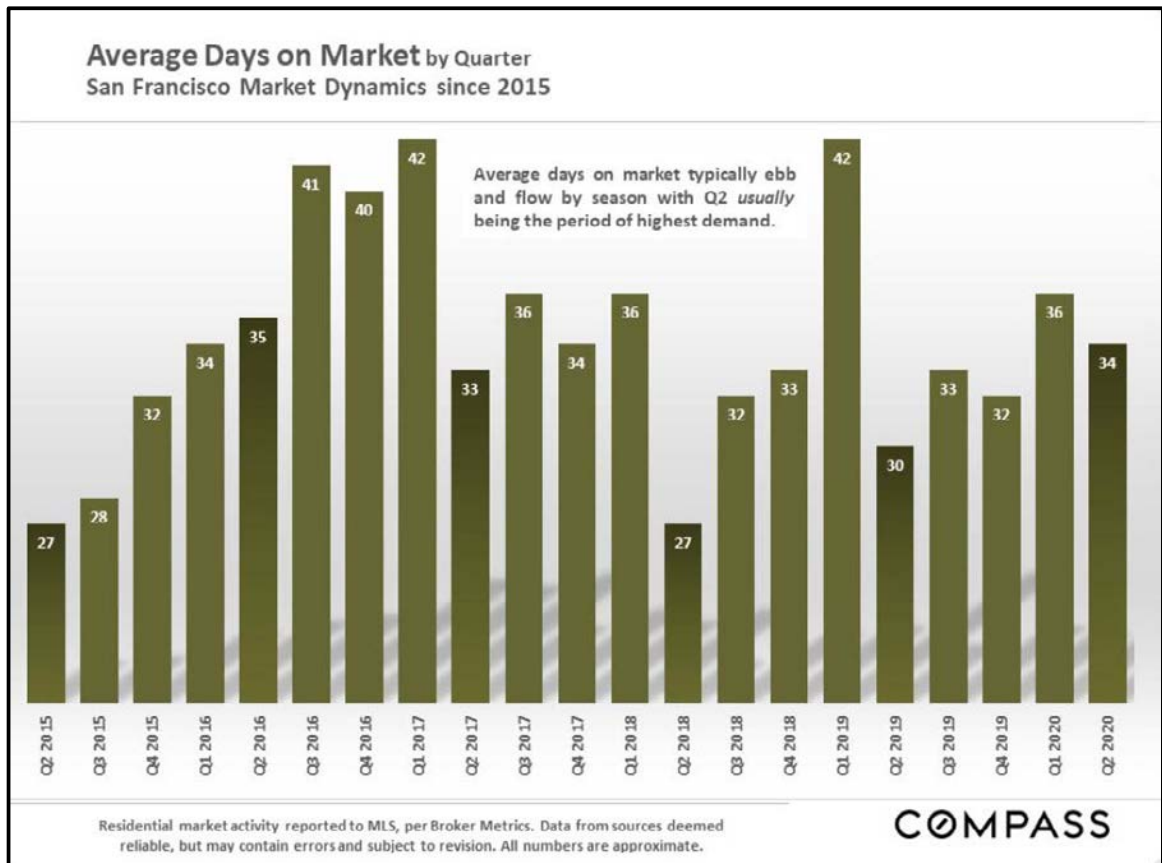
Though the percentage of condo listings accepting offers is lower than houses, it remains the percentage has trended upward following April. The following table demonstrates home appreciation over the past few decades.





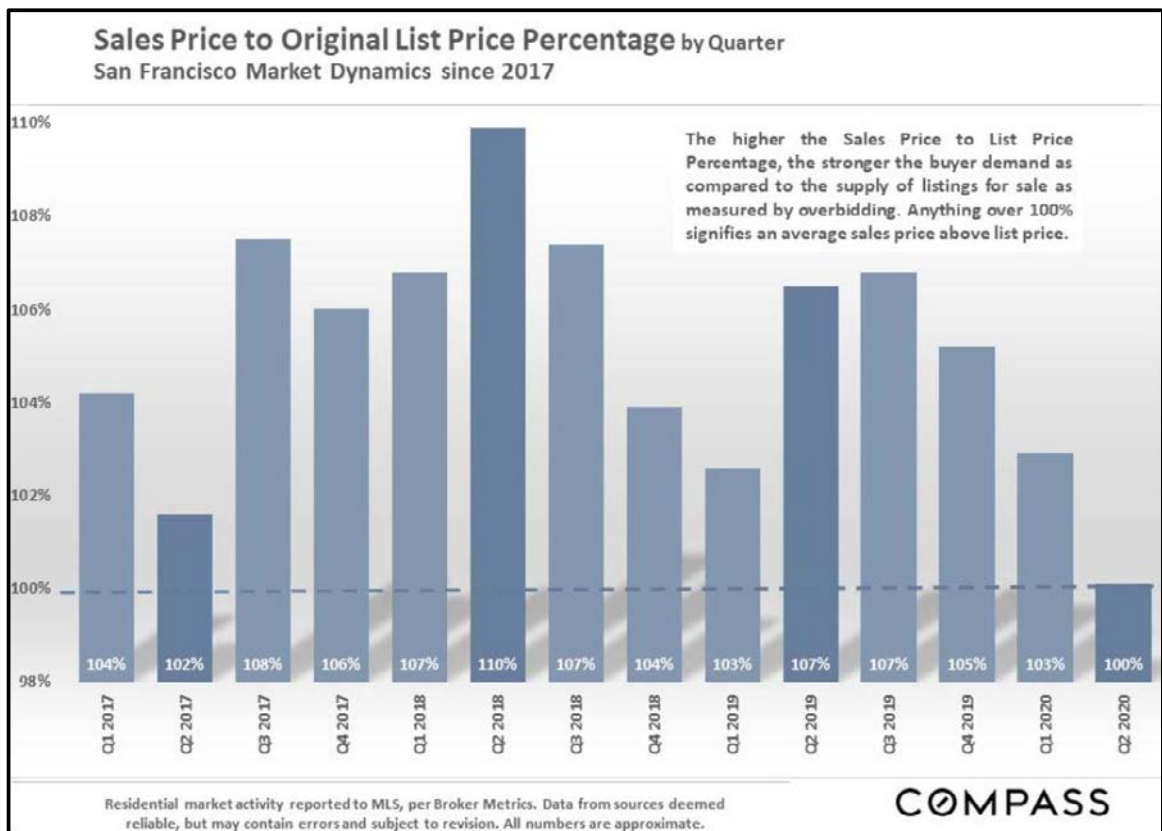
The 2020 data is preliminary, as it runs through June. Median house prices have exceeded 2019 highs, while median condo prices are slightly lower than 2019 numbers, but higher than 2018.

The following table depicts average days on market by quarter.



Despite the lower sales volume in the second quarter of 2020, the average days on market is only four days higher (34 days) than the average of the second quarter of 2019 (30 days).

Finally, the following table demonstrates trends in sale prices as a percentage of listing prices.



Though average sale prices in relation to list prices have dropped, it remains the average sale price is at 100% of listing price in the second quarter of 2020.

### Conclusion of Absorption Projection

After reduced sales activity in March and April, San Francisco sales activity rebounded in May, June, and July. Based upon conversations with sales agents and the previous Compass data, it appears sale prices have been impacted downward between 0% to 5%, and average days on market are approximately 4 days longer than the second quarter of 2019.

The subject benefits from several attributes, which are expected to make the product attractive to homebuyers in the current environment. First, the townhomes and flats offer floor plans toward the larger end of the market, and additional living space is currently appealing to many buyers due to the increased prevalence of working from home. In addition, commuting time becomes less of a concern to those primarily working from home; though, the subject is well positioned between San Francisco and Oakland employment centers. In addition, the subject is located on Yerba Buena Island, which may be attractive to some buyers preferring to live outside the urban core due to heightened by the pandemic; many of San Francisco's amenities remain closed for the foreseeable future. Finally, the subject reflects new construction, which is currently preferred to previously occupied housing by some buyers.

Given the characteristics of the subject, and the rebounding of the local market after the shelter-in-place orders, it is our opinion the following absorption conclusions remain reasonable for the subject product moving forward. Reduced absorption in March and April appears to have been temporary, and we have seen multiple newly constructed townhome projects throughout the Bay Area return to pre-COVID-19 sale levels in recent months. In addition, many of the subject homes will not be offered for sale until 2021.

#### Absorption Projection - Parcels 1Y, 3Y, & 4Y

	Units/Month	Units/Quarter
The Bristol	4.7	14
Townhomes/Flats	1.7	5

#### Ability to Pay

In this section, we will examine the ability to pay among prospective buyers for a representative price point among the developer's various product types. As previously discussed, the average unit size for The Bristol's market rate units is 1,175 square feet; we have estimated a corresponding sale price at \$1,700,000.

First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 4.50%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis as well as homeowner's insurance. The following table shows the estimate of the annual household income that would be required to afford homes priced at the representative price point.

#### Income Required

Home Price	\$1,700,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$1,360,000
Interest Rate	4.50%
Mortgage Payment	\$6,891
Ad Valorem Taxes	\$1,672
Bond Payments	
CFD No. 1	\$650
Property Insurance	\$354
Total Monthly Obligation	\$9,567
Mortgage Payment % of Income	40%
Monthly Income	\$23,918
Annual Income	\$287,012

We also conduct the same analysis for the subject's townhomes and flats. We have estimated a representative price point of \$4,250,000 for these units, which are between 2,800 and 2,900 square feet.

**Income Required**

Home Price	\$4,250,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$3,400,000
Interest Rate	4.50%
Mortgage Payment	\$17,227
Ad Valorem Taxes	\$4,180
Bond Payments	
CFD No. 1	\$1,507
Property Insurance	\$885
Total Monthly Obligation	\$23,799
Mortgage Payment % of Income	40%
Monthly Income	\$59,497
Annual Income	\$713,970

We have obtained income data from Esri Business Analyst Online (Esri), formerly STDB Online, for a 20-mile radius surrounding the subject property, which is considered representative of typical buyers for the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket.

**Household Ability**

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	88,202	7.1%	0.0%	0	0.0%
\$15,000 - \$24,999	71,546	5.8%	0.0%	0	0.0%
\$25,000 - \$34,999	65,009	5.3%	0.0%	0	0.0%
\$35,000 - \$49,999	93,265	7.5%	0.0%	0	0.0%
\$50,000 - \$74,999	140,080	11.3%	0.0%	0	0.0%
\$75,000 - \$99,999	126,779	10.2%	0.0%	0	0.0%
\$100,000 - \$124,999	113,734	9.2%	0.0%	0	0.0%
\$125,000 - \$149,999	98,973	8.0%	0.0%	0	0.0%
\$150,000 - \$199,999	136,786	11.1%	0.0%	0	0.0%
\$200,000 - \$249,999	86,567	7.0%	0.0%	0	0.0%
\$250,000 - \$499,999	112,173	9.1%	85.2%	95,571	7.7%
\$500,000	<u>104,359</u>	<u>8.4%</u>	100.0%	<u>104,359</u>	<u>8.4%</u>
	1,237,473	100.0%		199,930	16.2%

<b>Household Ability</b>					
<b>Household Income</b>	<b>Households</b>	<b>Percent of Households</b>	<b>Percent Able to Pay</b>	<b>Households</b>	<b>Households Able to Pay</b>
< \$15,000	88,202	7.1%	0.0%	0	0.0%
\$15,000 - \$24,999	71,546	5.8%	0.0%	0	0.0%
\$25,000 - \$34,999	65,009	5.3%	0.0%	0	0.0%
\$35,000 - \$49,999	93,265	7.5%	0.0%	0	0.0%
\$50,000 - \$74,999	140,080	11.3%	0.0%	0	0.0%
\$75,000 - \$99,999	126,779	10.2%	0.0%	0	0.0%
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\$200,000 - \$249,999	86,567	7.0%	0.0%	0	0.0%
\$250,000 - \$499,999	112,173	9.1%	0.0%	0	0.0%
\$500,000	<u>104,359</u>	<u>8.4%</u>	80.0%	<u>83,487</u>	<u>6.7%</u>
	1,237,473	100.0%		83,487	6.7%

## Conclusions

Demand for homes in the subject's market area is considered to be strong at the current time as indicated by the overall trend of building permit activity, new home sales prices, and activity in recent quarters as well as the absorption rate within new home projects in the subject's area. In addition, home sales have rebounded in San Francisco and the Bay Area after two months of sluggish sales activity due to the COVID-19 pandemic and Shelter-in-Place orders.

While there are no existing comparables on Yerba Buena Island, there is demand in established, residential neighborhoods in San Francisco for upscale condominiums and townhomes from buyers who do not wish to reside in busier areas closer to the central business district. Yerba Buena Island's seclusion, sweeping Bay views, and convenient interstate access to San Francisco and Oakland is expected to be appealing to buyers. However, some of these attributes may be tempered by the fact that some San Francisco buyers prefer to live on the San Francisco Peninsula, within the broader city limits of San Francisco.

## Property Analysis

### Land Description and Analysis

#### Location

The subject property is comprised of three parcels located on Yerba Buena Island. A map of the parcels follows this section.

#### Land Area

The following table summarizes the subject's land area.

Land Area Summary				
Tax ID	Developable		SF	Acres
	Parcel	Ownership Entity		
8948-001	1Y	Treasure Island Series I, LLC	282,758	6.49
8952-001	3Y	YBI Phase 2 Investors, LLC	61,345	1.41
8954-002	4Y	YBI Phase 1 Investors, LLC	231,763	5.32
Total			575,866	13.22
Source: Public Records				

#### Shape and Dimensions

The subject parcels are irregular in shape, given the topography of the island. However, site utility based on shape and dimensions remains average.

#### Topography

The subject sites are generally steep. The developer's proposal utilizes the landscape to maximize views of the Bay and San Francisco skyline when possible. The topography does not result in any particular development limitations, though it obviously influences the development of the subject.

#### Off-site Improvements

At the time of inspection, backbone infrastructure and some on-site work of Parcel 4Y was underway. In addition to roads and street improvements, infrastructure includes development associated with Hilltop Park, pedestrian trails, Treasure Island Causeway improvements, and utility infrastructure and upgrades. Yerba Buena Island will also be receiving three 1.4-million-gallon water tanks.

According to the development budget provided by the master developer, total infrastructure costs associated with development of Improvement Area No. 1 is \$164,456,630. Further, according to the master developer, \$33,542,306 of the total infrastructure costs are allocated to properties on Treasure Island, outside the boundaries of the CFD. Thus, the total infrastructure costs directly attributable to YBI is \$130,914,324 (\$164,456,630 - \$33,542,306), the difference representing such infrastructure costs proportionately obligated by future development of Treasure Island. Further, it is



noted, the YBI costs (\$130,914,324) are attributable to Parcels, 1Y, 2Y, 3Y, and 4Y of Improvement Area No. 1; whereas, Parcel 2Y, as previously noted, is not a part of this Appraisal. As such, the proportionate share of infrastructure costs for YBI attributable to the subject property (Parcels 1Y, 3Y, and 4Y) will be considered in the valuation analysis herein, along with consideration for the costs incurred to date. According to the development budget provided by the master developer, the master developer has incurred \$74,386,412 in development costs overall; thus, remaining development costs total \$90,070,218 (\$164,456,630 - \$74,386,412), of which \$66,319,796 is associated with YBI.

The following table provides an allocation of backbone infrastructure costs for YBI. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership.

<b>Pro Rata Share of Infrastructure</b>					
<b>Designation</b>	<b>Total Costs</b>	<b>Costs Incurred to Date</b>	<b>Remaining Costs to Complete</b>		
<b>Total Infrastructure Costs:</b>	<b>\$164,456,630</b>	<b>\$74,386,412</b>	<b>\$90,070,218</b>		
Non-CFD Property Allocation:	<u>\$33,542,306</u>	<u>\$9,791,884</u>	<u>\$23,750,422</u>		
<b>CFD Property (Allocation)</b>	<b>\$130,914,324</b>	<b>\$64,594,528</b>	<b>\$66,319,796</b>		

<b>Parcel</b>	<b>Acreage</b>	<b>Pro Rata Share</b>	<b>YBI Cost Segregation</b>	<b>Costs Incurred to Date</b>	<b>Remaining Costs to Complete</b>
Parcel 1Y	6.49	41.9%	\$54,821,509	\$27,049,519	\$27,771,990
Parcel 2Y	2.28	14.7%	\$19,264,635	\$9,505,377	\$9,759,258
Parcel 3Y	1.41	9.1%	\$11,893,653	\$5,868,455	\$6,025,197
Parcel 4Y	5.32	34.3%	\$44,934,528	\$22,171,177	\$22,763,351
	<b>15.50</b>	<b>100.0%</b>	<b>\$130,914,324</b>	<b>\$64,594,528</b>	<b>\$66,319,796</b>

Remaining Costs Left to Spend - Parcel 2Y & Non-CFD land	\$33,509,680
<b>Remaining Costs Left to Spend - Parcels 1Y, 3Y, 4Y</b>	<b>\$56,560,538</b>

<b>Parcel</b>	<b>Revenue</b>	<b>Pro Rata Share</b>	<b>-</b>	<b>-</b>	<b>Remaining Costs to Spend</b>
3Y & 4Y	\$85,080,000	50.5%			\$28,553,792
1 Y	\$83,450,000	49.5%			\$28,006,746
	<b>\$168,530,000</b>	<b>100.0%</b>			<b>\$56,560,538</b>

### On-site Improvements

Development of Parcel 4Y has commenced, while development of Parcels 3Y and 1Y has not yet begun. To date, approximately \$26,200,000 has been spent on the construction of The Bristol.

### Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

### Flood Hazard Status

According to the Federal Emergency Management Agency, a study has not been completed to determine the flood hazard for the subject property. No FEMA flood hazard maps have been published for the City and County of San Francisco. Therefore, mandatory flood insurance purchase requirements do not apply to the subject property.

#### Flood Hazard Status

Community Panel Number	Not Mapped
Insurance Required?	No

The City and County of San Francisco also notes the existing elevation of Yerba Buena Island is above the 100-year flood plain and will remain so in the future given the projected sea level rise estimates.

### Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

### Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing improvements.

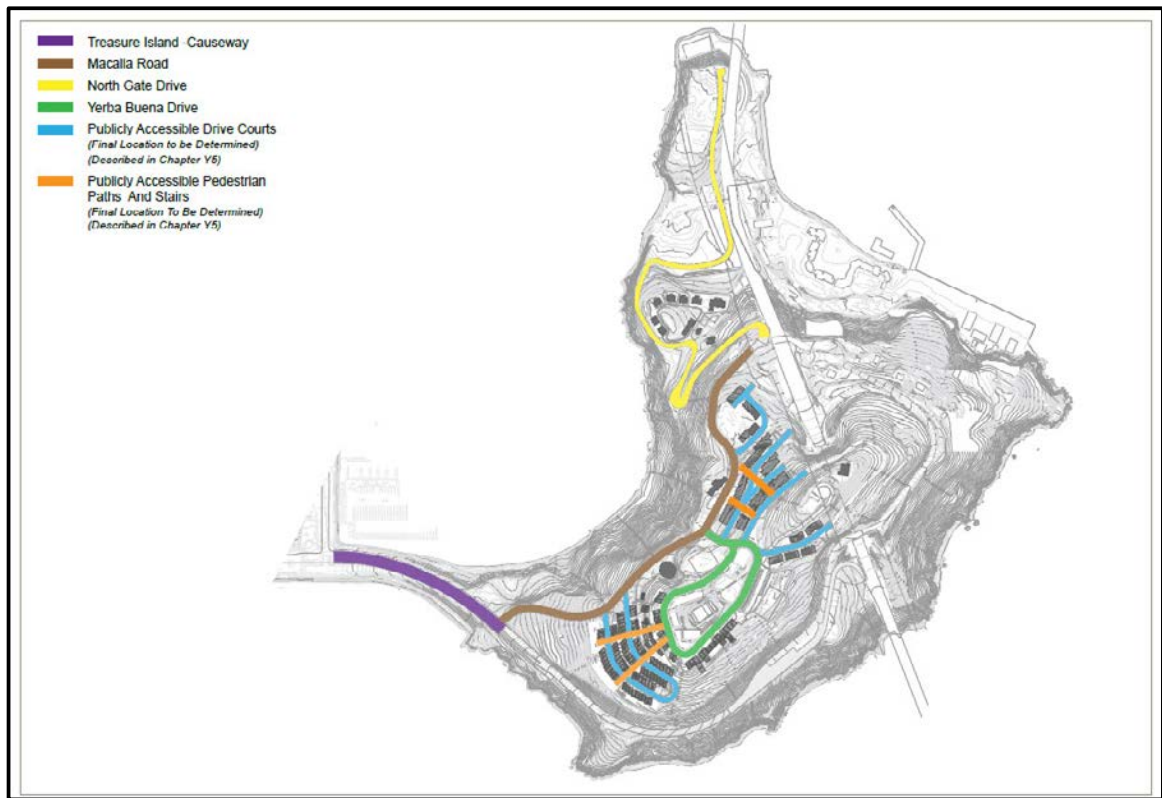
### Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

#### Streets, Access and Frontage (as proposed)

Street	Yerba Buena Rd
Paving	Asphalt
Curbs	Yes
Sidewalks	Yes
Lanes	1 way, 1 lane
Direction of Traffic	Loop around Hilltop Park
Traffic Levels	Low
Access/Curb Cuts	Yes
Visibility	Average

Yerba Buena Road is one of the primary proposed streets which will provide vehicular access between the subject parcels. A map of the existing and proposed roads for the island is provided on the following page.



## Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities	
Service	Provider
Water	San Francisco Public Utilities Commission
Sewer	San Francisco Public Utilities Commission
Electricity	San Francisco Public Utilities Commission
Natural Gas	Pacific Gas & Electric
Local Phone	Various Providers

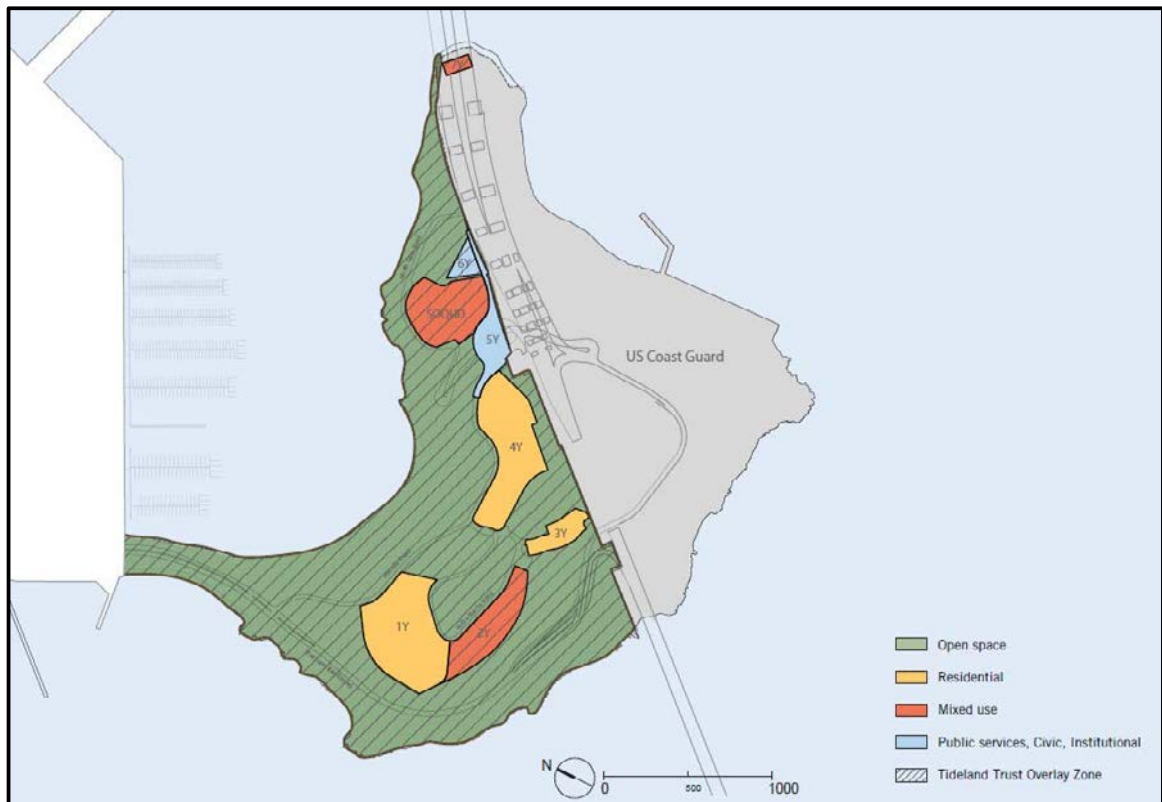
## Zoning

The subject is zoned YBI-R, Yerba Buena Island Residential, by City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

<b>Zoning Summary</b>		<b>1Y, 3Y, 4Y</b>
Zoning Jurisdiction		City and County of San Francisco
Zoning Designation		YBI-R
Description		Yerba Buena Island Residential
Legally Conforming?		Appears to be legally conforming
Zoning Change Likely?		No
Permitted Uses		Primarily residential with limited retail and office uses
<b>Category</b>		<b>Zoning Requirement</b>
Minimum Lot Area		NA
Minimum Setbacks (Feet)		10 (Yerba Buena Rd) to 20 ft (all other public streets)
Maximum Building Height		35 ft above grade; 10 ft step back required after
Maximum Density		NA
Maximum Floor Area Ratio		NA
Parking Requirement		No minimum requirement; maximum 1 space per dwelling
Source: City and County of San Francisco Planning and Zoning		

The subject parcels are fully entitled for 261 attached residences and five homesites. Further detail on the proposed improvements will be presented in upcoming sections. As Yerba Buena Island is encumbered with its own specific zoning regulations, and because the subject parcels are entitled, it appears the proposed use of the subject parcels are legally conforming uses.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. A zoning map is provided below. The subject parcels—4Y, 3Y, and 1Y—are shaded yellow.



### Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

### Seismic Hazards

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. (California Geological Survey, Official Map, Oakland West Quadrangle (2000)). However, the Working Group on California Earthquake Probabilities reported in 2015 that there is a 72% chance at least one 6.7 magnitude earthquake (or larger) will occur in the San Francisco Bay Area by 2045. It should be noted portions of Yerba Buena Island lie within a liquefaction zoning and/or a landslide zone. It appears that all or most of the subject’s proposed development does not lie within a liquefaction zone, though parts of Parcels 3Y and 1Y are within landslide zones.



Source: California Department of Conservation

The yellow shading indicates all or a portion of the area is within a liquefaction and landslide zone. The blue shading indicates all or a portion of the area is within a landslide zone, but not a liquefaction zone. The light blue/gray shading indicates the area is not impacted for a liquefaction or landslide zone.

### Inclusionary Housing

Fourteen of the subject's Bristol units will reflect inclusionary housing; the sale price of these units will be restricted. The buyer's housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of 120% of San Francisco's median household income. Maximum pricing based upon the San Francisco Mayor's Office of Housing and Community Development (MOHCO) requirements are shown on the following page.

ASSUMED HOUSEHOLD SIZE		1 Person	2 Person	3 Person	4 Person	5 Person
MEDIAN INCOME @	(120% OF MEDIAN	\$103,450	\$118,200	\$133,000	\$147,800	\$159,600
AVAIL FOR HOUSING @	33%	\$34,139	\$39,006	\$43,890	\$48,774	\$52,668
ANNUAL CONDO FEE		\$7,056	\$7,908	\$8,748	\$9,590	\$10,432
TAXES @	1.1630%	\$4,911	\$5,640	\$6,373	\$7,041	\$7,525
AVAILABLE FOR P+I		\$22,171	\$25,458	\$28,769	\$31,785	\$33,971
SUPPORTABLE MORT	10%	\$380,081	\$436,435	\$493,189	\$544,891	\$582,362
DOWN PAYMENT		\$42,231	\$48,493	\$54,799	\$60,543	\$64,707
AFFORDABLE PRICE		\$422,312	\$484,928	\$547,988	\$605,434	\$647,069
BEDROOM SIZE		STUDIO	ONE	TWO	THREE	FOUR

Notes:  
 1. Median income on this chart is from 2019 SF MOHCD Inclusionary Income Limits (AMI Chart).  
 2. Interest rate is based on FreddieMac 10 yr rolling average of annual average rates for 30 yr Fixed Rate  
 See URL: <http://www.freddiemac.com/pmms/pmms30.htm>  
 3. FY2019-2020 Annual Tax Rate is 1.163%, see: <http://sfdtreasurer.org/property-taxes>

It should be noted, the subject's below market units are not subject to the special tax associated with the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. The below market units are a developer obligation under the subject's entitlements.

### Easements, Encroachments and Restrictions

We have reviewed a preliminary title report prepared by First American Title Company dated October 11, 2019. The report identifies exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

### Permits and Fees

Permits and fees for The Bristol are approximately \$23,700 per unit, while permits and fees for the flats and townhomes are approximately \$74,900 per unit.

### Timeline

Backbone infrastructure work has commenced and site work has also begun on Parcel 4Y. The Bristol condominiums will be completed first, likely in late 2021. The development of townhomes and flats on Parcels 3Y and 4Y are projected to commence in late 2020 or early 2021, followed by the development of Parcel 1Y.

According to the master developer, total infrastructure costs associated with Yerba Buena Island (YBI) are approximately \$130,914,324. This includes infrastructure needs associated with YBI alone, such as Hilltop Park, pedestrian trails, and street improvements, as well as a pro rata share of overall Treasure Island infrastructure costs necessary for the development of YBI. Examples of these costs include the Treasure Island causeway, which provides access between YBI and Treasure Island, and utility infrastructure. The majority of backbone infrastructure costs are expected to be incurred in 2020, with the remaining infrastructure completed in 2021.

### Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning and those for which the subject is entitled. We are not aware of any other particular restrictions on development.



10781 MAPS ABOVE ARE REFERRED TO ON RECORDS OF SURVEY AA RS 80-85.

THE MEAN HIGH WATER LINE IS THE BOUNDARY BETWEEN PARCELS M13 AND M13.1 AS DESCRIBED IN THE NAVY OUTSLAM DECED DEC. 2015-K068758-50 AND DEC. 2015-K068758-05.

MEAN HIGH WATER LINE  
ELEVATION = 105.6

THUNDER BAY ROAD

MEANDER LINE  
RECORD OF SURVEY #8630

LOT SPTLAR1

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LOT 2 (T1.2)

LOT 3 (T1.3)

LOT 4 (T1.4)

LOT 5 (T1.5)

LOT 6 (T1.6)

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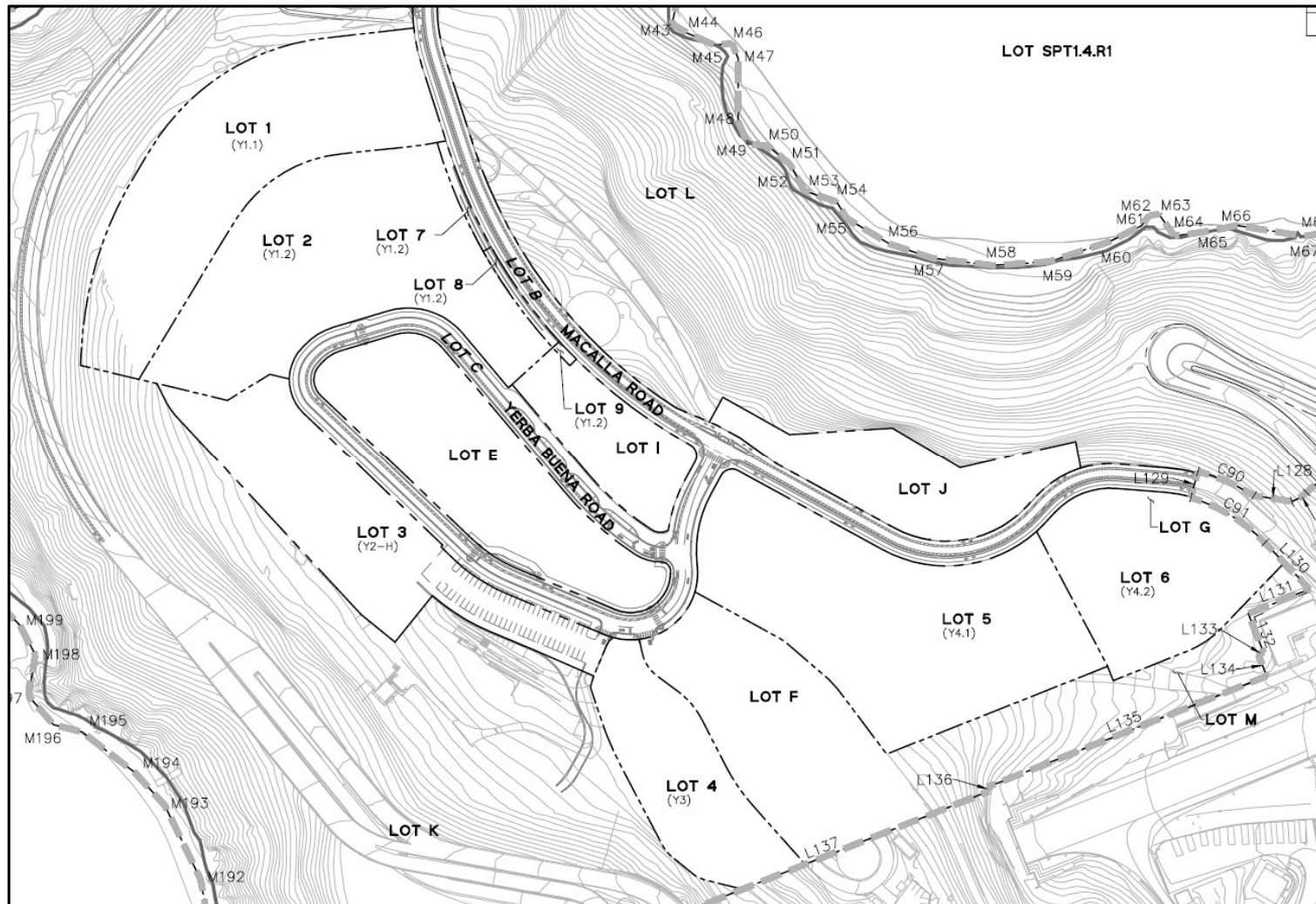
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LOT 222 (T1.2

### Tentative Map – Close Up



Lots 5 and 6 are associated with Parcel 4Y, Lot 4 with 3Y, and Lots 1 and 2 with 1Y.

## Assessor Aerials



Parcel 4Y



Parcel 3Y



Parcel 1Y

## Proposed Improvements Description

### Overview

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP.

A summary of the proposed improvements by parcel is provided below.

Summary of Land Uses by Parcel						
Parcel	Acreage	SF of Land			Below	Stories
		Units	Area	Use	Market Units	
1Y	6.49	32	--	Townhomes	--	3 to 4
		41	--	Flats	--	3 to 4
		5	--	SFR Homesites	--	NA
3Y	1.41	11	--	Townhomes	--	3
4Y	5.32	39	--	Townhomes	--	3 to 4
		14	--	Flats	--	4
		124	144,812	The Bristol (flats)	14	5
Totals						
		82		Townhomes		
		179		Flats		
		5		SFR Homesites		
		266		Total Residential Units		

The only below market units associated with the subject will be located in The Bristol, the five-story, 124-unit condominium improvements. The remaining townhomes and flats will be market rate.

The subject's 14 below market units are not subject to the special tax associated with the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. The below market units are a developer obligation under the subject's entitlements.



<b>Summary of Residential Units</b>			
<b>Floor Plan</b>	<b>Bedrooms</b>	<b>Number of Units</b>	<b>Average SF</b>
<i>The Bristol (Flats) - 124 Units (110 Market Rate) - Parcel 4Y</i>			
Plan A	0	14	650
Plan B	1	53	900
Plan C	2	46	1,350
Plan D	3	11	2,100
<b>Average SF - All Units</b>			<b>1,168</b>
<b>Average SF - Market Rate Units</b>			<b>1,175</b>
<i>Townhomes/Flats - Parcels 3Y and 4Y</i>			
Plan A	3+	8	3,700
Plan B	3	8	3,000
Plan C	2 to 3	21	2,300
Plan D	4	11	3,450
Plan E	2 to 4	14	2,750
Plan F	1	2	1,200
<b>Average SF - All Units</b>			<b>2,850</b>
<i>Townhomes/Flats - Parcel 1Y</i>			
Plan A	3	16	3,500
Plan B	4+	16	2,900
Plan C	2 to 4	41	2,650
<b>Average SF - All Units</b>			<b>2,890</b>
<i>*The subject will also include 5 residential lots, or homesites, which are excluded from the above table</i>			

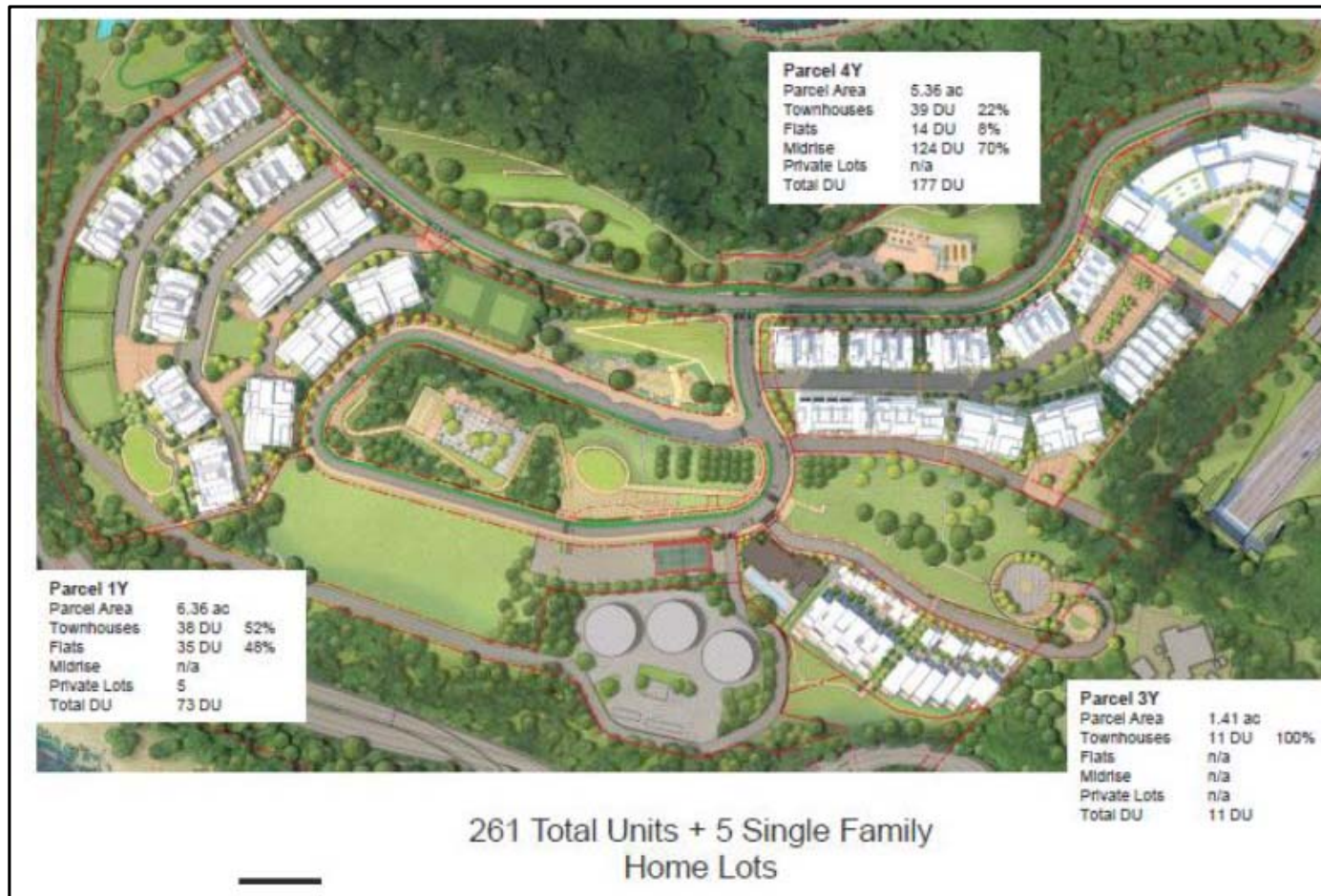
The Bristol's Plan A reflects a studio layout.

As discussed, the subject parcels will be situated around a public park, known as Hilltop, and the island will include multiple pedestrian trails. In addition, the developer is planning to construct a community amenity center adjacent to Parcel 3Y. Although the community center is not part of the property valued in this appraisal, it influences the proposed pricing for the subject residences.

A complete interior finish profile was not provided and is assumed to be of a typical quality for new upscale condominiums and townhomes in San Francisco, area, which are generally very good to excellent quality.

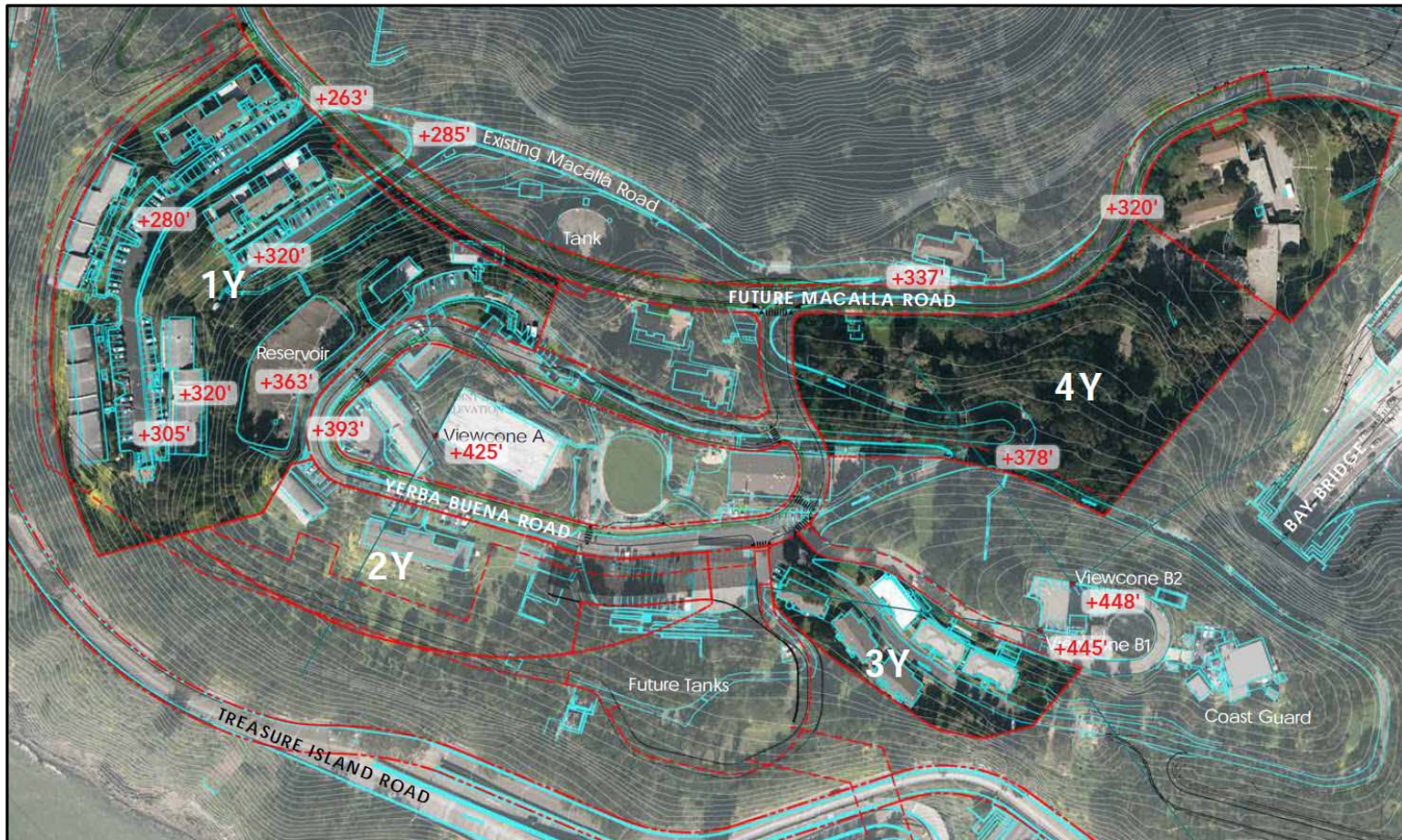
It is noted the subject property will have a Homeowner's Association (HOA) that will include bus and ferry services, a security patrol, and maintenance of Hilltop Park. Based upon the range of HOA fees found among comparable properties, we estimate a monthly HOA fee of \$1,500 per unit.

For the reader's reference, the renderings of the subject property are provided on the following pages.

**Site Plan**

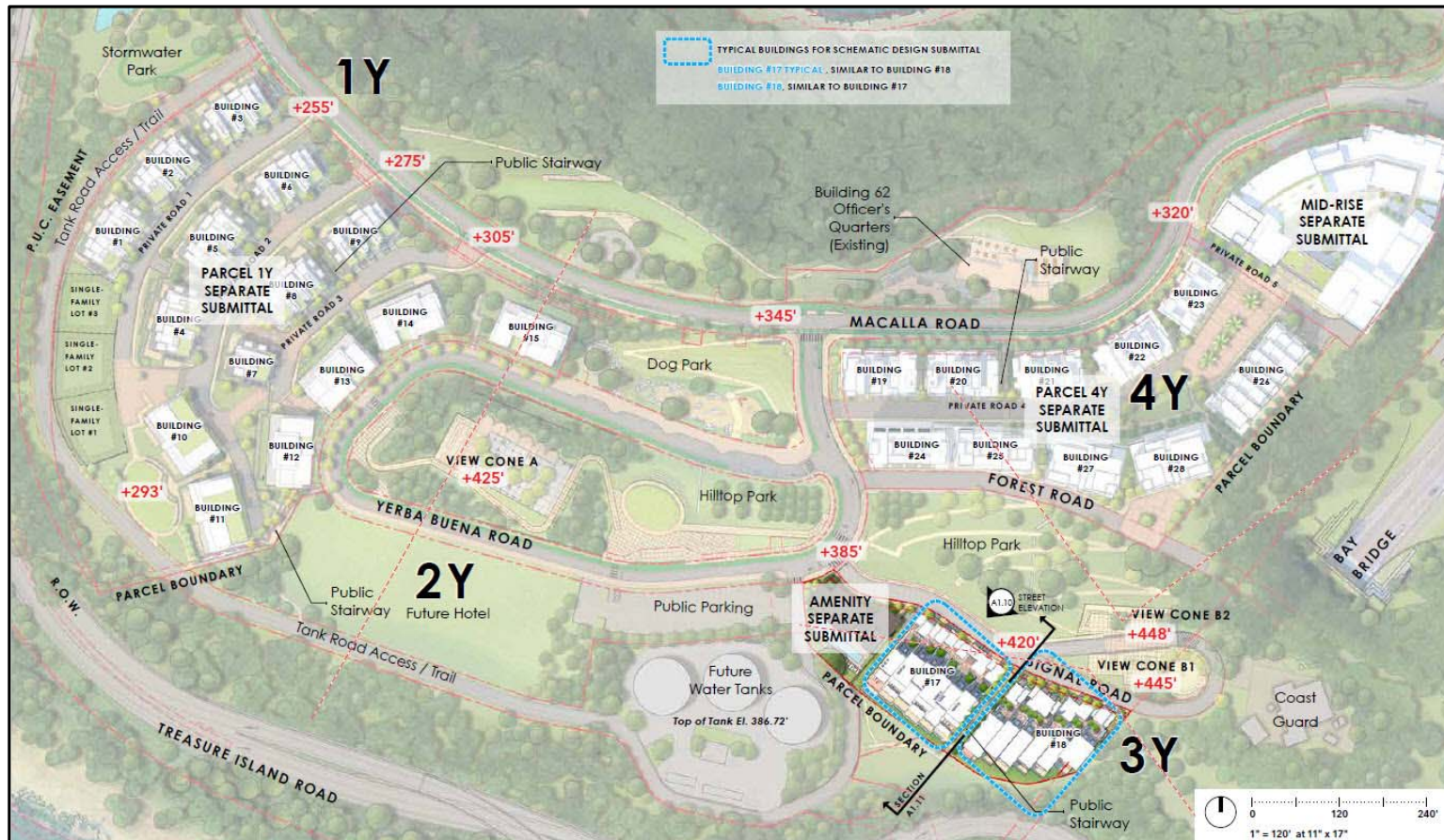


## Site Plan





## Site Plan



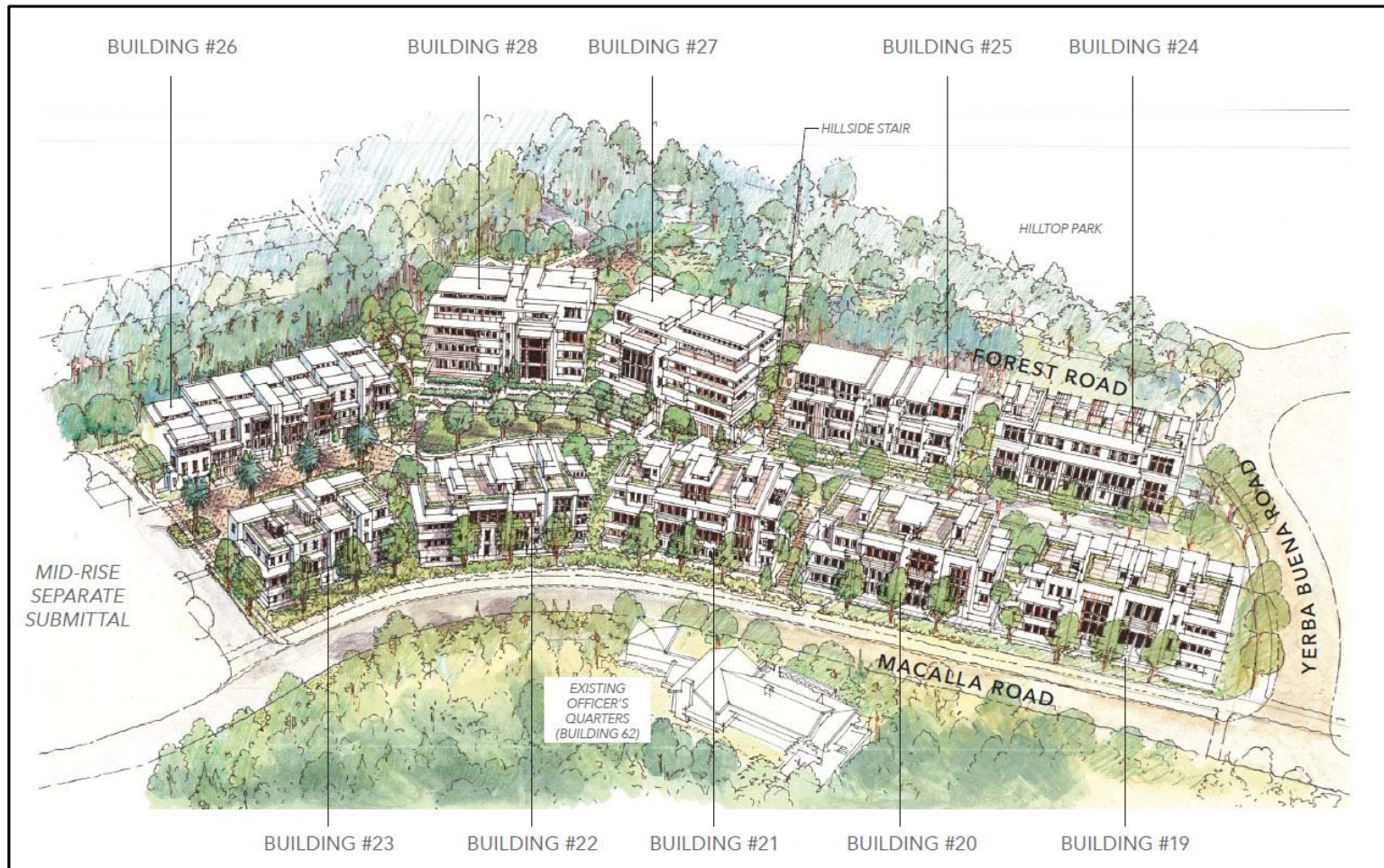
The Bristol is the improvement labeled “mid-rise.”



The site plan for Hilltop Park shows a cluster of buildings (#19-#28) and an existing building (#52). Key features include:

- Buildings:** BUILDING #19, #20, #21, #22, #23, #24, #25, #26, #27, #28. Existing Building #52 (Officer's Quarters).
- Roads:** Proposed Macalla Road, Proposed Private Road 4, Proposed Forest Road, Proposed Macalla Road, Proposed Private Road 4, Proposed Forest Road, Proposed Macalla Road.
- Elevations:** +345, +320, +358, +350, +351, +373, +390, +385.
- Setbacks:** 20' Setback.
- Other Labels:** Hilltop Park, Parcel Boundary, Proposed Private Roads, Mid-Rise Separate Submittal.
- Legend:** (H) Serial Parking Spaces, (I) ADA Parking Spaces.



**Flats and Townhomes – Parcel 4Y**



**Townhomes – Parcel 3Y**



## Townhomes – Parcel 3Y





View of Bay Bridge and San Francisco Skyline



Yerba Buena Island



Yerba Buena Island



View of Treasure Island and Connector Road



Yerba Buena Island



The Bristol Construction



The Bristol Construction



Yerba Buena Island



Causeway



## Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted as subdivision and development continues. According to the San Francisco County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.1801%. This tax rate does not include the CFD tax, which is discussed below.

As previously discussed, the subject property is situated within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, with a Special Tax lien for Facilities and a Special Tax lien for Services. According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property is presented in the following table (proposed for the Fiscal Year 2020-21):

**Table 7**  
**Improvement Area No. 1 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**

**Expected Land Uses and Expected Maximum Special Tax Revenues /1**

Project Name and Expected Land Uses	Planned Development	Sub-Block	Expected Number of Residential Units	Expected Square Footage	FY 2020-21 Base Facilities Special Tax Rate	FY 2020-21 Expected Maximum Special Tax Revenues
<b>The Bristol</b>						
Low-Rise Market Rate Units	Podium Unit	4Y	110	128,157	\$6.64	\$850,361
Low-Rise Inclusionary Units	Podium Unit	4Y	14	15,440	\$0.00	\$0
<b>The Residences</b>						
Yerba Buena Townhome Units	Townhome/Flats	4Y	39	100,000	\$6.30	\$629,976
Low-Rise Units	Stacked Flats	4Y	14	36,000	\$6.64	\$238,871
<i>Subtotal - Sub-Block 4Y</i>			177	279,597		\$1,719,208
Yerba Buena Townhome Units	Three Story Townhomes	1Y	32	91,983	\$6.30	\$579,470
Yerba Buena Townhome Units	Single Family Homes /2	1Y	5	TBD	\$6.30	\$0
Low-Rise Units	Stacked Flats	1Y	41	97,907	\$6.64	\$649,643
<i>Subtotal - Sub-Block 1Y</i>			78	189,890		\$1,229,114
Yerba Buena Townhome Units	Three Story Townhomes	3Y	11	36,000	\$6.30	\$226,791
<i>Subtotal - Sub-Block 3Y</i>			11	36,000		\$226,791
<b>Hotel</b>						
Hotel Project /3	Hotel	2Y	N/A	50,000	\$0.00	\$0
<i>Subtotal - Sub-Block 2Y</i>			N/A	50,000		\$0
<b>TOTAL</b>			<b>266</b>	<b>555,487</b>		<b>\$3,175,113</b>

/1 Based on the expected land uses at buildout as of January 23, 2020, per the Developer.

/2 The five planned single family detached homes are expected during the last phases of construction of Improvement Area No. 1; no special tax capacity is currently estimated since planned square footage isn't known at this time.

/3 Parcel 2Y is a public trust property owned by TIDA, and is exempt from special taxes until it is subject to an LDDA with a term of twenty years or it is developed within a Hotel Project. Therefore, Parcel 2Y is not Expected Taxable Property and no Expected Maximum Special Tax Revenues can be expected from the parcel unless and until TIDA enters an LDDA with a vertical developer or Parcel 2Y is developed with a Hotel Project.

Sources: Developer; Goodwin Consulting Group, Inc.

The subject's inclusionary units are not subject to the special tax.

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Legally Permissible

The site is zoned YBI-R, Yerba Buena Island Residential. Permitted uses include primarily residential with limited retail and office uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property has an approved tentative map for 261 for-sale, attached, residential units and five homesites. The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only residential use is given further consideration in determining highest and best use of the sites, as though vacant.

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development, though subject's steep topography must be considered. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses, including residential use.

#### Financially Feasible

Based on our analysis of the market, there is currently adequate demand for attached, for-sale residential use in the subject's area. Based on the analyses herein, coupled with an analysis of the market, it appears the proposed development commensurate with the entitlements associated with Yerba Buena Island is financially feasible. The COVID-19 pandemic temporarily slowed sales activity in the local market; though, it appears sale prices have been temporarily impacted and the luxury housing market has rebounded in recent months.

#### Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than such land uses permitted by the entitlements for Yerba Buena Island. Accordingly, it is our opinion that for-sale residential development commensurate with the development agreement for Yerba Buena Island is the maximally productive use of the property and, thus, the highest and best use as vacant.

**Conclusion**

Development of the site for the proposed residential use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

**As Improved (Proposed)**

As of the effective appraisal date, backbone infrastructure and site work has commenced at the subject property. The planned infrastructure improvements are necessary for development. The existing improvements have been constructed according to the subject entitlements and are consistent with the highest and best use of the subject property as if vacant.

**Most Probable Buyer**

Taking into account the size and characteristics of the property, the probable buyer of the subject property is a land developer and/or builder familiar with the region.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis**, and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

## Market Valuation – Representative Floor Plans

As previously discussed in the *Valuation Methodology* section, in order to estimate the market value of the developable, taxable land within the boundaries of City and County of San Francisco CFD No. 2016-1 (Treasure Island) Improvement Area No. 1, a land residual analysis will be performed, which considers the anticipated, or projected, sale price of the residential units to be constructed on Parcels/Blocks 1Y, 3Y and 4Y. To estimate the anticipated, or projected, sale price for the varying unit types (flats and townhomes) within the development, an analysis of comparable, or similar, residential developments within the subject's market area will be considered in this section using the sales comparison approach to value. The objective of the analysis is to estimate the base price for representative floor plans comprising each of the subject parcels/blocks.

This approach is based on the economic principle of substitution. According to The Appraisal of Real Estate, 14<sup>th</sup> Edition (Chicago: Appraisal Institute, 2013), *"The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time."* The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. The objective of the analyses is to estimate the base value of each floor plan, net of incentives, upgrades and lot premiums. As discussed, the subject project will offer three different residential layouts. A summary of residential use by parcel is recreated below.

### Summary of Residential Units

Floor Plan	Bedrooms	Number of Units	Average SF
<i>The Bristol (Flats) - 124 Units (110 Market Rate) - Parcel 4Y</i>			
Plan A	0	14	650
Plan B	1	53	900
Plan C	2	46	1,350
Plan D	3	11	2,100
<b>Average SF - All Units</b>			<b>1,168</b>
<b>Average SF - Market Rate Units</b>			<b>1,175</b>
<i>Townhomes/Flats - Parcels 3Y and 4Y</i>			
Plan A	3+	8	3,700
Plan B	3	8	3,000
Plan C	2 to 3	21	2,300
Plan D	4	11	3,450
Plan E	2 to 4	14	2,750
Plan F	1	2	1,200
<b>Average SF - All Units</b>			<b>2,850</b>
<i>Townhomes/Flats - Parcel 1Y</i>			
Plan A	3	16	3,500
Plan B	4+	16	2,900
Plan C	2 to 4	41	2,650
<b>Average SF - All Units</b>			<b>2,890</b>

*\*The subject will also include 5 residential lots, or homesites, which are excluded from the above table*



The subject property will include a mix of for-sale flats and townhomes. The unit sizes reported above, including the average square footage, are courtesy of the developer. Please note, in some cases the average square footage varies slightly from the implied weighted average based upon the reported unit mix. For the purposes of this analysis, the reported average square footages are considered representative of the typical proposed units.

The Bristol, which will be located on Parcel 4Y, will include a 110 market rate flats and 14 below market rate units. For this portion of the analysis, only the market rate units will be considered. Because The Bristol reflects a different product type than the rest of the subject's residential units, a separate sales analysis will be provided based upon the average size of the market rate units, 1,175 square feet.

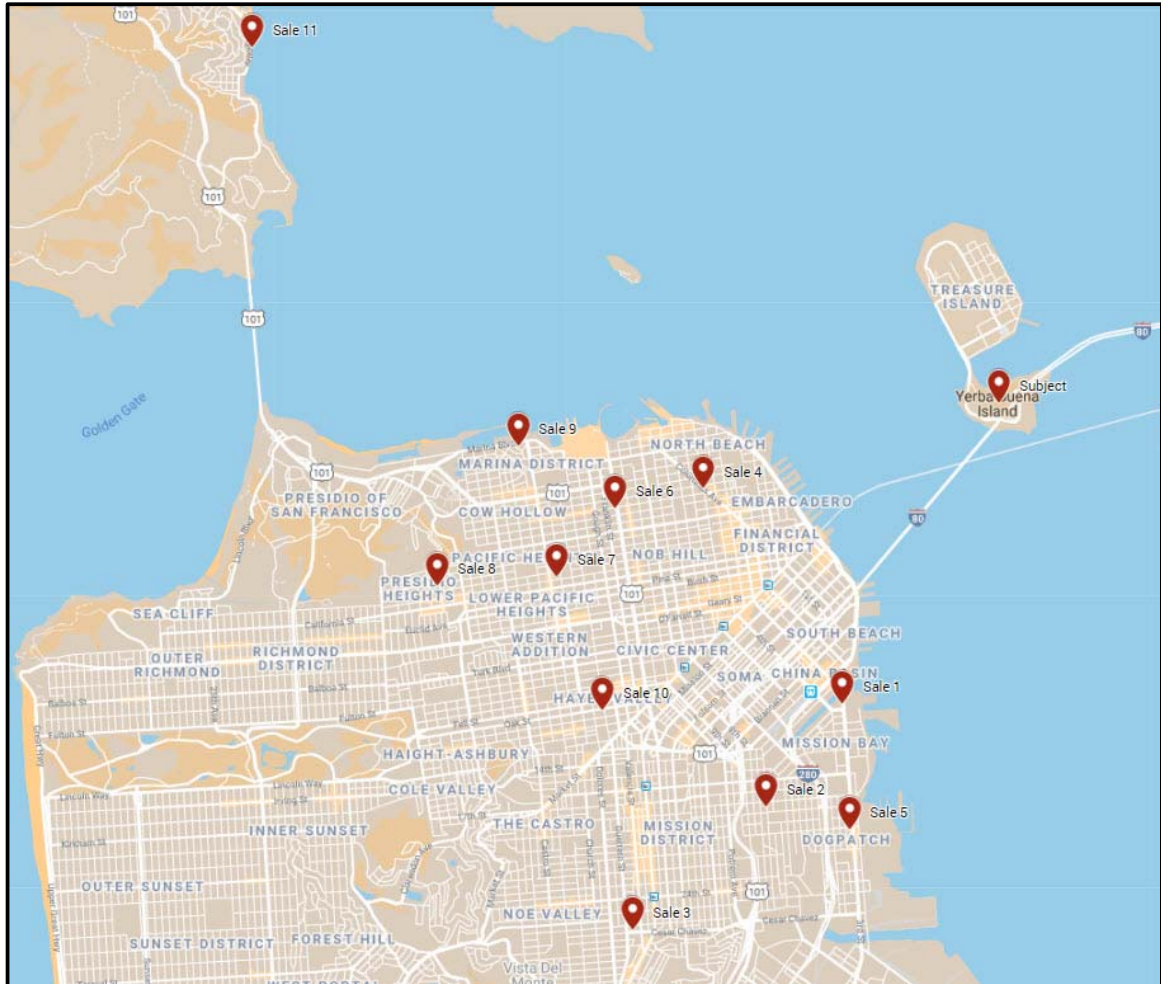
The remaining residential units reflect a mix of larger flats and townhomes located on Parcels 4Y, 3Y, and 1Y. Parcels 4Y and 1Y will offer both flats and townhomes, while 3Y will offer only townhomes. As indicated in the previous table, the average unit size on Parcel 1Y exceeds the average unit size associated with Parcels 3Y and 4Y by approximately 40 square feet. It should be noted, while the developer's proposed pricing varies by parcel, we were not provided a pricing breakdown differentiating between flats and townhomes. Therefore, the upcoming analysis will consider a representative residential unit of **2,870 square feet**, regardless of layout. The indicated value of the base unit will be utilized in determining the aggregate retail value by parcel, with parcel-specific locational and view premiums considered at the end of the analysis.

Presented below are comparable new home sales considered the best indicators of market value for the subject's residential units. While an effort was made to utilize only sales of newly constructed homes, we found a limited number of comparable townhomes/flats with unit sizes similar to the subject's larger square footage. Therefore, we expanded our search to include larger townhomes/flats constructed with effective ages of 15 years or less. Some of the comparables reflect turn-of-the-century construction with renovations.

In addition, our sales search primarily focused on comparables located in lower density neighborhoods characterized by residential use. With the exception of Comparables 1 and 5, which reflect new or recent construction in Mission Bay or Dogpatch, we avoided neighborhoods with higher-density characteristics. We also restricted our search for flats to those located in improvements with ten to fifteen stories or less. The majority of sale comparables are located in San Francisco, with one comparable located in Sausalito.

Sales Summary								
No.	Location	Neighborhood	Date	Sale Price	Listing Price	Living Area (SF)	Bedroom/Bath	Covered Parking
1	One Mission Bay 1000 3rd St #821	Mission Bay	7/14/2020	\$1,639,000	\$1,560,000	1,173	2 bdrm, 2 bath	1-car
2	540 De Haro St 540 De Haro St #403	Potrero Hill	7/14/2020	\$1,650,000	\$1,650,000	1,180	2 bdrm, 2 bath	1-car
3	The Thirty Six 3620 Cesar Chavez #304	Inner Mission	In-Contract	\$1,169,000	\$1,169,000	1,038	2 bdrm, 2 bath	1-car
4	1731 Powell St 1731 Powell St #205	North Beach	3/17/2020	\$1,680,000	\$1,750,000	1,262	2 bdrm, 2 bath	1-car
5	901 Tennessee 901 Tennessee #211	Dogpatch	1/15/2020	\$1,579,000	\$1,579,000	1,228	3 bdrm, 2 bath	1-car
6	1515 Union St 1515 Union St #PH2	Cow Hollow	7/10/2020	\$6,075,000	\$6,075,000	2,015	3 bdrm, 2.5 bath	1-car
7	The Pacific 2121 Webster St #401	Pacific Heights	In-Contract	\$4,998,000	\$4,998,000	2,112	3 bdrm, 2.5 bath	2-car
8	3539 Washington St	Presidio Heights	7/8/2020	\$3,175,000	\$3,495,000	2,761	4 bdrm, 2.5 bath	2-car
9	56 Casa Way	Marina	3/3/2020	\$3,300,000	\$3,275,000	2,537	3 bdrm, 3 bath	2-car
10	423 Oak St	Hayes Valley	2/28/2020	\$3,200,000	\$2,995,000	3,045	3 bdrm, 3 bath	1-car
11	525 Bridgeway	Sausalito	5/22/2020	\$4,500,000	\$4,995,000	2,449	4 bdrm, 3.5 bath	2-car

## Comparable Sale Map



### Discussion of Adjustments

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers whether adjustments are necessary pertaining to these items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

### Upgrades and Incentives

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. None of the comparables reported incentives and upgrades.

### Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

### **Financing Terms**

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

### **Conditions of Sale**

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

### **Market Conditions (Date of Sale, Phase Adjustment)**

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

The comparable sales transferred between January 2020 and July 2020 and are primarily reflective of current market conditions; therefore, no consideration for market conditions is warranted.

### **Location**

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. The majority of comparables are located in San Francisco. Sale 11, however, is located in Sausalito and has been

adjusted upward. Additional adjustments for the location of the San Francisco comparables within specific neighborhoods will be considered in the following community appeal section.

### **Community Appeal**

In addition to market location adjustments, we consider community appeal adjustments. Even within a specific market location, often specific community characteristics influence sale prices. Often, prices on one street may be significantly higher or lower than the next, despite similar home characteristics. Community characteristics that may influence sale prices include a gated amenity or the condition of surrounding development.

Ten of the eleven comparables are located in San Francisco. We made an effort to locate comparables in neighborhoods with a similar community appeal to the subject property. Comparables located in Cow Hollow, Pacific Heights, Presidio Heights, and the Marina (all within the townhome and condo analysis) reflect established, desirable neighborhoods and required downward adjustments. However, the comparables utilized in The Bristol analysis are located in Mission Bay, Potrero Hill, Inner Mission, North Beach, and Dogpatch and required upward adjustments.

### **Lot Size**

The lot size adjustment pertains to the differences between the subjects' typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The subject and majority of the comparables reflect attached product. However, Sale 11, though a two-story condominium, is technically detached and has been adjusted downward for lot size.

### **Lot Premiums**

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Several of the comparables include views of the San Francisco Bay. While many of the subject units will offer Bay and San Francisco skyline views, these views will vary by parcel. Therefore, comparables with views are adjusted downward for consistency with the subject's base unit, net of any premiums. Upward adjustments to the subject's base unit value for view premiums will be considered on a parcel-by-parcel basis at the end of this analysis. Therefore, Comparables 6, 9, and 11 have been adjusted downward for views of the San Francisco Bay.

### **Design and Appeal/Quality of Construction**

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject and majority of comparables represent good construction quality. Comparable 6 is a penthouse unit which reflects a superior quality/appeal and has been adjusted downward.



**Age/Condition**

When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. We have applied a similar adjustment factor to the estimated effective age of the comparable sales. While an effort was made to include only comparables that reflected new construction at the time of sale, it was necessary to expand our search in order to find properties comparable to the subject product type, particularly for the townhome and condo (non-Bristol) units. Therefore, we considered turn-of-the-century construction when effective ages were within 15 years. Sale 1 was constructed in 2018 and was adjusted upward. Sales 7 and 11 were constructed in 2016 and 2010, respectively, and have been adjusted upward as necessary 1% per year for differences in effective age. In addition, Sales 8, 9, and 10 reflect early 1900's construction with effective ages of approximately 15 years; these sales have also been adjusted upward.

**Functional Utility**

The appraised properties and comparables represent traditional attached single-family residential construction. No consideration for this factor is necessary.

**Room Count**

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of \$12,500 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$12,500 per fixture, or half-bath, is supported. Consequently, a factor of \$25,000+ per full bath is also applied in our analysis.

**Unit Size/Living Area**

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded. Based on this data, the comparables were adjusted on a per square foot basis to account for differences in living area from the subject units.

**Number of Stories**

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a flat versus a townhome layout. The subject and comparables include a mix of similarly sized flats and townhomes. No adjustments are necessary.

**Parking/Garage**

Each of the subject comparables offer one covered parking space per unit, though the type of parking varies by home. The Bristol and the larger flats will offer a subterranean parking garage, while the townhome units will include a one-car attached garage. The subject's floor plans and the majority of the comparables offer a two-car garage. The majority of the comparables also offer one covered parking space. Comparables which include two parking spaces have been adjusted downward.

Adjustment Grid - The Bristol - Parcel 4Y												
Project Information:		Subject Property	Comparable 1		Comparable 2		Comparable 3		Comparable 4		Comparable 5	
Project Name		Yerba Buena Island	Mission Bay		540 De Haro St		The Thirty Six		1731 Powell St		901 Tennessee	
Address/Lot Number		Base Plan	1000 3rd St #821		540 De Haro St #403		3620 Cesar Chavez #304		1731 Powell St #205		901 Tennessee #211	
City/Area		Yerba Buena Island	Mission Bay		Potrero Hill		Inner Mission		North Beach		Dogpatch	
Price		NA		\$1,639,000		\$1,650,000		\$1,169,000		\$1,680,000		\$1,579,000
Price Per SF		NA		\$1,397.27		\$1,398.31		\$1,126.20		\$1,331.22		\$1,285.83
Total Consideration				\$1,639,000		\$1,650,000		\$1,169,000		\$1,680,000		\$1,579,000
Data Source			MLS		MLS		MLS		MLS		MLS	
Incentives		NA	None		None		None		None		None	
Upgrades		Base	None		None		None		None		None	
Effective (Base) Total Consideration				\$1,639,000		\$1,650,000		\$1,169,000		\$1,680,000		\$1,579,000
Adjustments:		Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights		Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Financing Terms		Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent	
Conditions of Sale		Market	Market		Market		Market		Market		Market	
Market Conditions							(In Contract)					
Date of Sale (Contract Date)		7/1/2020	7/14/2020		7/14/2020		6/19/2020		3/17/2020		1/15/2020	
Project Location		Yerba Buena Island	Mission Bay		Potrero Hill		Inner Mission		North Beach		Dogpatch	
Community Appeal		Good	Average	+	Average	+	Average	+++	Average	+	Average	++
HOA Dues			\$779		\$509		\$550		\$837		\$787	
Lot Size		Attached	Attached		Attached		Attached		Attached		Attached	
Lot Premium		None	None		None		None		None		None	
Design and Appeal		Good	Good		Good		Good		Good		Good	
Quality of Construction		Good	Good		Good		Good		Good		Good	
Age (Total/Effective)		New	2018	+	New		New		New		New	
Condition		Good/New	Similar		Similar		Similar		Similar		Similar	
Functional Utility		Average	Similar		Similar		Similar		Similar		Similar	
Room Count												
Bedrooms		2	2		2		2		2		3	
Baths	\$25,000	2	2		2		2		2		2	
Living Area (SF)	\$180.00	1,175	1,173	+	1,180	-	1,038	+	1,262	-	1,228	-
Number of Stories		One	Two		One		One		One		One	
Heating/Cooling		Central	Central		Central		Central		Central		Central	
Garage	\$10,000	Garage/1 space	Similar		Similar		Similar		Similar		Similar	
Landscaping		Trees + Shrubs	Similar		Similar		Similar		Similar		Similar	
Pool/Spa		None	Similar		Similar		Similar		Similar		Similar	
Patios/Balconies		Balcony / Terrace	Similar		Similar		Similar		Similar		Similar	
Fireplace(s)	\$8,000	None	None		None		None		None		None	
Kitchen Equipment		Average	Similar		Similar		Similar		Similar		Similar	
Other												
Net Adjustments				++		+		+++		+		++
Concluded Base Retail Value			\$1,700,000									
Indicated Value Per SF			\$1,447									

Adjustment Grid - Townhomes & Flats - Parcels 1Y, 3Y, 4Y									
Project Information:		Comparable 6		Comparable 7		Comparable 8		Comparable 9	
Project Name	Yerba Buena Island	1515 Union St		The Pacific		3539 Washington St		56 Casa Way	
Address/Lot Number	Base Plan	1515 Union St #PH2		2121 Webster St #401		3539 Washington St		56 Casa Way	
City/Area	Yerba Buena Island	Cow Hollow		Pacific Heights		Presidio Heights		Marina	
Price	NA	\$6,075,000		\$4,998,000		\$3,175,000		\$3,300,000	
Price Per SF	NA	\$3,014.89		\$2,366.48		\$1,149.95		\$1,300.75	
<b>Total Consideration</b>		<b>\$6,075,000</b>		<b>\$4,998,000</b>		<b>\$3,175,000</b>		<b>\$3,300,000</b>	
Data Source		MLS		MLS		MLS			
Incentives	NA	None		None		None		None	
Upgrades	Base	None		None		None		None	
<b>Effective (Base) Total Consideration</b>		<b>\$6,075,000</b>		<b>\$4,998,000</b>		<b>\$3,175,000</b>		<b>\$3,300,000</b>	
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent	
Conditions of Sale	Market	Market		Market		Market		Market	
Market Conditions				(In-Contract)					
Date of Sale (Contract Date)	7/1/2020	7/10/2020		6/18/2020		7/8/2020		2/28/2020	
Project Location	Yerba Buena Island	Cow Hollow		Pacific Heights		Presidio Heights		Hayes Valley	
Community Appeal	Good	Very Good	-	Very Good	-	Very Good	-	Average	++
HOA Dues		\$1,504		\$1,980		\$417		\$1,059	
Lot Size	Attached	Attached		Attached		Attached		Attached	
Lot Premium	None	Bay Views	--	None		None		None	
Design and Appeal	Good	Good		Good		Good	--	Good	
Quality of Construction	Good	Very Good	-	Good		Good		Good	
Age (Total/Effective)	New	New		2016	+	1912	+++	1926	+++
Condition	Good/New	Similar		Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar		Similar	
Room Count									
Bedrooms	3	3		3		3		3	
Baths	\$25,000 3	2.5	+	2.5	+	3		3	
Living Area (SF)	\$200.00 2,870	2,015	+	2,112	+	2,761	+	2,537	+
Number of Stories	Three to Four	Two		One		One		Two	
Heating/Cooling	Central	Central		Central		Central		Central	
Garage	\$10,000 1-Car	Similar		2-car	-	2-car	-	Similar	-
Landscaping	Trees + Shrubs	Similar		Similar		Similar		Similar	
Pool/Spa	None	Similar		Similar		Similar		Similar	
Patios/Balconies	Balcony + Rooftop Patio	Similar		Similar		Similar		Similar	
Fireplace(s)	\$8,000 None	None		Yes	-	Yes	-	Yes	-
Kitchen Equipment	Average	Similar		Similar		Similar		Similar	
Other	Townhome/Flats	Two-Story Condo		Flat		Flat		Two-Story Condo	
<b>Net Adjustments</b>			---		+-		++		+
<b>Concluded Base Retail Value</b>									
<b>Indicated Value Per SF</b>									

## Conclusion of Home Values

In the first analysis, the comparable set adjusts upward overall due to the subject's superior location. Sale 3 requires the largest adjustment, and is given least weight in our reconciliation. Overall, the comparable range narrows after adjustment, and the remaining four comparables are considered reasonable indicators of value for the subject.

In the second analysis, Sales 6 and 10 required the highest net adjustments, but provide good secondary support for our indication of value. The remaining four comparables are given greatest weight in our reconciliation.

Based on the analysis herein, the market value conclusions for the homes are summarized in the following table.

<b>Retail Value - Base Units</b>			
<b>Unit</b>	<b>Parcel</b>	<b>Square Footage</b>	<b>Base Value</b>
The Bristol	4Y	1,175	\$1,700,000
Townhomes/Flats	4Y, 3Y, 1Y	2,870	\$4,250,000

In addition, consideration must be given for the subject's corner/end units and view premiums. As the upcoming analysis will value the subject property by parcel, we will apply premiums on a parcel by parcel basis in the next section.

## Below Market Rate Units – The Bristol, Parcel 4Y

The Bristol will also include 14 inclusionary units, the sale price of which will be restricted. The buyer's housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of 120% of San Francisco's median household income. The following table provides 2020 sample pricing from the San Francisco Mayor's Office of Housing and Community Development (MOHCO). Actual pricing for the subject will be determined by MOHCO at a later date.

ASSUMED HOUSEHOLD SIZE		1 Person	2 Person	3 Person	4 Person	5 Person
MEDIAN INCOME @	120% OF MEDIAN	\$103,450	\$118,200	\$133,000	\$147,800	\$159,600
AVAIL FOR HOUSING @	33%	\$34,139	\$39,006	\$43,890	\$48,774	\$52,668
ANNUAL CONDO FEE		\$7,056	\$7,908	\$8,748	\$9,048	\$11,172
TAXES @	1.1630%	\$4,911	\$5,640	\$6,373	\$7,041	\$7,525
AVAILABLE FOR P+I		\$22,171	\$25,458	\$28,769	\$31,785	\$33,971
SUPPORTABLE MORT		\$390,081	\$436,435	\$493,189	\$544,891	\$582,362
DOWN PAYMENT	10%	\$42,231	\$48,493	\$54,799	\$60,543	\$64,707
AFFORDABLE PRICE		\$422,312	\$484,928	\$547,988	\$605,434	\$647,069
BEDROOM SIZE		STUDIO	ONE	TWO	THREE	FOUR

Notes:

1. Median income on this chart is from 2019 SF MOHCD Inclusionary Income Limits (AMI Chart).

2. Interest rate is based on FreddieMac 10 yr rolling average of annual average rates for 30 yr Fixed Rate

See URL: <http://www.freddiemac.com/homeownership30.htm>

3. FY2019-2020 Annual Tax Rate is 1.163%, see: <http://sfdassessor.org/property-taxes>

Based on this information, and the unit mix of The Bristol, our estimate of the subject's below market rate sale prices is as follows:

### Inclusionary Housing - The Bristol

Layout	Affordable Price	Number of Units	Inclusionary Housing Value
Studio	\$422,312	2	\$844,624
One Bedroom	\$484,928	6	\$2,909,568
Two Bedroom	\$547,988	5	\$2,739,940
Three Bedroom	\$605,434	1	\$605,434
		14	\$7,099,566

The subject's 14 inclusionary units will not be subject to the Lien of the Special Tax securing the Bonds. Since the subject comprises land at this time (under development), the obligation to construct (cost) and sell (at a restricted price) such inclusionary housing units will be considered in the upcoming valuation of the underlying land.



## Market Valuation – Parcel 1Y Homesites

In addition to offering townhomes and flats, Parcel 1Y will also offer five homesites between approximately 5,000 and 8,000 square feet. It is our understanding the homesites will offer views of the San Francisco skyline and Bay. The developer plans to market the homesites with approved plans for single family homes around 8,000 square feet. The characteristics of the subject homesites are unique given their location. Homesite sales in San Francisco reflect infill development within established neighborhoods. To find comparables for the subject, we searched for single family residential land sales located in San Francisco and Marin County communities located along the Bay. A summary of comparables considered is provided next, followed by a description of adjustments.

Homesite Comparable Sales							
Address	County	Neighborhood	Square Footage	Sale Date	Sale Price	Views	Notes
36 Nevada St	San Francisco	Bernal Heights	1,750	11/19/2018	\$1,000,000	City	Unentitled
80 Thor Ave	San Francisco	Glen Park	2,657	6/6/2019	\$1,700,000	City	Approved for 4,000 SF 4 BD/5.5 BA home
2921 Vallejo St	San Francisco	Pacific Heights	4,008	7/25/2019	\$8,000,000	Bay; Golden Gate	Approved for 6,814 SF, 6 BR/8 BA home
46 Cliff Rd	Marin	Belvedere	16,601	5/23/2019	\$2,100,000	Bay	Approved for 4BR/4.5 BA home
12 Crest Rd	Marin	Belvedere	29,412	12/30/2019	\$6,100,000	Bay; Golden Gate	Auction, approved for 8,286 SF home
3265 Shoreline Hwy	Marin	Stinson Beach	15,298	3/5/2020	\$2,500,000	Bay	In entitlement process for SF home
63 Carmel St	San Francisco	Cole Valley	3,323	Active Listing	\$3,650,000	City; Bay	Approved for 4,588 SF home, 4BR/4.5 BA; has been on market 34 days
67-69 Belcher St	San Francisco	Duboce Triangle	12,500	Active Listing	\$10,000,000	City	Approved for single family home; has been on market 14 days

Homesite Comparable Adjustments							
Address	Neighborhood	Square Footage	Sale Date	Sale Price	Overall Adjustment	Adjustments	
36 Nevada St	Bernal Heights	1,750	11/19/2018	1,000,000	+++	Upward for location, views, lot size, entitlements	
80 Thor Ave	Glen Park	2,657	6/6/2019	1,700,000	++	Upward for location, views, lot size	
2921 Vallejo St	Pacific Heights	4,008	7/25/2019	8,000,000	-	Downward for location	
46 Cliff Rd	Belvedere	16,601	5/23/2019	2,100,000	-+	Downward for lot size, upward for views	
12 Crest Rd	Belvedere	29,412	12/30/2019	6,100,000	-	Downward for lot size	
3265 Shoreline Hwy	Stinson Beach	15,298	3/5/2020	2,500,000	+++	Downward for lot size, upward for location, views, entitlements	
63 Carmel St	San Francisco	3,323	Active Listing	3,650,000	+++	Downward for listing status, upward for location, views	
67-69 Belcher St	San Francisco	12,500	Active Listing	10,000,000	-+	Downward for listing status, lot size, upward for views	
<b>Subject Conclusion</b>	Yerba Buena Island	5,000 to 8,000		<b>\$5,000,000</b>			

The comparables have been adjusted as necessary for location, view premiums, lot size, entitlements at the time of sale, and listing status. The comparable sales prices vary widely. Based on the characteristics of the subject, and given the adjusted range of data, a sale price of \$5,000,000 per homesite appears reasonable for the subject property.

We also discussed the subject homesites with brokers active in the San Francisco residential market. One broker with Compass Real was particularly familiar with the subject property and has experience with both homesites and upscale residential product in San Francisco. While he noted Yerba Buena Island is considered inferior to many of San Francisco's desirable, established neighborhoods, the subject's views are expected to help offset locational differences. San Francisco Bay and skyline views are highly sought after by buyers, yet are difficult to obtain in San Francisco. Further, homesites in San

San Francisco are incredibly rare, particularly in desirable neighborhoods. The scarcity of land for single family residential development impacts the subject favorably, while the subject's entitlements will also contribute value. Overall, the market participants we spoke with were of the opinion a range of \$4,000,000 to \$6,000,000 would be reasonable for the subject homesites.

Please note, the homesites are not expected to be offered for sale until at least 2021; the current pandemic is not expected to have a long-term effect on the homesites.

### Land Residual Analysis – Parcels 4Y, 3Y, and 1Y

The land residual analysis is employed to derive the market value for the subject's residential parcels. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a quarterly basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components summarized as follows:

**Revenue** – the gross income is based on the individual component values.

**Absorption Analysis** – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

**Expenses** – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

**Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

### Revenue

The projected sales price for the average unit within the project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses.

Base values for the subject's representative units are summarized below.

Retail Value - Base Units			
Unit	Parcel	Square Footage	Base Value
The Bristol	4Y	1,175	\$1,700,000
Townhomes/Flats	4Y, 3Y, 1Y	2,870	\$4,250,000

The upcoming land residual analyses will be conducted on a parcel-by-parcel basis. Therefore, it is necessary to project revenue for each parcel. In addition to the base unit price, total revenue will include adjustments for corner/end townhome units and model units. A residential unit premium factor of 5% of sale price is considered reasonable for end/corner townhomes.

As will be discussed in the expense section that follows, given the product line at the subject, it is anticipated a builder will construct several model homes. We have projected three model homes for Parcel 4Y, one model home for Parcel 3Y, and two model homes for Parcel 1Y. Upgrade amenity costs are projected at \$250,000 per model home. Typically, builders capture approximately 50% of the cost through the sale of the model and the furniture. Although furnishings are a real cost of the model improvements, they are personal property, not real estate. Thus, furnishings are not included in the opinion of value for the model home premiums. Given this consideration, the recapture cost for model homes are typically reduced to 25% to 40% of model improvement costs. Considering the anticipated foot traffic for the subject property, a recapture amount of 35%, is considered reasonable. Using this percentage, a recapture of \$87,500 per model (35% x \$250,000) is concluded, which will be considered in the estimate of aggregate retail value.

The following tables reflect retail value by parcel.

#### Aggregate Retail Value - Parcel 4Y

Layout	Number of Units	Base Unit	Aggregate Value	Corner Unit Adjustment	Model Recapture	Total Revenue
The Bristol - Market	110	\$1,700,000	\$187,000,000		\$87,500	\$187,087,500
The Bristol - BMR	14	Varies	\$7,099,566			\$7,099,566
Townhomes	39	\$4,250,000	\$165,750,000	\$3,400,000	\$87,500	\$169,237,500
Flats	14	\$4,250,000	\$59,500,000		\$87,500	\$59,587,500
			<b>\$419,349,566</b>	<b>\$3,400,000</b>	<b>\$262,500</b>	<b>\$423,012,066</b>

#### Aggregate Retail Value - Parcel 3Y

Layout	Number of Units	Base Unit	Aggregate Value	Corner Unit Adjustment	Model Recapture	View Premium	Total Revenue
Townhomes	11	\$4,250,000	<b>\$46,750,000</b>	\$850,000	\$87,500	\$2,337,500	<b>\$50,025,000</b>

Parcel 3Y is located on the south side of Yerba Buena Island and is expected to have superior views to Parcel 4Y. Units located on Parcel 3Y have been adjusted upward 5% for view premiums.

#### Aggregate Retail Value - Parcel 1Y

Layout	Number of Units	Base Unit	Aggregate Value	Corner Unit Adjustment	Model Recapture	View Premium	Total Revenue
Townhomes	32	\$4,250,000	\$136,000,000	\$3,400,000	\$87,500	\$13,600,000	\$153,087,500
Flats	41	\$4,250,000	\$174,250,000		\$87,500	\$17,425,000	\$191,762,500
Homesites	5	\$5,000,000	\$25,000,000				\$25,000,000
			<b>\$335,250,000</b>	<b>\$3,400,000</b>	<b>\$175,000</b>	<b>\$31,025,000</b>	<b>\$369,850,000</b>

Parcel 1Y is located on the western portion of Yerba Buena Island and will have excellent views of the San Francisco skyline and Bay. Residential units on Parcel 1Y have been adjusted upward 10% for view premiums.

### **Closing Projections**

For the attached product, the typical time required for the construction of units is estimated at approximately nine months from start to closing. This assumption is reflected in the projected construction schedules shown in the land residual model's project activity table in the section titled direct construction and phasing. Since the land residual analysis is conducted on a quarterly basis, closings are reflected in the second period following the period of sale.

### **Changes in Market Conditions (Price Increases or Decreases)**

Based on market surveys, responses are mixed whether market participants trend revenues and expenses. Generally, market participants prefer not to price trend, but sometimes they will trend when trying to justify a sale price when there is strong competition for land. Or, participants have indicated they may trend if the sell-off period is anticipated to be protracted. Under current market conditions, and given the uncertainty surrounding the COVID-19 climate, we have chosen not to trend home prices in this analysis.

### **Absorption**

Typically, multiple product lines would be marketed in a residential product to create characteristics appealing to as many potential purchasers as possible. Offering home products within a subdivision to different market segments is done with the aim of increasing absorption and reducing the overall development holding period for a project. The subject's townhomes and larger flats are expected to appeal to similar buyer segments based upon typical unit size and price point. However, The Bristol's smaller unit sizes and lower price point indicate it will be marketed to a different buyer type; a different absorption rate is expected for this product compared to the other larger homes.

Based on the typical marketing and absorption rate data presented in the *Residential Market Overview*, absorption for the subject's townhomes and flats is projected at 5 units per quarter. Absorption for The Bristol is estimated at 14 units per quarter, or 4.7 units per month.

**Parcel 4Y** - With sales of The Bristol beginning in Period 1 on Parcel 4Y, the units will sell out in 9 periods and require two additional periods to close escrow. There are also 53 townhomes and flats proposed for Parcel 4Y. Construction of these units is not scheduled to begin until construction of The Bristol is significantly underway. Therefore, we anticipate sales of these units will commence two periods (six months) after sales of The Bristol units. At an absorption rate of 5 units per quarter, these units will sell out in Period 13, with two additional periods needed to complete construction and close escrow. A summary of revenue and absorption for this parcel will be presented prior to the land residual analysis.

**Parcel 3Y** – This parcel includes 11 townhomes; at an absorption rate of 5 units per quarter, the homes will sell out in Period 3, with Periods 4 and 5 needed to complete construction and close escrow. Because the homes will be sold within one year, we have elected not to discount the cash flow.

**Parcel 1Y** - This parcel includes 73 townhomes and flats and 5 homesites. With an absorption rate of 5 units per quarter, residences will sell out in Period 15, with Periods 16 and 17 needed to complete construction and close escrow. We have projected the 5 homesites will sell at a rate of one homesite per quarter, over the course of Periods 9 through 13.

### **Expense Projections**

As part of an ongoing effort to assemble market information, we routinely compile budget information for single family residential subdivisions from developers throughout California. Information from our developer cost database contributes to the estimate of development expenses classified as follows.

#### **General and Administrative**

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

#### **Marketing and Sale**

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 5.0%, or 2.5% for marketing and 2.5% for sales, is estimated in the marketing and sales expense category.

#### **Property Taxes (Ad Valorem and Special Taxes)**

The subject is located within an area with an effective tax rate of 1.1801%. This amount is applied to the estimated market values and divided by the total number of units to yield an estimate of ad valorem taxes/unit/year for each phase. The tax amounts are applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year. Direct assessments applicable to the subject property are nominal and are not considered in the upcoming proforma.

As referenced, the appraised properties are located within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island). According to the Rate and Method of Apportionment, provided in the *Real Estate Taxes* section, the annual special taxes applicable to the subject's facilities are \$6.64 per square foot for The Bristol and flats and \$6.30 per square foot for the townhomes. We have applied these special taxes to the average unit square footage in the upcoming analysis. It should be noted, the inclusionary units associated with The Bristol are not subject to the special tax.

**Calculation of CFD Tax - Parcel 4Y**

Unit Type	Tax per SF	Number of Units	Average SF	Total SF (Market)	Total Tax
The Bristol - Market Rate Units	\$6.64	110	1,175	129,250	\$858,220
Townhomes	\$6.30	39	2,850	111,150	\$700,245
Flats	\$6.64	14	2,850	39,900	\$264,936
		163			\$1,823,401
Total Units - Market and BMR Units					<b>177</b>
CFD Tax per Unit					<b>\$10,302</b>

**Calculation of CFD Tax - Parcel 3Y**

Unit Type	Tax per SF	Number of Units	Average SF	Tax per Unit
Townhomes	\$6.30	11	2,850	<b>17,955</b>

**Calculation of CFD Tax - Parcel 1Y**

Unit Type	Tax per SF	Number of Units	Average SF	Total SF (Market)	Total Tax
Townhomes	\$6.30	32	2,890	92,480	\$582,624
Flats	\$6.64	41	2,890	118,490	\$786,774
		73			\$1,369,398
Total Units -					<b>73</b>
CFD Tax per Unit					<b>\$18,759</b>

The total tax expense is gradually reduced over the absorption period, as the units are sold off.

**Homeowners' Association**

A homeowners association is planned for the subject. According to the developer, the HOA fee for the subject units will include bus and ferry services, a security patrol, and maintenance of Hilltop Park. Based upon the range of HOA fees found among comparable properties, we estimate a monthly HOA fee of \$1,500 per unit.

**Remaining Site Development Costs**

In this analysis, we are determining the value of a finished site/parcel; therefore, no deduction is made for remaining site development costs (including on-site and infrastructure) in the valuation.

**Permits and Fees**

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. Permits and fees for The Bristol are approximately \$23,700 per unit, while permits and fees for the flats and townhomes are approximately \$74,900 per unit. A blended rate will be applied to Parcel 4Y based upon the proposed unit mix, while the fees applicable to the townhomes and flats are utilized for the valuation of Parcels 3Y and 1Y.



**Direct and Indirect Construction Costs**

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

The developer has provided a construction budget for both The Bristol and the subject's townhomes and flats. Based on this information, a direct cost range of \$750 to \$900 per square foot is applicable to the subject. The subject reflects a unique product type and recent conversations with homebuilders confirm construction costs have increased over the past few years. As the developer's budget best considers the intricacies of the subject construction, the developer's costs are relied upon in the upcoming analyses. It should be noted the average cost for Parcel 4Y considers both The Bristol and the proposed townhomes/flats.

In addition, vertical construction is underway at The Bristol and approximately \$26,200,000 in costs have been incurred by the Builder to date. Costs spent to date are deducted from the overall direct construction cost estimate.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 10% is considered reasonable for the subject.

### Model Complex

For the purposes of this analysis, we have assumed the developer will build several model homes, depending on the parcel. The upcoming analyses assume three model homes for Parcel 4Y, one model home for Parcel 3Y, and two model homes for Parcel 1Y. Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$20,000 per model to over \$250,000 per model for executive homes.

Based on the quality of the subject's proposed improvements and the targeted buyer segment, a model upgrade cost of \$250,000 is considered reasonable for the subject's lots. Of this amount, approximately 35% will be recaptured with the sale of the models reflecting a model recapture of \$87,500. Model costs will be applied over the initial periods, while recapture costs will be applied toward the end of the projection period.

### Summary

The following charts summarize the revenue and expenses discussed on the preceding pages.

Revenue & Expense Summary - Parcel 4Y					
<b>Revenue</b>					
Aggregate Retail Value			\$419,349,566		
Number of Units			177		
Average Value per Unit			\$2,369,207		
Average Home Size (SF)			1,672		
Home Revenue (Before Appreciation):			\$419,349,566		
Home Revenue (After Appreciation):			\$419,349,566		
Home Revenue (Per Lot - from cash flow):			\$2,369,207		
Lot Premiums			\$3,400,000	\$19,209 (per unit)	
Model Recapture	(@ 35% of cost)		\$262,500	\$87,500 (per model)	
<b>Total Revenue (After Appreciation):</b>			<b>\$423,012,066</b>	<b>\$2,389,899 (per unit)</b>	
<b>Expenses</b>					
<u>Non-Appreciated Expenses</u>					
General and Administrative	3.0%	of total revenue	\$12,690,362	Total Over Sell-Off Period	
Marketing and Sales	6.0%	of total revenue	\$25,380,724		
Ad Valorem Real Estate Taxes	\$5,019	/unit/year	\$1,526,584	(from cash flow)	
CFD No. 2016-1 (Treasure Island)	\$10,302	/unit/year	\$3,098,236	(from cash flow)	
HOA	\$1,500	/unit/month	\$5,413,500	(from cash flow)	
Model Costs	3	models	\$750,000	\$250,000 (per model)	
Site Development Costs			\$0	\$0 (per unit)	
Permits and Fees			\$6,909,195	\$39,035 (per unit)	
Subtotal:			\$55,768,601		
<u>Appreciated Expenses</u>					
Direct Construction Costs (Before Appreciation)			\$244,086,150	\$1,379,018 (per unit)	\$825 per SF
Less Costs Spent to Date			(\$26,200,000)		
Remaining Direct Construction Costs			\$217,886,150		
Direct Construction Costs (After Appreciation)			\$217,886,150	\$1,230,995 (per unit)	(from cash flow)
Indirect Construction Costs (Total)	10.0%	of Direct Costs	\$21,788,615	\$123,100 (per unit)	(from cash flow)
Subtotal:			\$239,674,765		
<b>Total Expenses:</b>			<b>\$295,443,366</b>		

**Revenue & Expense Summary - Parcel 3Y**

<b>Revenue</b>					
Aggregate Retail Value		\$46,750,000			
Number of Units		11			
Average Value per Unit		\$4,250,000			
Average Home Size (SF)		2,850			
Home Revenue (Before Appreciation):		\$46,750,000			
Home Revenue (After Appreciation):		\$46,750,000			
Home Revenue (Per Lot - from cash flow):		\$4,250,000			
Lot Premiums		\$3,187,500	\$289,773 (per unit)		
Model Recapture	(@ 35% of cost)	\$87,500	\$87,500 (per model)		
<b>Total Revenue (After Appreciation):</b>		<b>\$50,025,000</b>	<b>\$4,547,727 (per unit)</b>		
<b>Expenses</b>					
<u>Non-Appreciated Expenses</u>			Total Over Sell-Off Period		
General and Administrative	3.0%	of total revenue	\$1,500,750		
Marketing and Sales	6.0%	of total revenue	\$3,001,500		
Ad Valorem Real Estate Taxes	\$10,509	/unit/year	\$77,297 (from cash flow)		
CFD No. 2016-1 (Treasure Island)	\$17,955	/unit/year	\$130,174 (from cash flow)		
HOA	\$1,500	/unit/month	\$130,500 (from cash flow)		
Model Costs	1	models	\$250,000	\$250,000 (per model)	
Site Development Costs			\$0	\$0 (per unit)	
Permits and Fees			\$823,900	\$74,900 (per unit)	
Subtotal:			\$5,914,121		
<u>Appreciated Expenses</u>					
Direct Construction Costs (Before Appreciation)			\$26,647,500	\$2,422,500 (per unit)	\$850 per SF
Direct Construction Costs (After Appreciation)			\$26,647,500	\$2,422,500 (per unit)	(from cash flow)
Indirect Construction Costs (Total)	10.0%	of Direct Costs	\$2,664,750	\$242,250 (per unit)	(from cash flow)
Subtotal:			\$29,312,250		
<b>Total Expenses:</b>			<b>\$35,226,371</b>		

Revenue & Expense Summary - Parcel 1Y					
<b>Revenue</b>					
Aggregate Retail Value - Townhomes & Flats		\$310,250,000			
Number of Units		73			
Average Value per Unit		\$4,250,000			
Average Home Size (SF)		2,890			
Home Site Revenue		\$25,000,000			
Number of Home Sites		5			
Average Value per Lot		\$5,000,000			
Home Revenue (Before Appreciation):		\$335,250,000			
Home Revenue (After Appreciation):		\$335,250,000			
Home Revenue (Per Lot - from cash flow):		\$4,298,077			
Lot Premiums		\$34,425,000	\$471,575 (per unit)		
Model Recapture	(@ 35% of cost)	\$175,000	\$87,500 (per model)		
<b>Total Revenue (After Appreciation):</b>		<b>\$369,850,000</b>			
<b>Expenses</b>					
<u>Non-Appreciated Expenses</u>					
General and Administrative	3.0%	of total revenue	Total Over Sell-Off Period		
Marketing and Sales	6.0%	of total revenue	\$11,095,500		
Ad Valorem Real Estate Taxes	\$12,626	/unit/year	\$22,191,000		
CFD No. 2016-1 (Treasure Island)	\$18,759	/unit/year	\$1,852,733 (from cash flow)		
HOA	\$1,500	/unit/month	\$3,015,489 (from cash flow)		
Model Costs	2	models	\$2,893,500 (from cash flow)		
Site Development Costs			\$500,000	\$250,000 (per model)	
Permits and Fees			\$0	\$0 (per unit)	
Subtotal:			<u>\$5,467,700</u>	<u>\$74,900</u> (per unit)	
			\$47,015,921		
<u>Appreciated Expenses</u>					
Direct Construction Costs (Before Appreciation)			\$174,050,250	\$2,384,250 (per unit)	\$825 per SF
Direct Construction Costs (After Appreciation)			\$174,050,250	\$2,384,250 (per unit)	(from cash flow)
Indirect Construction Costs (Total)	10.0%	of Direct Costs	<u>\$17,405,025</u>	<u>\$238,425</u> (per unit)	(from cash flow)
Subtotal:			\$191,455,275		
<b>Total Expenses:</b>			<b>\$238,471,196</b>		

## Developer's Incentive and Discount Rate

### Developer's Incentive

When employing a land residual analysis, most market participants (homebuilders) analyze projects based on an expected increment of profit and a cost-of-funds discount rate. The developer's profit is expressed as a percent of sales revenue and is included as an expense deduction. The cost-of-funds rate is used to discount each year of net income to present value. This methodology differs from the subdivision development method, in which most market participants (typically land developers) employ a yield rate or internal rate of return (IRR) inclusive of developer's profit, and do not deduct profit as a line item expense.

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

The current COVID-19 environment casts uncertainty over the local market. While the San Francisco condominium market has not achieved the same metrics as the house market in 2020, it is worth noting the luxury condominium sales activity in May and June 2020 surpassed sales activity over the same time period in 2019. Condo sale prices as of the Second Quarter 2020 were lower than 2019 averages, but higher than 2018. However, current condominium inventory listed for sale has spiked in San Francisco compared to recent years. This abundance of supply may result in a softening of the condominium market over the near term, as buyers have more options and room to negotiate.

Based on the characteristics of the subject property, including its location and perceived level of risk, and the current COVID-19 environment, we will employ a developer's incentive of 9.0% of sales revenue for Parcels 4Y and 1Y and a slightly higher incentive of 10.0% for Parcel 3Y, which contains 11 townhomes.

**Discount Rate (Cost of Funds)**

A discount rate will be employed to convert future cash flows to present value, thus reflecting the time value of money. An appropriate discount rate should reflect the cost of funds under current market conditions. For a cost of funds index, we will use the 11th District Cost of Funds Index (COFI), which is a standard financial index widely used in U.S. capital markets as a benchmark for adjustable-rate loans. Lenders use such an index to adjust interest rates as economic conditions change. Lenders add a certain number of percentage points, or margin, to the index to establish interest rates. The 11th District COFI was 0.76% as of July 2020. A typical margin used by banks is about 250 to 350 basis points, or 2.5% to 3.5% not including additional points or fees. We will employ a discount rate (cost of funds) of 5.0% in the land residual analysis.

**Conclusion**

The land residual analysis is presented as follows:

## Parcel 4Y – Revenue Schedule

As discussed, Parcel 4Y includes The Bristol and 53 townhomes/flats. Absorption is projected at different rates for the two product types, with sales of the townhomes and flats commencing after construction of The Bristol is well underway. The following table demonstrates the revenue schedule utilized in the upcoming analysis.

Estimate of Absorption and Revenue - Parcel 4Y Base Units															
Absorption - The Bristol	14	units/quarter													
Absorption - Townhomes/Flats	5	units/quarter													
Revenue - The Bristol	\$1,565,319	per unit		(Market and BMR units)											
Revenue - Townhomes/Flats	\$4,250,000	per unit													
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Sales - The Bristol	0	14	14	14	14	14	14	14	14	12	0	0	0	0	124
Unsold Inventory	124	110	96	82	68	54	40	26	12	0	0	0	0	0	
Revenue		\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$18,783,829	\$0	\$0	\$0	\$0	\$194,099,566
Sales - Townhomes/Flats	0	0	0	5	5	5	5	5	5	5	5	5	5	3	53
Unsold Inventory	53	53	53	48	43	38	33	28	23	18	13	8	3	0	
Revenue		\$0	\$0	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$225,250,000
Total Absorption		14	14	19	19	19	19	19	19	17	5	5	5	3	177
Total Revenue		\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$419,349,566

## Parcel 4Y – Land Residual Analysis

Land Residual Analysis - Parcel 4Y																		
	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
REVENUE AND SALES																		
Sales		0	14	14	19	19	19	19	19	19	17	5	5	5	3	0	0	177
Unsold Inventory		177	163	149	130	111	92	73	54	35	18	13	8	3	0	0	0	
Close of Escrow (COE)		0	0	0	14	14	19	19	19	19	19	19	17	5	5	5	3	177
Pending/Under Construction		0	14	28	47	52	57	57	57	57	55	41	27	15	13	8	3	
Under Construction by %			2.6%	5.3%	8.9%	9.8%	10.7%	10.7%	10.7%	10.7%	10.4%	7.7%	5.1%	2.8%	2.4%	1.5%	0.6%	100.0%
Unclosed Inventory			177	177	163	149	130	111	92	73	54	35	18	13	8	3	0	
Contracted Base Revenue (Before Appreciation)			\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$0	\$0	\$419,349,566
Quarterly Appreciation Factor	1.0000		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Contracted Home Revenue			\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$0	\$0	\$419,349,566
Appreciated Closing Home Revenue			\$0	\$0	\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$419,349,566
Model Recapture Revenue			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$87,500	\$0	\$87,500	\$87,500	\$262,500
Lot Premium Revenue			\$0	\$0	\$268,927	\$268,927	\$364,972	\$364,972	\$364,972	\$364,972	\$364,972	\$364,972	\$326,554	\$96,045	\$96,045	\$96,045	\$57,627	\$3,400,000
Total Revenue			\$0	\$0	\$22,183,394	\$22,183,394	\$43,529,439	\$43,529,439	\$43,529,439	\$43,529,439	\$43,529,439	\$43,529,439	\$40,360,383	\$21,433,545	\$21,346,045	\$21,433,545	\$12,895,127	\$423,012,066
EXPENSES AND CASH FLOWS																		
Fixed or Percentage Expenses																		
General and Administrative	3.0%		(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$12,690,362)
Marketing and Sales	6.0%		\$0	\$0	\$0	(\$1,331,004)	(\$1,331,004)	(\$2,611,766)	(\$2,611,766)	(\$2,611,766)	(\$2,611,766)	(\$2,611,766)	(\$2,421,623)	(\$1,286,013)	(\$1,280,763)	(\$1,286,013)	(\$773,708)	(\$25,380,724)
Ad Valorem Real Estate Taxes	\$5,019		(\$222,102)	(\$222,102)	(\$204,535)	(\$186,968)	(\$166,389)	(\$142,070)	(\$117,752)	(\$93,434)	(\$70,470)	(\$45,675)	(\$23,490)	(\$16,965)	(\$10,641)	(\$3,990)	\$0	(\$1,526,584)
CFD No. 2016-1 (Treasure Island)	\$10,302		(\$455,850)	(\$455,850)	(\$419,794)	(\$383,738)	(\$334,805)	(\$285,872)	(\$236,939)	(\$188,006)	(\$139,073)	(\$90,140)	(\$46,358)	(\$33,481)	(\$20,603)	(\$7,726)	\$0	(\$3,098,236)
HOA per Month	\$1,500		(\$796,500)	(\$796,500)	(\$733,500)	(\$670,500)	(\$585,000)	(\$499,500)	(\$414,000)	(\$328,500)	(\$243,000)	(\$157,500)	(\$81,000)	(\$58,500)	(\$36,000)	(\$13,500)	\$0	(\$5,413,500)
Model Costs			(\$250,000)	(\$250,000)	\$0	\$0	\$0	(\$250,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$750,000)
Site Development Costs			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits			(\$546,490)	(\$546,490)	(\$741,665)	(\$741,665)	(\$741,665)	(\$741,665)	(\$741,665)	(\$741,665)	(\$663,595)	(\$195,175)	(\$195,175)	(\$195,175)	(\$117,105)	\$0	\$0	(\$6,909,195)
Subtotal:			(\$3,116,967)	(\$3,116,967)	(\$4,276,522)	(\$4,159,899)	(\$5,285,649)	(\$5,376,898)	(\$4,968,146)	(\$4,809,395)	(\$4,573,929)	(\$3,946,281)	(\$3,613,670)	(\$2,436,157)	(\$2,311,136)	(\$2,157,253)	(\$1,619,732)	(\$55,768,601)
Appreciated Expenses																		
Direct Construction Costs			(\$5,744,644)	(\$11,489,289)	(\$19,285,591)	(\$21,337,250)	(\$23,388,909)	(\$23,388,909)	(\$23,388,909)	(\$23,388,909)	(\$22,568,245)	(\$16,823,601)	(\$11,078,957)	(\$6,154,976)	(\$5,334,313)	(\$3,282,654)	(\$1,230,995)	(\$217,886,150)
Quarterly Appreciation Factor	1.0000		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Direct Costs			(\$5,744,644)	(\$11,489,289)	(\$19,285,591)	(\$21,337,250)	(\$23,388,909)	(\$23,388,909)	(\$23,388,909)	(\$23,388,909)	(\$22,568,245)	(\$16,823,601)	(\$11,078,957)	(\$6,154,976)	(\$5,334,313)	(\$3,282,654)	(\$1,230,995)	(\$217,886,150)
Indirect Construction Costs	10.0%		(\$574,464)	(\$1,148,929)	(\$1,928,559)	(\$2,133,725)	(\$2,338,891)	(\$2,338,891)	(\$2,338,891)	(\$2,338,891)	(\$2,256,825)	(\$1,682,360)	(\$1,107,896)	(\$615,498)	(\$533,431)	(\$328,265)	(\$123,100)	(\$21,788,615)
Subtotal:			(\$6,319,109)	(\$12,638,217)	(\$21,214,151)	(\$23,470,975)	(\$25,727,800)	(\$25,727,800)	(\$25,727,800)	(\$25,727,800)	(\$24,825,070)	(\$18,505,961)	(\$12,186,852)	(\$6,770,474)	(\$5,867,744)	(\$3,610,919)	(\$1,354,095)	(\$239,674,765)
Total Expenses			(\$9,436,075)	(\$15,755,184)	(\$25,490,673)	(\$27,630,874)	(\$31,013,449)	(\$31,104,698)	(\$30,695,946)	(\$30,537,195)	(\$29,398,999)	(\$22,452,242)	(\$15,800,522)	(\$9,206,631)	(\$8,178,880)	(\$5,768,173)	(\$2,973,826)	(\$295,443,366)
NET INCOME BEFORE DEVELOPER'S INCENTIVE			(\$9,436,075)	(\$15,755,184)	(\$3,307,279)	(\$5,447,480)	\$12,515,990	\$12,424,741	\$12,833,493	\$12,992,244	\$14,130,440	\$21,077,197	\$24,559,860	\$12,226,914	\$13,167,165	\$15,665,373	\$9,921,301	\$127,568,700
Total Project Incentive	9.0%		\$0	\$0	(\$1,996,505)	(\$1,996,505)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,632,434)	(\$1,929,019)	(\$1,921,144)	(\$1,929,019)	(\$1,160,561)	(\$38,071,086)
NET INCOME (BEFORE DISCOUNTING)			(\$9,436,075)	(\$15,755,184)	(\$5,303,784)	(\$7,443,986)	\$8,598,340	\$8,507,092	\$8,915,843	\$9,074,595	\$10,212,791	\$17,159,548	\$20,927,426	\$10,297,895	\$11,246,021	\$13,736,353	\$8,760,739	\$89,497,614
Present Value Factors																		
Discount Rate (Cost of Borrowed Funds)	5.00%		0.98765	0.97546	0.96342	0.95152	0.93978	0.92817	0.91672	0.90540	0.89422	0.88318	0.87228	0.86151	0.85087	0.84037	0.82999	
Discounted Cash Flow			(\$9,319,581)	(\$15,368,569)	(\$5,109,763)	(\$7,083,133)	\$8,080,523	\$7,896,069	\$8,173,296	\$8,216,124	\$9,132,489	\$15,154,985	\$18,254,522	\$8,871,725	\$9,568,932	\$11,543,593	\$7,271,354	\$75,282,566
Net Present Value																		\$75,280,000
Per Unit																		\$425,311



## Parcel 3Y – Land Residual Analysis

Land Residual Analysis - Parcel 3Y								
	Quarter:	0	1	2	3	4	5	Total
REVENUE AND SALES								
Sales		0	5	5	1	0	0	11
Unsold Inventory		11	6	1	0	0	0	
Close of Escrow (COE)		0	0	0	5	5	1	11
Pending/Under Construction		0	5	10	11	6	1	
Under Construction by %			15.2%	30.3%	33.3%	18.2%	3.0%	100.0%
Unclosed Inventory			11	11	6	1	0	
Contracted Base Revenue (Before Appreciation)			\$21,250,000	\$21,250,000	\$4,250,000	\$0	\$0	\$46,750,000
Quarterly Appreciation Factor	1.0000		1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Contracted Home Revenue			\$21,250,000	\$21,250,000	\$4,250,000	\$0	\$0	\$46,750,000
Appreciated Closing Home Revenue			\$0	\$0	\$21,250,000	\$21,250,000	\$4,250,000	\$46,750,000
Model Recapture Revenue			\$0	\$0	\$0	\$0	\$87,500	\$87,500
Lot Premium Revenue			\$0	\$0	\$1,448,864	\$1,448,864	\$289,773	\$3,187,500
Total Revenue			\$0	\$0	\$22,698,864	\$22,698,864	\$4,627,273	\$50,025,000
EXPENSES AND CASH FLOWS								
Fixed or Percentage Expenses								
General and Administrative	3.0%		(\$300,150)	(\$300,150)	(\$300,150)	(\$300,150)	(\$300,150)	(\$1,500,750)
Marketing and Sales	6.0%		\$0	\$0	(\$1,361,932)	(\$1,361,932)	(\$277,636)	(\$3,001,500)
Ad Valorem Real Estate Taxes	\$10,509		(\$28,901)	(\$28,901)	(\$16,710)	(\$2,785)	\$0	(\$77,297)
CFD No. 2016-1 (Treasure Island)	\$17,955		(\$49,376)	(\$49,376)	(\$26,933)	(\$4,489)	\$0	(\$130,174)
HOA per Month	\$1,500		(\$49,500)	(\$49,500)	(\$27,000)	(\$4,500)	\$0	(\$130,500)
Model Costs			(\$250,000)	\$0	\$0	\$0	\$0	(\$250,000)
Site Development Costs			\$0	\$0	\$0	\$0	\$0	\$0
Building Permits			(\$374,500)	(\$374,500)	(\$74,900)	\$0	\$0	(\$823,900)
Subtotal:			(\$1,052,427)	(\$802,427)	(\$1,807,624)	(\$1,673,856)	(\$577,786)	(\$5,914,121)
Appreciated Expenses								
Direct Construction Costs			(\$4,037,500)	(\$8,075,000)	(\$8,882,500)	(\$4,845,000)	(\$807,500)	(\$26,647,500)
Quarterly Appreciation Factor	1.0000		1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Direct Costs			(\$4,037,500)	(\$8,075,000)	(\$8,882,500)	(\$4,845,000)	(\$807,500)	(\$26,647,500)
Indirect Construction Costs	10.0%		(\$403,750)	(\$807,500)	(\$888,250)	(\$484,500)	(\$80,750)	(\$2,664,750)
Subtotal:			(\$4,441,250)	(\$8,882,500)	(\$9,770,750)	(\$5,329,500)	(\$888,250)	(\$29,312,250)
Total Expenses			(\$5,493,677)	(\$9,684,927)	(\$11,578,374)	(\$7,003,356)	(\$1,466,036)	(\$35,226,371)
NET INCOME BEFORE DEVELOPER'S INCENTIVE			(\$5,493,677)	(\$9,684,927)	\$11,120,489	\$15,695,508	\$3,161,236	\$14,798,629
Total Project Incentive	10.0%		\$0	\$0	(\$2,269,886)	(\$2,269,886)	(\$462,727)	(\$5,002,500)
NET INCOME (BEFORE DISCOUNTING)			(\$5,493,677)	(\$9,684,927)	\$8,850,603	\$13,425,622	\$2,698,509	\$9,796,129
Net Present Value								\$9,800,000
Per Unit								\$890,909

Land Residual Analysis - Parcel 1Y																				
	Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
REVENUE AND SALES																				
Sales - Townhomes and Flats	0	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	3	0	0	73
Unsold Inventory	73	68	63	58	53	48	43	38	33	28	23	18	13	8	3	0	0	0	0	
Close of Escrow (COE)	0	0	0	5	5	5	5	5	5	5	5	5	5	5	5	5	5	3	73	
Pending/Under Construction	0	5	10	15	15	15	15	15	15	15	15	15	15	15	15	15	13	8	3	
Under Construction by %		2.3%	4.6%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	5.9%	3.7%	1.4%	100.0%
Unclosed Inventory		73	73	68	63	58	53	48	43	38	33	28	23	18	13	8	3	0	0	
Home Site Sales	0	0	0	0	0	0	0	0	0	1	1	1	1	1	0	0	0	0	5	
Unsold Homesites	5	5	5	5	5	5	5	5	5	4	3	2	1	0	0	0	0	0	0	
Close of Escrow (COE)	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	0	0	0	5	
Unclosed Inventory		5	5	5	5	5	5	5	5	5	4	3	2	1	0	0	0	0	0	
Contracted Base Revenue (Before Appreciation)																				
Townhomes & Flats		\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$0	\$0	\$310,250,000
Home Sites		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$0	\$0	\$0	\$25,000,000
Total Revenue (Before Appreciation)		\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$21,250,000	\$12,750,000	\$0	\$335,250,000
Quarterly Appreciation Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Contracted Home Revenue		\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$21,250,000	\$12,750,000	\$0	\$335,250,000
Appreciated Closing Home Revenue		\$0	\$0	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$21,250,000	\$12,750,000	\$335,250,000	
Model Recapture Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$87,500	\$87,500	\$175,000
Lot Premiums		\$0	\$0	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$1,414,726	\$34,425,000
Total Revenue		\$0	\$0	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$23,695,377	\$14,252,226	\$369,850,000
EXPENSES AND CASH FLOWS																				
Fixed or Percentage Expenses																				
General and Administrative	3.0%	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$11,095,500)
Marketing and Sales	6.0%	\$0	\$0	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$22,191,000)
Ad Valorem Real Estate Taxes	\$12,626	(\$214,636)	(\$214,636)	(\$198,854)	(\$183,072)	(\$166,975)	(\$151,192)	(\$135,410)	(\$119,628)	(\$103,824)	(\$99,106)	(\$78,528)	(\$66,030)	(\$53,466)	(\$41,033)	(\$25,251)	(\$9,469)	\$0	(\$1,852,733)	
CFD No. 2016-1 (Treasure Island)	\$18,759	(\$342,349)	(\$342,349)	(\$318,901)	(\$295,452)	(\$272,004)	(\$248,555)	(\$225,106)	(\$201,658)	(\$178,209)	(\$154,761)	(\$131,312)	(\$107,864)	(\$84,415)	(\$60,966)	(\$37,518)	(\$14,069)	\$0	(\$3,015,489)	
HOA per Month	\$1,500	(\$328,500)	(\$328,500)	(\$306,000)	(\$283,500)	(\$261,000)	(\$238,500)	(\$216,000)	(\$193,500)	(\$171,000)	(\$148,500)	(\$126,000)	(\$103,500)	(\$81,000)	(\$58,500)	(\$36,000)	(\$13,500)	\$0	(\$2,893,500)	
Model Costs		(\$250,000)	(\$250,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$500,000)
Site Development Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits		(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$224,700)	\$0	\$0
Subtotal:		(\$2,162,662)	(\$2,162,662)	(\$3,267,404)	(\$3,205,674)	(\$3,143,627)	(\$3,081,897)	(\$3,020,166)	(\$2,958,435)	(\$2,896,383)	(\$2,837,936)	(\$3,079,489)	(\$3,021,042)	(\$2,962,530)	(\$2,904,149)	(\$2,849,618)	(\$2,111,437)	(\$1,507,810)	(\$47,015,921)	
Appreciated Expenses																				
Direct Construction Costs		(\$3,973,750)	(\$7,947,500)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$10,331,750)	(\$6,358,000)	(\$2,384,250)	(\$174,050,250)
Quarterly Appreciation Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Direct Costs		(\$3,973,750)	(\$7,947,500)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$10,331,750)	(\$6,358,000)	(\$2,384,250)	(\$174,050,250)
Indirect Construction Costs	10.0%	(\$397,375)	(\$794,750)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,033,175)	(\$635,800)	(\$238,425)	(\$17,405,025)
Subtotal:		(\$4,371,125)	(\$8,742,250)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$11,364,925)	(\$6,993,800)	(\$2,622,675)	(\$191,455,275)
Total Expenses		(\$6,533,787)	(\$10,904,912)	(\$16,380,779)	(\$16,319,049)	(\$16,257,002)	(\$16,195,272)	(\$16,133,541)	(\$16,071,810)	(\$16,009,758)	(\$15,951,311)	(\$16,192,864)	(\$16,134,417)	(\$16,075,905)	(\$16,017,524)	(\$15,957,543)	(\$9,105,237)	(\$4,130,485)	(\$238,471,196)	
NET INCOME BEFORE DEVELOPER'S INCENTIVE		(\$6,533,787)	(\$10,904,912)	\$7,227,098	\$7,288,828	\$7,350,875	\$7,412,605	\$7,474,336	\$7,536,067	\$7,598,119	\$7,656,566	\$12,415,013	\$12,473,459	\$12,531,972	\$12,590,353	\$14,550,334	\$14,590,139	\$10,121,741	\$131,378,804	
Total Project Incentive	9.0%	\$0	\$0	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,574,709)	(\$2,574,709)	(\$2,574,709)	(\$2,574,709)	(\$2,574,709)	(\$2,574,709)	(\$2,132,584)	(\$1,282,700)	(\$33,286,500)
NET INCOME (BEFORE DISCOUNTING)		(\$6,533,787)	(\$10,904,912)	\$5,102,389	\$5,164,119	\$5,226,166	\$5,287,896	\$5,349,627	\$5,411,358	\$5,473,410	\$5,531,857	\$9,840,304	\$9,898,750	\$9,957,263	\$10,015,644	\$11,975,625	\$12,457,555	\$8,839,041	\$98,092,304	
Present Value Factors																				
Discount Rate (Cost of Borrowed Funds)	5.00%	0.98765	0.97546	0.96342	0.95152	0.93978	0.92817	0.91672	0.90540	0.89422	0.88318	0.87228	0.86151	0.85087	0.84037	0.82999	0.81975	0.80963		
Discounted Cash Flow		(\$6,453,123)	(\$10,637,317)	\$4,915,735	\$4,913,785	\$4,911,431	\$4,908,092	\$4,904,088	\$4,899,435	\$4,894,437	\$4,885,631	\$8,583,475	\$8,527,859	\$8,472,363	\$8,416,828	\$9,939,687	\$10,212,035	\$7,156,317	\$83,450,756	
Net Present Value																				\$83,450,000
																				\$1,069,872

### Summary of Lot Values

Based on the preceding analysis, a summary of finished lot values for Parcels 4Y, 3Y, and 1Y is provided below:

<b>Aggregate Finished Lot Value - All Parcels</b>			
<b>Parcel</b>	<b>Value</b>	<b>Units/Lots</b>	<b>Value per Unit/Lot</b>
Parcel 4Y	\$75,280,000	177	\$425,311
Parcel 3Y	\$9,800,000	11	\$890,909
Parcel 1Y	\$83,450,000	78	\$1,069,872

As a test of reasonableness for the above finished lot values, we also recent consider bulk residential land sales for proposed attached product throughout the Bay Area. The sales are considered below, unadjusted, on a loaded lot basis meaning the price per lot is inclusive of remaining site development costs, permits and fees, and special taxes. Permits and fees are then deducted to include a price per lot which considers site development and special taxes. The sales are ranked compared to the subject in the following table.

<b>Bulk Lot Ranking Summary</b>						
<b>Property</b>	<b>City</b>	<b>Sale Date</b>	<b>Number of Lots</b>	<b>\$/ Loaded Lot (Unadjusted)</b>	<b>Less Permits &amp; Fees</b>	<b>\$/Loaded Lot Less Permits and Fees</b>
Subject Property	San Francisco	--			--	
Mission Blvd & Tennyson Rd	Hayward	In-Contract	59	\$405,000	(\$62,000)	\$343,000
280 7th Street	San Francisco	Jun-16	21	\$272,095	(\$23,809)	\$248,286
Dublin Crossing - Fillmore	Dublin	Dec-16	80	\$428,846	(\$86,286)	\$342,560
Dublin Crossing IA 2 - Downing	Dublin	Dec-17	48	\$402,772	(\$78,220)	\$324,552
Dublin Crossing Improvement Area (IA) 2 - Broadway	Dublin	Sep-18	110	\$356,662	(\$80,602)	\$276,060
Dublin Crossing IA 2 - Skyline	Dublin	Sep-18	114	\$348,174	(\$78,862)	\$269,312
Dublin Crossing IA 2 - Hyde Park	Dublin	Dec-17	102	\$318,296	(\$79,343)	\$238,953

In addition to the loaded lot analysis above, we have also considered a bulk lot sale in San Mateo County which closed on June 5, 2020. The buyer, Pulte Group, purchased two parcels at 1-3 Waters Park Drive for development of 190 residential units. The property was entitled at the time of sale, and Pulte paid \$106,000,000, or \$557,895 per lot.

Based on the data above, the value per lot conclusion for Parcel 4Y appears reasonable. Parcels 3Y and 1Y will be entirely comprised of higher priced townhomes, flats, and homesites; bulk land sales for attached product comparable to the subject are scarce.

## Subdivision Development Method

In order to estimate the market value of the subject in bulk, a discounted cash flow analysis will be employed; whereby, the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the holdings will be taken into account. A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

As a discounted cash flow analysis, the subdivision development method consists of four primary components summarized as follows:

**Revenue** – the gross income is based on the individual component values.

**Absorption Analysis** – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

**Expenses** – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

**Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section. Due to the ownership structure of the subject parcels, two different discounted cash flows will be presented to provide value by ownership. The first will include Parcels 4Y and 3Y, while the second will include Parcel 1Y.

### Revenue

The revenue component associated with the subject includes the concluded values for the various land use components derived in the previous section, which is summarized below. The revenue is summarized in the following table.

<b>Aggregate Finished Lot Value - All Parcels</b>			
<b>Parcel</b>	<b>Value</b>	<b>Units/Lots</b>	<b>Value per Unit/Lot</b>
Parcel 4Y	\$75,280,000	177	\$425,311
Parcel 3Y	\$9,800,000	11	\$890,909
Parcel 1Y	\$83,450,000	78	\$1,069,872

### Absorption

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the parcels, we have considered historic absorption rates for similar properties and also attempted to consider the impacts

of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject properties. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, or large land holding, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project.

The subject community will include 261 for-sale residential units and five homesites. The project will also include a community amenities building, a public park, and various pedestrian paths. In addition, Parcel 2Y will eventually be developed with a 50-key boutique hotel; however, as previously noted, this parcel is not presently subject to the Lien of the Special Tax and is, therefore, not part of the subject property. Currently, construction is underway on Parcel 4Y, which will include The Bristol and 53 townhomes/flats. The majority of backbone infrastructure associated with Yerba Buena Island is expected to be completed in 2020, with the remaining infrastructure anticipated to be finished the following year.

In the analysis that follows, we estimate a total absorption (sell-off) period of 18 months, or 1.5 years, for the holdings in each of the discounted cash flows.

Parcels 4Y and 3Y are expected to be sold off first, with the revenue considered in the first period and the second and third periods needed to complete backbone infrastructure.

Parcel 1Y is projected to be sold off in the second period, with the third period needed to complete backbone infrastructure.

## **Expense Projections**

### **Changes in Expenses (Expense Increases or Decreases)**

Market participants widely expect expenses to increase either from inflation or labor increases (as workers become less willing to accept lower pay as more sources of work become available). General and administrative and marketing and sale expenses are calculated in this section as a fixed percentage of revenue. Property tax expenses are trended upward, as will be discussed in a later section.

### **General and Administrative**

General and administrative expenses would include management of project entitlements and Community Facilities District financing, as well as coordination with others. This expense category typically ranges from 2.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. For purposes of this analysis, we have estimated this expense at 2.0% of revenue, which is spread evenly over the sell-off period.

**Marketing and Sale**

The costs associated with marketing, commissions and closing costs relative to the disposition of the subjects' components are estimated at 2% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is consistent with current industry trends. Larger transactions, such as the subject, typically have a lower sales commission as a percentage of sale price. For the sell-off of residential parcels (Units) to builders, marketing costs would be negligible, since master developers often contact builders directly and indicate lots are available, rather than openly list properties and have marketing costs.

**Property Taxes (Ad Valorem and Special Taxes)**

This appraisal is predicated on, and assumes, a sale of the appraised property in bulk. Interim ad valorem real estate taxes are based on a tax rate of 1.1801%. This rate is applied to the estimated market value (in bulk) and divided by the total number of lots to yield an estimate of ad valorem taxes/lot/year. The ad valorem taxes are appreciated by 2% per year and the total tax expense is gradually reduced over the absorption period, as the land components are sold off.

The subject is within the boundary of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. According to the Rate and Method of Apportionment, the special tax for facilities is \$256,451 per acre for Parcels 4Y, 3Y, and 1Y for Fiscal Year 2020-21. The maximum annual special tax for facilities is subject to an annual increase of 2%, beginning on July 1, 2021. For purposes of estimating the annual interim special tax lien, the total taxes will be estimated based on information provided by the City and County of San Francisco and Stifel. As with the ad valorem tax, the special tax expense is gradually reduced over the absorption period as the land components are sold off.

The purpose of this analysis is to estimate the market value of the underlying land, which serves as the collateral to the Bond issuance. As components of the appraised properties are sold off in this analysis, the balance of the special tax obligations necessary to service the debt associated with the bonds are presumed to be collected from the new owners (buyers of the various land parcels) in the CFD.

**Backbone Infrastructure**

The appraised properties comprise a portion of the larger Treasure Island Development Program, a proposed 461-acre project which, upon completion, will include up to 8,000 homes, 500 hotel rooms, 450,000 square feet of retail space, 100,000 square feet of office space, a marina, ferry terminal, open space/public parks and pedestrian trails. The project is located on a portion of a former United States Navy base which includes Treasure Island (artificially created with bay sand) and 89-acres of Yerba Buena Island (YBI). Development of the subject property, City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, requires the completion of significant backbone infrastructure serving not only Improvement Area No. 1, but future development on Treasure Island.

According to the development budget provided by the master developer, total infrastructure costs associated with development of Improvement Area No. 1 is \$164,456,630. Further, according to the master developer, \$33,542,306 of the total infrastructure costs are allocated to properties on Treasure Island, outside the boundaries of the CFD. Thus, the total infrastructure costs directly

attributable to YBI is \$130,914,324 (\$164,456,630 - \$33,542,306), the difference representing such infrastructure costs proportionately obligated by future development of Treasure Island. Further, it is noted, the YBI costs (\$130,914,324) are attributable to Parcels, 1Y, 2Y, 3Y, and 4Y of Improvement Area No. 1; whereas, Parcel 2Y, as previously noted, is not a part of this Appraisal. As such, the proportionate share of infrastructure costs for YBI attributable to the subject property (Parcels 1Y, 3Y, and 4Y) will be considered in the valuation analysis herein, along with consideration for the costs incurred to date. According to the development budget provided by the master developer, the master developer has incurred \$74,386,412 in development costs overall; thus, remaining development costs total \$90,070,218 (\$164,456,630 - \$74,386,412), of which \$66,319,796 is associated with YBI.

The following table provides an allocation of backbone infrastructure costs for YBI. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership.

<b>Pro Rata Share of Infrastructure</b>					
<b>Designation</b>	<b>Total Costs</b>	<b>Costs Incurred to Date</b>	<b>Remaining Costs to Complete</b>		
<b>Total Infrastructure Costs:</b>	<b>\$164,456,630</b>	<b>\$74,386,412</b>	<b>\$90,070,218</b>		
Non-CFD Property Allocation:	<u>\$33,542,306</u>	<u>\$9,791,884</u>	<u>\$23,750,422</u>		
<b>CFD Property (Allocation)</b>	<b>\$130,914,324</b>	<b>\$64,594,528</b>	<b>\$66,319,796</b>		

<b>Parcel</b>	<b>Acreage</b>	<b>Pro Rata Share</b>	<b>YBI Cost Segregation</b>	<b>Costs Incurred to Date</b>	<b>Remaining Costs to Complete</b>
Parcel 1Y	6.49	41.9%	\$54,821,509	\$27,049,519	\$27,771,990
Parcel 2Y	2.28	14.7%	\$19,264,635	\$9,505,377	\$9,759,258
Parcel 3Y	1.41	9.1%	\$11,893,653	\$5,868,455	\$6,025,197
Parcel 4Y	5.32	34.3%	\$44,934,528	\$22,171,177	\$22,763,351
	<b>15.50</b>	<b>100.0%</b>	<b>\$130,914,324</b>	<b>\$64,594,528</b>	<b>\$66,319,796</b>

Remaining Costs Left to Spend - Parcel 2Y & Non-CFD land					\$33,509,680
<b>Remaining Costs Left to Spend - Parcels 1Y, 3Y, 4Y</b>					<b>\$56,560,538</b>

<b>Parcel</b>	<b>Revenue</b>	<b>Pro Rata Share</b>	<b>-</b>	<b>-</b>	<b>Remaining Costs to Spend</b>
3Y & 4Y	\$85,080,000	50.5%			\$28,553,792
1 Y	\$83,450,000	49.5%			\$28,006,746
	<b>\$168,530,000</b>	<b>100.0%</b>			<b>\$56,560,538</b>

For purposes of this analysis, the remaining infrastructure development costs associated with the subject property (Parcels 1Y, 3Y and 4Y) are estimated to be \$56,560,538 (shown above), and will be considered in the discounted cash flow analyses by ownership on a pro rata share as shown above. Additionally, the infrastructure costs will be disbursed during the sell-out period, with 60% of the costs presumed to be incurred in Period 1 (6 months), followed by a descending cost expenditure through Period 3 (18 months), based on information provided by the master developer.



### Internal Rate of Return

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the “base” equity position when a portion of the development is financed. The “base” equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey<sup>[1]</sup>, discount rates for land development projects ranged from 10.00% to 20.00%, with an average of 15.20% during the Second Quarter 2020, which is 70 basis points lower than the average reported in the Fourth Quarter 2019, the last time the survey was conducted and 30 basis points lower than a year ago. Without entitlements in place, certain investors will increase the discount rate between 100 and 1,500 basis points (the average increase is 338 basis points). These rates are free-and-clear of financing, are inclusive of developer’s profit, and assume entitlements are in place. The surveyed investors have mixed opinions regarding value trends for the national development land market; their expectations range from negative 40.0% to positive 5.0% with an average expected value change of negative 6.9%. This average is far below where it was six months ago (+2.3%), as well as one year ago (+3.2%)

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer’s profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer’s profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. “These are highly uncertain times, and we are moving in a direction no one thought we’d be headed a few months ago,” shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on

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[1] PwC Real Estate Investor Survey, PricewaterhouseCoopers, 2<sup>nd</sup> Quarter 2020, Volume 33, Number 2.

the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

While investors are more optimistic about development opportunities for the year ahead in the apartment, office, warehouse, and even retail sectors, they are less enthusiastic about the hotel sector, where the annual score drops from 3.21 to 2.94 (on a scale of 1 being abysmal and 5 being excellent). (Fourth Quarter 2019)

Over the next 12 months, surveyed investors hold mixed opinions regarding value trends for the national development land market. Their expectations range from -5.0% to +10.0% with an average expected value change of +3.2%. This average is slightly below where it was six months ago (+3.8%), but ahead of the rate from a year ago (+1.2%). (Second Quarter 2019)

Looking ahead over the next 12 months, surveyed investors forecast property values in the national development land market to either increase as much as 10.0% or decrease as much as 5.0%. Their average expected appreciation rate is 3.8% – just above the rate of 3.5% six months ago. (Fourth Quarter 2018)

Compared to investors' responses six months ago, a greater sense of caution is evident among our participants due to heightened uncertainty as it related to the current political environment, capital markets, and the industry's position in the real estate cycle... "the further path of interest rates and inflation, the longevity of the current cycle [*are we near the peak?*], and the high degree of uncertainty with regard to the overall stability of the decision makers in the federal government. (Second Quarter 2018)

The largest increase over the past year occurs for the retail sector, where the rating rises from 2.42 to 2.55. The retail sector's development rating took a big hit between 2016 and 2017 and it appears that developers are now becoming more comfortable with this sector's evolution. Ironically, the only two sectors to see their development ratings decline this year, albeit slightly, are apartments and industrial, where concerns of oversupply issues have been expressed... Single-family development also gets a nod, as well as senior housing, where favorable demographics, compelling returns, greater liquidity, rising transparency, and mounting understanding of the benefits for residents appeal to investors... (Fourth Quarter 2017)

This quarter, most surveyed investors note that the industrial sector presents the best opportunities for development land investing in the near term. Other top choices include restaurant and high-end luxury residential... Total spending on U.S. private construction was up 7.0% on a year-over-year basis in March 2017, according to the U.S. Census Bureau. When looking more closely, private residential spending was up 7.5% while private nonresidential spending was up 6.4% – still positive, but below its year-over-year growth for March 2016 (9.3%). In the nonresidential sector, communication, office, and education reported the highest year-over-year gains in spending as of March 2017. In contrast, spending for health care, religious, and transportation construction declined year over year in March 2017... (Second Quarter 2017)

**Project Yield Rate Survey**

<b>Data Source</b>	<b>Yield / IRR Expectations (Inclusive of Profit)</b>
PwC Real Estate Investor Survey - Second Quarter 2020 (updated semi-annually)	Range of 10.0% to 20.0%, with an average of 15.2%, inclusive of profit and assuming entitlements in place, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

There are several positive attributes associated with the subject property that we consider in our selection of a discount rate, including (but not necessarily limited to):

- Entitlement status of the subject property
- Demand for residential and hotel land use components within the market area; the lack of available land for development in San Francisco
- Yerba Buena Island's good interstate access to both Oakland and San Francisco; the planned ferry service to San Francisco
- The sweeping San Francisco Bay and skyline views for many of the subject units
- Substantial costs (approximately \$26,200,000) have been spent on the vertical construction of The Bristol as of the effective appraisal date.

Even though much of the entitlement risk and the extent of the development and mitigation costs have been mitigated and quantified, there is risk associated with estimating the timing that the subject components will be sold off. In addition, there is risk associated with unforeseen factors such as broad economic declines. Finally, there remains a significant amount of backbone infrastructure to be completed during the sell-off period; additionally, the sell-off period (18 months) is considered somewhat protracted, which increases overall risk. Considering these factors, and the positive and negative characteristics previously described, a discount rate of **15%** is estimated for the subject property.

### **Conclusion**

The subdivision development method is presented as follows:

Subdivision Development Method - Parcels 4Y and 3Y					
Inputs					
Revenue & Expenses			Ad Valorem Tax Table		
Taxable Land Acreage - Parcels 4Y and 3Y	6.73		Annual Increase in Property Taxes	2%	
Total Land Revenue	\$85,080,000		First Year Annual Taxes/Acre	\$87,970	
Total Revenue per Acre	\$12,644,093				
Parcel 4Y Land Acreage	5.32		Special Assessments - Treasure Island CFD No.2016-1		Max Escalation
Parcel 4Y Revenue	\$75,280,000		Townhomes		
			Treasure Island CFD #1	\$6.30 /psf	2%
Parcel 3Y Land Acreage	1.41		Flats		
Parcel 3Y Revenue	\$9,800,000		Treasure Island CFD #1	\$6.64 /psf	2%
			The Bristol		
			Treasure Island CFD #1	\$6.64 /psf	2%
Annual Revenue Appreciation	0%		Average Special Tax per Acre - All Uses		\$300,335 /acre 2%
General & Administrative	2.0%				
Marketing and Commissions	2.0%				
Remaining Infrastructure Costs	\$28,553,792				
Revenue, Expenses and Valuation					
Revenue	Period (6 mths)	1	2	3	Total
Sales (Acreage):		6.73	0.00	0.00	6.73
End of Period Inventory		0.00	0.00	0.00	
Total Period Inventory (acres)		6.73	0.00	0.00	
Land Sales Revenue Unappreciated		\$85,080,000	\$0	\$0	\$85,080,000
Land Sales Revenue Appreciated		\$85,080,000	\$0	\$0	\$85,080,000
<b>Total Revenue</b>		<b>\$85,080,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$85,080,000</b>
Expenses	All Categories				
General & Administrative		(\$567,200)	(\$567,200)	(\$567,200)	(\$1,701,600)
Marketing/Commissions		(\$1,701,600)	\$0	\$0	(\$1,701,600)
Backbone Infrastructure	60%		30%	10%	100%
		(\$17,132,275)	(\$8,566,138)	(\$2,855,379)	(\$28,553,792)
Ad Valorem Taxes		(\$295,969)	\$0	\$0	(\$295,969)
Treasure Island CFD#1		\$0	\$0	\$0	\$0
<b>Total Expenses</b>		<b>(\$19,697,044)</b>	<b>(\$9,133,338)</b>	<b>(\$3,422,579)</b>	<b>(\$32,252,961)</b>
<b>Net Income</b>		<b>\$65,382,956</b>	<b>(\$9,133,338)</b>	<b>(\$3,422,579)</b>	<b>52,827,039</b>
<b>Internal Rate of Return</b>	<b>15.00%</b>	<b>0.93023</b>	<b>0.86533</b>	<b>0.80496</b>	
<b>Discounted Cash Flow</b>		<b>\$60,821,354</b>	<b>(\$7,903,375)</b>	<b>(\$2,755,041)</b>	<b>\$50,162,938</b>
<b>Net Present Value</b>		<b>\$50,162,938</b>			
<b>Conclusion of Value by Discounted Cash Flow Analysis (Rd.)</b>					<b>\$50,160,000</b>

Subdivision Development Method - Parcel 1Y					
Inputs					
Revenue & Expenses			Ad Valorem Tax Table		
Taxable Land Acreage - Parcel 1Y	6.49		Annual Increase in Property Taxes	2%	
Total Land Revenue	\$83,450,000		First Year Annual Taxes/Acre	\$78,919	
Total Revenue per Acre	\$12,855,806				
Parcel 1Y Land Acreage	6.49		Special Assessments - Treasure Island CFD No.2016-1		Max Escalation
Parcel 1Y Revenue	\$83,450,000		Townhomes		
			Treasure Island CFD #1	\$6.30 /psf	2%
			Flats		
			Treasure Island CFD #1	\$6.64 /psf	2%
Annual Revenue Appreciation	0%		Average Special Tax per Acre - All Uses		\$210,961 /acre 2%
General & Administrative	2.0%				
Marketing and Commissions	2.0%				
Remaining Infrastructure Costs	\$28,006,746				
Revenue, Expenses and Valuation					
Revenue	Period (6 mths)	1	2	3	Total
Sales (Acreage):		0.00	6.49	0.00	6.49
End of Period Inventory		6.49	0.00	0.00	
Total Period Inventory (acres)		6.49	6.49	0.00	
Land Sales Revenue Unappreciated		\$0	\$83,450,000	\$0	\$83,450,000
Land Sales Revenue Appreciated		\$0	\$83,450,000	\$0	\$83,450,000
<b>Total Revenue</b>		<b>\$0</b>	<b>\$83,450,000</b>	<b>\$0</b>	<b>\$83,450,000</b>
Expenses	All Categories				
General & Administrative		(\$556,333)	(\$556,333)	(\$556,333)	(\$1,669,000)
Marketing/Commissions		\$0	(\$1,669,000)	\$0	(\$1,669,000)
Backbone Infrastructure	60%		30%	10%	100%
		(\$16,804,048)	(\$8,402,024)	(\$2,800,675)	(\$28,006,746)
Ad Valorem Taxes		(\$256,141)	(\$256,141)	\$0	(\$512,281)
Treasure Island CFD#1		\$0	(\$339,302)	\$0	(\$339,302)
<b>Total Expenses</b>		<b>(\$17,616,522)</b>	<b>(\$11,222,800)</b>	<b>(\$3,357,008)</b>	<b>(\$32,196,330)</b>
<b>Net Income</b>		<b>(\$17,616,522)</b>	<b>\$72,227,200</b>	<b>(\$3,357,008)</b>	<b>51,253,670</b>
<b>Internal Rate of Return</b>	<b>15.00%</b>	<b>0.93023</b>	<b>0.86533</b>	<b>0.80496</b>	
<b>Discounted Cash Flow</b>		<b>(\$16,387,462)</b>	<b>\$62,500,551</b>	<b>(\$2,702,259)</b>	<b>\$43,410,830</b>
<b>Net Present Value</b>		<b>\$43,410,830</b>			
<b>Conclusion of Value by Discounted Cash Flow Analysis (Rd.)</b>					<b>\$43,410,000</b>

## Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

### Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value of the CFD - Parcels 3Y & 4Y	Fee Simple	July 31, 2020	\$50,160,000
Market Value of the CFD - Parcel 1Y	Fee Simple	July 31, 2020	\$43,410,000

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 31, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

## Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local proposed residential property market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

## Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.



## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, Kevin Ziegenmeyer, MAI, and Laura Diaz made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Eric Segal, MAI, and Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.



15. As of the date of this report, Laura Diaz has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567



Laura Diaz  
Certified General Real Estate Appraiser  
California Certificate # 3005037

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environmental hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the July 31, 2020. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
-



## **Addendum A**

### **Appraiser Qualifications**



# Eric Segal, MAI

## Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

## Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

## Licenses

California, Certified General, AG026558, Expires February 2021  
Nevada, Certified General, A.0207666-CG, Expires January 2021  
Washington, Certified General, 20100611, Expires June 2021  
Arizona, Certified General, CGA - 1006422, Expires January 2022

## Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice  
Appraisal Principles  
Basic Income Capitalization  
Highest & Best Use and Market Analysis  
Advanced Income Capitalization  
Report Writing and Valuation Analysis  
Self-Storage Economics and Appraisal Seminar  
Appraisal Litigation Practice and Courtroom Management  
Hotel Valuations: New Techniques for today's Uncertain Times  
Computer Enhanced Cash Flow Modeling  
Advanced Sales Comparison & Cost Approaches  
Advanced Applications  
Supervisor-Trainee Course for California

## Integra Realty Resources Sacramento

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F 916-435-4774

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Eric A. Segal**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

**"Certified General Real Estate Appraiser"**

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019

Date Expires: February 18, 2021

Jim Martin, Bureau Chief, BREA

3044479

# Kevin Ziegenmeyer, MAI

## Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

## Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2021

## Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

## Integra Realty Resources San Francisco

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F 916-435-4774

[irr.com](http://irr.com)

[kziegenmeyer@irr.com](mailto:kziegenmeyer@irr.com) - 916-435-3883 x224



# Kevin Ziegenmeyer, MAI

## Education (Cont'd)

Land Valuation Adjustment Procedures  
Highest & Best Use and Market Analysis  
Entitlements, Land Subdivision & Valuation  
Real Estate Value Cycles  
El Dorado Hills Housing Symposium  
Federal Land Exchanges  
M & S Computer Cost-Estimating, Nonresidential

## Integra Realty Resources San Francisco

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Suite C  
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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Kevin K. Ziegenmeyer**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

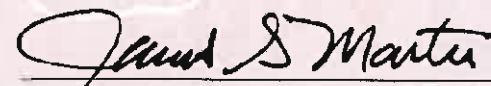
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2019

Date Expires: June 4, 2021

  
Jim Martin, Bureau Chief, BREA

3045137

# Laura Diaz

## Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

## Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

## Education

Academic:

Bachelor of Arts in English, University of Louisville

Master of Urban Planning, University of Louisville

Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Basic Appraisal Principles

Basic Appraisal Procedures

Real Estate Finance Statistics and Valuation Modeling

Site Valuation and Cost Approach

General Market Analysis and Highest and Best Use

Sales Comparison Approach

Income Capitalization Approach Part I

Income Capitalization Approach Part II

General Appraiser Report Writing and Case Studies

Expert Witness for Commercial Appraisers

Basic Hotel Appraising – Limited Service Hotels

## Integra Realty Resources San Francisco

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Suite C  
San Jose, CA 95126

T 415-715-4690  
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ldiaz@irr.com - 415-715-4690







Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Laura B. Diaz**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

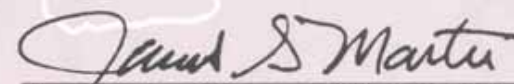
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2020

Date Expires: January 2, 2022

  
Jim Martin, Bureau Chief, BREA

3050185

## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

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## **Addendum B**

### **Definitions**

## Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

### **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

### **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

### **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

### **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

### **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

#### **Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

#### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

#### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

#### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

**Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.



## **Addendum C**

### **Property Information**





*First American Title*

## **First American Title Company**

**1001 Galaxy Way, Suite 101  
Concord, CA 94520**

Title Officer: Jim Benson  
Phone: (925)356-7194  
Fax No.: (866)493-5440  
E-Mail: jbenenson@firstam.com

Buyer: Treasure Island Series 1, LLC et al  
Property: Portions of Yerba Buena Island  
San Francisco, California

### **PRELIMINARY REPORT**

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. *The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.* Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

**Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.**

**It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.**

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of October 11, 2019 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

ALTA Standard Owner Policy - 2006

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

YBI Phase 2 Investors, LLC, a Delaware limited liability company, as to Parcel One,

YBI Phase 1 Investors, LLC, a Delaware limited liability company, as to Parcel Two, and

Treasure Island Series 1, LLC, a Delaware limited liability company, as to Parcel Three

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A fee.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2019-2020.

First Installment: \$77,860.95, OPEN

Penalty: \$0.00

Second Installment: \$77,860.95, OPEN

Penalty: \$0.00

Tax Rate Area: 01-000

A. P. No.: 8952-001

Affects: Parcel One

2. General and special taxes and assessments for the fiscal year 2019-2020.

First Installment: \$708,712.75, OPEN

Penalty: \$0.00

Second Installment: \$708,712.75, OPEN

Penalty: \$0.00

Tax Rate Area: 01-000

A. P. No.: 8954-002

Affects: Parcel Two

3. General and special taxes and assessments for the fiscal year 2019-2020.

First Installment: \$44,613.25, OPEN  
Penalty: \$0.00  
Second Installment: \$44,613.25, OPEN  
Penalty: \$0.00  
Tax Rate Area: 01-000  
A. P. No.: 8948-001

Affects: Parcel Three

4. Supplemental taxes for the year 2018-2019 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment: \$74,024.95, PAID  
Penalty: \$0.00  
Second Installment: \$74,024.95, OPEN  
Penalty: \$0.00  
Tax Rate Area: 01-000  
A. P. No.: 8952-001

Affects: Parcel One

5. Supplemental taxes for the year 2018-2019 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment: \$281,943.26, PAID  
Penalty: \$0.00  
Second Installment: \$281,943.26, OPEN  
Penalty: \$0.00  
Tax Rate Area: 01-000  
A. P. No.: 8954-002

Affects: Parcel Two

6. Assessment liens, if applicable, collected with the general and special taxes, including but not limited to those disclosed by the reflection of the following on the tax roll:

Community Facilities District SFUSD Facilities District.

Affects: Parcels One and Three

Community Facilities District IA1 CFD 2016 (Treasure Island CFD #1).

Affects: Parcel Two

7. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

8. The Land lies within the boundaries of Community Facilities District No. 90-1 of the San Francisco Unified School District, as disclosed by a notice recorded July 5, 1990 as Instrument No. E573343 of Official Records.

9. The lien of special tax assessed pursuant to Chapter 2.5 commencing with Section 53311 of the California Government Code for Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island), as disclosed by Notice of Special Tax Lien recorded February 9, 2017 as Instrument No. 2017-K406814 of Official Records.
10. An easement for communication cable lines and incidental purposes, recorded January 7, 1966 as Book B6, Page 29 of Official Records.  
In Favor of: The Pacific Telephone and Telegraph Company  
Affects: A portion of Parcel One

Document(s) declaring modifications thereof recorded February 10, 2016 as Instrument No. 2016K200003 of Official Records.

11. An easement for communication cable and related facilities and incidental purposes, recorded April 19, 1977 as Instrument No. Z096273, Book C350, Page 552 of Official Records.  
In Favor of: Pacific Telephone and Telegraph Company  
Affects: A portion of Parcel Three
12. The following matters as set forth in the Quitclaim Deed executed by and between the United States of America, acting by and through the Department of Transportation, Federal Highway Administration and State of California, acting by and through the Department of Transportation, recorded October 26, 2000 as Instrument No: 2000-G855531-00 in Reel H751, Image 410 of Official Records:

An easement as contained in the above document.

For: Ingress, egress, utilities and incidental purposes and incidental purposes. and incidental purposes.

Affects: Portions of the Land

Abutter's rights of ingress and egress to Interstate 80 were relinquished in the above Quitclaim Deed except at existing on- and off-ramps and/or at such on- and off-ramps to the freeway as may be constructed or otherwise specified in said Quitclaim Deed.

Affects: Parcel One

13. The terms and provisions of the unrecorded Interagency Cooperation Agreement (Treasure Island/Yerba Buena Island) dated as of June 28, 2011, executed by and between the City and County of San Francisco and the Treasure Island Development Authority, together with the terms and provisions of the Developer's Consent to ICA Agreement dated as of June 28, 2011, executed by Treasure Island Community Development, LLC, as disclosed by the Assignment and Assumption Agreement referred to below.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.

14. The terms and provisions contained in the document entitled Disposition and Development Agreement, executed by and between Treasure Island Development Authority and Treasure Island Community Development, LLC,, recorded August 10, 2011, as Instrument No. Book K457, Page 142 as Instrument No. 2011-J235239 of Official Records.

Said document includes a notice of Federal Facility Site Remediation Agreement.

Document(s) declaring modifications thereof recorded November 5, 2015 as Instrument No. 2015-K153304 of Official Records.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.

The terms and provisions contained in the document entitled "Reverter Release (Treasure Island/Yerba Buena Island)" recorded February 22, 2016 as Instrument No. 2016-K206337 of Official Records.

Document(s) declaring modifications thereof recorded January 22, 2018 as Instrument No. 2018-K569072 of Official Records.

Affects: Parcel Three

15. The terms and provisions contained in the document entitled Development Agreement, executed by and between City and County of San Francisco and Treasure Island Community Development, LLC, recorded August 10, 2011, in Book K457, Page 143 as Instrument No. 2011-J235240 of Official Records.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Development Agreement (Yerba Buena Island - Parcels 21 and 23 of Transfer Map No. 8674)" recorded June 22, 2018 as Instrument No. 2018-K629739 of Official Records.

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Development Agreement (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766276 of Official Records.

16. Covenants, terms and provisions as contained in the Economic Development Conveyance Memorandum of Agreement between the United States of America and the Treasure Island Development Authority for the Conveyance of the Naval Station Treasure Island, as disclosed by the Short Form Notice of Agreement recorded July 9, 2014 as Instrument No. 2014-J905758 of Official Records, including but not limited to the right of a party thereto to exercise any and all of the remedies for breach which are provided therein, as well as any other remedies to which the party is entitled at law or in equity.

The terms and provisions contained in the document entitled "Release of Agreement for Vertical Development" recorded May 29, 2015 as Instrument No. 2015-K068763 of Official Records.

Affects: Parcel Three

17. The terms and provisions contained in the document entitled Compromise Title Settlement and Land Exchange Agreement for Treasure Island and Yerba Buena Island recorded January 14, 2015 as Instrument No. 2015-K005565 of Official Records.

Document(s) declaring modifications thereof recorded October 23, 2015 as Instrument No. 2015-K148759 of Official Records.

18. The notices, terms, provisions, covenants, conditions and restrictions (including notices of the existence of hazardous waste) contained in the "Quitclaim Deed for the Initial Conveyance Yerba Buena Island and Environmental Restriction Pursuant to Civil Code Section 1471", recorded May 29, 2015 as Instrument No. 2015-K068759 of Official Records.

An easement as contained in the above document.

For: Ingress, egress, utilities, access for remedial action or corrective action, and incidental purposes.

19. The fact that the United States of America reserved the fee title to the Utility Infrastructure located within the Key Infrastructure Easement Areas in Section III.C. of the "Quitclaim Deed for the Initial Conveyance Yerba Buena Island and Environmental Restriction Pursuant to Civil Code Section 1471", recorded May 29, 2015 as Instrument No. 2015-K068759 of Official Records.

20. The terms and provisions of the following matters disclosed by the Assignment of Easements, Contracts, Licenses and Permits recorded May 29, 2015 as Instrument No. 2015-K068761 of Official Records:

- A. An unrecorded permit dated August 5, 1937 for cable purposes in favor of the Postal Telegraph-Cable Company.

Affects: Portions of the Land

- B. An unrecorded license dated December 30, 1886 for telephone submarine cable, poles and wires in favor of Sunset Telephone-Telegraph Company.

Affects: Portions of the Land

- C. Revocable permits dated May 17, 1938 to Pacific Telephone and Telegraph Company.

Affects: Portions of Parcels One and Three

21. The terms and provisions of the unrecorded Memorandum of Understanding dated as of October 1, 2015, executed by and among the Treasure Island Development Authority, the City and County of San Francisco, acting by and through its First Source Hiring Administration and Treasure Island Community Development, LLC, as disclosed by the Assignment and Assumption Agreement referred to below.

The terms and provisions contained in the document entitled "Assignment and Assumption Agreement (Treasure Island/Yerba Buena Island)" recorded November 24, 2015 as Instrument No. 2015-K159593 of Official Records.



22. A Deed of Trust to secure an original indebtedness of \$155,000,000.00 recorded March 4, 2016 as Instrument No. 2016-K211537 of Official Records.

Dated: March 4, 2016

Trustor: Treasure Island Series 1, LLC, a Delaware limited liability company

Trustee: First American Title Company

Beneficiary: Treasure Island Development Fund 1, LLC, a Delaware limited liability company

Affects: Parcel Three

Document(s) declaring modifications thereof recorded April 19, 2018 as Instrument No. 2018-K602993 of Official Records.

Document(s) declaring modifications thereof recorded June 22, 2018 as Instrument No. 2018-K629724 of Official Records.

Document(s) declaring modifications thereof recorded September 13, 2018 as Instrument No. 2018-K672609 of Official Records.

23. An easement for storm drain and low-pressure water improvements and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602948 of Official Records.

In Favor of: The City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission

Affects: Portions of Parcel Three

Terms and provisions contained in the above document.

24. An easement for a joint trench vault and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602949 of Official Records.

In Favor of: The City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission

Affects: Portions of Parcel Two

Terms and provisions contained in the above document.

25. An easement for a joint trench vault and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602950 of Official Records.

In Favor of: The City and County of San Francisco, a municipal corporation, acting by and through its Public Utilities Commission

Affects: A portion of Parcel Two

Terms and provisions contained in the above document.

26. An easement for low-pressure water improvements and incidental purposes, recorded April 19, 2018 as Instrument No. 2018-K602951 of Official Records.

In Favor of: The City and County of San Francisco, a municipal corporation,  
acting by and through its Public Utilities Commission

Affects: A portion of Parcel Two

Terms and provisions contained in the above document.

27. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602987 of Official Records.

Affects: Portions of Parcel Three

28. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602988 of Official Records.

Affects: Portions of Parcel Two

29. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602989 of Official Records.

Affects: A portion of Parcel Two

30. The terms and provisions contained in the document entitled "Offer of Improvements" recorded April 19, 2018 as Instrument No. 2018-K602990 of Official Records.

Affects: A portion of Parcel Two

31. Covenants, conditions, restrictions and easements in the document entitled "Declaration of Development Covenants, Conditions and Restrictions" recorded June 22, 2018 as Instrument No. 2018-K629725 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or applicable state law. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

32. An easement for shoring, grading, stockpiling, construction, equipment storage, right-of-way, public and private utilities, and incidental purposes, recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.

In Favor of: Treasure Island Series 1, LLC

Affects: Parcels One and Two as described in said document

Terms and provisions contained in the above document.

33. The terms and provisions contained in the document entitled "Vertical Disposition and Development Agreement" recorded June 22, 2018 as Instrument No. 2018-K629738 of Official Records.

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Assignment and Assumption of Vertical Disposition and Development Agreement (Yerba Buena Island - Transferred Parcels: Lot 21)" recorded May 14, 2019 as Instrument No. 2019-K766275 of Official Records.

The terms and provisions contained in the document entitled "Collateral Assignment and Assumption of Vertical Disposition and Development Agreement" recorded May 14, 2019 as Instrument No. 2019-K766280 of Official Records.

34. The terms and provisions contained in the document entitled "Option to Repurchase Property and Construction Covenants, Conditions and Restrictions" recorded June 22, 2018 as Instrument No. 2018-K629740 of Official Records.

Said document includes an option to repurchase in favor of Treasure Island Series 1, LLC, a California limited liability company.

Affects: Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

The terms and provisions contained in the document entitled "Subordination Agreement (Parcel: Yerba Buena Parcel 4Y Builder: YBI Phase I Investors, LLC)" recorded May 14, 2019 as Instrument No. 2019-K766279 of Official Records.

35. The terms and provisions contained in the document entitled "Agreement of Right of First Refusal" recorded June 22, 2018 as Instrument No. 2018-K629741 of Official Records.

Said document includes a right of first refusal in favor of Treasure Island Series 1, LLC, a California limited liability company.

Affects:               Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

The terms and provisions contained in the document entitled "Subordination Agreement (Parcel: Yerba Buena Parcel 4Y Builder: YBI Phase I Investors, LLC)" recorded May 14, 2019 as Instrument No. 2019-K766279 of Official Records.

36. A deed of trust to secure the performance of an agreement or other obligation, recorded June 22, 2018 as Instrument No. 2018-K629742 of Official Records.

Dated:                       June 22, 2018  
Trustor:                     YBI Phase 1 Investors, LLC, a Delaware limited liability company  
Trustee:                    First American Title Insurance Company  
Beneficiary:               Treasure Island Series 1, LLC, a Delaware limited liability company

Affects:               Parcels One and Two

The terms and provisions contained in the document entitled "Partial Assignment and Assumption of Each of: Declaration of Development Covenants, Conditions and Restrictions; Agreement of Right of First Refusal; Option to Repurchase Property and Construction Covenants, Conditions and Restrictions; and Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Yerba Buena Island – Lot 21 of Transfer Map No. 8674)" recorded May 14, 2019 as Instrument No. 2019-K766277 of Official Records.

The terms and provisions contained in the document entitled "Subordination Agreement (Parcel: Yerba Buena Parcel 4Y Builder: YBI Phase I Investors, LLC)" recorded May 14, 2019 as Instrument No. 2019-K766279 of Official Records.

37. A Deed of Trust to secure an original indebtedness of \$99,000,000.00 recorded May 14, 2019 as Instrument No. 2019-K766278 of Official Records.

Dated:                       May 14, 2019  
Trustor:                     YBI Phase 1 Investors, LLC, a Delaware limited liability company  
Trustee:                    First American Title Insurance Company, a Nebraska corporation  
Beneficiary:               Pacific Western Bank, a California state-chartered bank

Affects: Parcel Two

**Prior to the issuance of any policy of title insurance, the Company will require:**

38. With respect to YBI Phase 1 Investors, LLC, a Delaware limited liability company:
  - a. A copy of its operating agreement and any amendments thereto;
  - b. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
  - c. If it is a foreign limited liability company, that a certified copy of its application for registration (LLC-5) be recorded in the public records;
  - d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
    - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such document must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
    - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
  - e. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require
  
39. With respect to YBI Phase 2 Investors, LLC, a Delaware limited liability company:
  - a. A copy of its operating agreement and any amendments thereto;
  - b. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
  - c. If it is a foreign limited liability company, that a certified copy of its application for registration (LLC-5) be recorded in the public records;
  - d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
    - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such document must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
    - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
  - e. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require

40. With respect to Treasure Island Series 1, LLC, a Delaware limited liability company:
- a. A copy of its operating agreement and any amendments thereto;
  - b. If it is a California limited liability company, that a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) be recorded in the public records;
  - c. If it is a foreign limited liability company, that a certified copy of its application for registration (LLC-5) be recorded in the public records;
  - d. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, that such document or instrument be executed in accordance with one of the following, as appropriate:
    - (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such document must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
    - (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
  - e. Other requirements which the Company may impose following its review of the material required herein and other information which the Company may require

<b>INFORMATIONAL NOTES</b>
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Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.

1. According to the public records, there has been no conveyance of the land within a period of twenty four months prior to the date of this report, except as follows:

A document recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.

From: Treasure Island Series 1, LLC, a Delaware limited liability company

To: YBI Phase 1 Investors, LLC, a Delaware limited liability company

Affects: Parcels One and Two

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.



## **LEGAL DESCRIPTION**

Real property in the City and County of San Francisco, State of California, described as follows:

### **PARCEL ONE:**

Lot 21, as shown on Final Transfer Map No. 8674, filed for record in the Office of the Recorder of the City and County of San Francisco, in Book FF of Survey Maps at Pages 177-192 on December 7, 2015.

Excepting therefrom any and all oil, oil rights, minerals, mineral rights, natural gas rights and other hydrocarbons by whatsoever name known, geothermal steam or other resources, and all product derived from any of the foregoing, that may be within or under the foregoing land, together with the perpetual right of drilling, mining or exploring and operating therefor and storing in and removing the same from the land or any other land, including the right to whipstock or directionally drill and mine from lands other than those conveyed hereby, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines; without, however, the right to enter upon, drill, mine, store, explore and operate through the surface or the upper 500 feet of the subsurface of the land, as reserved in the Grant Deed from Treasure Island Series 1, LLC to YBI Phase 1 Investors, LLC recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.

### **PARCEL TWO:**

Lot 23, as shown on Final Transfer Map No. 8674, filed for record in the Office of the Recorder of the City and County of San Francisco, in Book FF of Survey Maps at Pages 177-192 on December 7, 2015.

Excepting therefrom, that portion within Lot G as shown on Subdivision Map No. 9228, filed for record in the Office of the Recorder of the City and County of San Francisco on April 19, 2018 in Book 134 of Condominium Maps at Pages 7 through 23.

Also excepting therefrom any and all oil, oil rights, minerals, mineral rights, natural gas rights and other hydrocarbons by whatsoever name known, geothermal steam or other resources, and all products derived from any of the foregoing, that may be within or under the foregoing land, together with the perpetual right of drilling, mining or exploring and operating therefor and storing in and removing the same from the land or any other land, including the right to whipstock or directionally drill and mine from lands other than those conveyed hereby, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines; without, however, the right to enter upon, drill, mine, store, explore and operate through the surface or the upper 500 feet of the subsurface of the land, as reserved in the Grant Deed from Treasure Island Series 1, LLC to YBI Phase 1 Investors, LLC recorded June 22, 2018 as Instrument No. 2018-K629735 of Official Records.

### **PARCEL THREE:**

Lot 19, as shown on Final Transfer Map No. 8674, filed for record in the Office of the Recorder of the City and County of San Francisco, in Book FF of Survey Maps at Pages 177-192 on December 7, 2015.

APN: 8952-001 (Affects Lot 21)  
8954-002 (Affects Lot 23)  
8948-001 (Affects Lot 19)

***NOTICE***

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

**EXHIBIT A**  
**LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)**

**CLTA STANDARD COVERAGE POLICY – 1990**  
**EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
  - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy; or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

**EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.  
 Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public, records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the public records at Date of Policy.

**CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)**  
**EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
  - a. building;
  - b. zoning;
  - c. land use;

- d. improvements on the Land;
  - e. land division; and
  - f. environmental protection.
- This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
- 2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
  - 3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
  - 4. Risks:
    - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
    - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
    - c. that result in no loss to You; or
    - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
  - 5. Failure to pay value for Your Title.
  - 6. Lack of a right:
    - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
    - b. in streets, alleys, or waterways that touch the Land.
- This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
- 7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
  - 8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
  - 9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

#### **LIMITATIONS ON COVERED RISKS**

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:  
For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.  
The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16:	1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less)	\$10,000
Covered Risk 18:	1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less)	\$25,000
Covered Risk 19:	1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less)	\$25,000
Covered Risk 21:	1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less)	\$5,000

#### **2006 ALTA LOAN POLICY (06-17-06)**

##### **EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

- 1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
    - (i) the occupancy, use, or enjoyment of the Land;
    - (ii) the character, dimensions, or location of any improvement erected on the Land;
    - (iii) the subdivision of land; or
    - (iv) environmental protection;
- or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
  - 3. Defects, liens, encumbrances, adverse claims, or other matters
    - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
    - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
  - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
  - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
  5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
  6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
    - (a) a fraudulent conveyance or fraudulent transfer, or
    - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
  7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

#### EXCEPTIONS FROM COVERAGE

[Except as provided in Schedule B - Part II, [ t[or T]his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

##### [PART I

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.

##### PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:]

#### 2006 ALTA OWNER'S POLICY (06-17-06)

##### EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
  - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
- (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 or 10); or
- (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
- 4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
  - (a) a fraudulent conveyance or fraudulent transfer, or
  - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
- 5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

#### EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of: [The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

- 1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- 2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
- 3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
- 5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
- 6. Any lien or right to a lien for services, labor or material unless such lien is shown by the Public Records at Date of Policy.
- 7. [Variable exceptions such as taxes, easements, CC&R's, etc. shown here.]

#### **ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)**

#### EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

- 1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
- 3. Defects, liens, encumbrances, adverse claims, or other matters
  - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
  - (c) resulting in no loss or damage to the Insured Claimant;
  - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
  - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
- 4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
- 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
- 6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the

Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.

7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - (a) a fraudulent conveyance or fraudulent transfer, or
  - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.





*First American Title*

#### **Privacy Information**

##### **We Are Committed to Safeguarding Customer Information**

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

#### **Applicability**

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

#### **Types of Information**

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

#### **Use of Information**

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

#### **Former Customers**

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

#### **Confidentiality and Security**

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

#### **Information Obtained Through Our Web Site**

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet.

In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site.

There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

#### **Business Relationships**

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

#### **Cookies**

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive.

[FirstAm.com](http://FirstAm.com) uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

#### **Fair Information Values**

**Fairness** We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

**Public Record** We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

**Use** We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

**Accuracy** We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

**Education** We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

**Security** We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

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