

*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 2021C 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, interest on the 2021B/C Bonds is exempt from California personal income taxes. See "TAX MATTERS."*



**CITY AND COUNTY OF SAN FRANCISCO  
SPECIAL TAX DISTRICT NO. 2020-1  
(MISSION ROCK FACILITIES AND SERVICES)**

**\$54,280,000**

**DEVELOPMENT SPECIAL TAX BONDS,  
SERIES 2021B  
(FEDERALLY TAXABLE)**

**\$10,000,000**

**DEVELOPMENT SPECIAL TAX BONDS,  
SERIES 2021C**

**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 Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the "District") will be issuing Development Special Tax Bonds, Series 2021B (Federally Taxable) (the "2021B Bonds") and Development Special Tax Bonds, Series 2021C (the "2021C Bonds" and, together with the 2021B Bonds, the "2021B/C Bonds"). The 2021B/C Bonds are being issued on behalf of the District, which was established by the City, pursuant to a Fiscal Agent Agreement, dated as of May 1, 2021, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (together, the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"). The 2021B/C Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District, (ii) a deposit to the 2021B Capitalized Interest Account for capitalized interest on the 2021B Bonds, (iii) a deposit to the 2021C Capitalized Interest Account for capitalized interest on the 2021C Bonds, (iv) a deposit to the 2021A Reserve Fund in connection with the 2021C Bonds, (v) a deposit to the 2021B Reserve Fund in connection with the 2021B Bonds, and (vi) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

The 2021B/C 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 2021B/C Bonds shall be payable on each March 1 and September 1, commencing March 1, 2022 (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 2021B/C 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 2021B/C Bonds. Individual purchases of the 2021B/C Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021B/C Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the 2021B/C Bonds will not receive physical delivery of the 2021B/C Bonds purchased by them.

**The 2021B/C Bonds are subject to redemption prior to maturity as described herein. See "THE 2021B/C BONDS" herein.**

**The 2021B/C 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 2021B/C Bonds.**

**The 2021B/C Bonds are limited obligations of the City, secured by and payable solely from the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021B/C Bonds are being issued on a parity basis with the District's outstanding Development Special Tax Bonds, Series 2021A (the "2021A Bonds"), and the Fiscal Agent Agreement authorizes the City to issue additional bonds on a parity basis with the 2021A Bonds and the 2021B/C Bonds. See "SECURITY FOR THE BONDS - Parity Bonds" herein.**

**The 2021B/C Bonds are not payable from any source of funds other than the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Revenues consist primarily of the proceeds of Development Special Taxes levied on certain leasehold interests in certain real property located within the District as described herein, and certain payments from tax increment available to offset the obligation of property owners in the District to pay Development Special Taxes. Neither the General Fund of the City nor the enterprise funds of the San Francisco Port Commission (the "Port") are liable for the payment of the principal of or interest on the 2021B/C Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2021B/C Bonds.**

**The 2021B/C Bonds are being offered and sold only to "Qualified Purchasers", which are defined in the Fiscal Agent Agreement as Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933). Pursuant to the Fiscal Agent Agreement, the 2021B/C Bonds may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except a Qualified Purchaser; provided, however, that 2021B/C Bonds registered in the name of DTC or its nominee shall be deemed to comply with the Fiscal Agent Agreement so long as each beneficial owner of the 2021B/C Bonds is a Qualified Purchaser. See "TRANSFER RESTRICTIONS" herein.**

*The 2021B/C 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 Underwriter by its counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for Seawall Lot 337 Associates, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2021B/C Bonds will be available for delivery through the book-entry facilities of DTC on or about November 10, 2021.*

**STIFEL**

## MATURITY SCHEDULE

### CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2020-1 (MISSION ROCK FACILITIES AND SERVICES)

**\$54,280,000**

#### **DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021B (FEDERALLY TAXABLE)**

\$5,250,000 4.000% Term Bonds due September 1, 2031 – Yield: 4.000% Price: 100.000 CUSIP<sup>†</sup>: 79771HAH6

\$2,030,000 4.250% Term Bonds due September 1, 2033 – Yield: 4.250% Price: 100.000 CUSIP<sup>†</sup>: 79771HAJ2

\$47,000,000 5.250% Term Bonds due September 1, 2049 – Yield: 5.250% Price: 100.000 CUSIP<sup>†</sup>: 79771HAL7

**\$10,000,000**

#### **DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021C**

\$10,000,000 4.000% Term Bonds due September 1, 2051 – Yield: 2.680% Price: 110.664<sup>C</sup> CUSIP<sup>†</sup>: 79771HAM5

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<sup>C</sup> Priced to the optional redemption date of September 1, 2028 at 103%.

<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 Underwriter, 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 2021B/C Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021B/C 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 2021B/C Bonds.

**CITY AND COUNTY OF SAN FRANCISCO  
MAYOR**

London N. Breed

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

Shamann Walton, *Board President, District 10*

Connie Chan, *District 1*  
Catherine Stefani, *District 2*  
Aaron Peskin, *District 3*  
Gordon Mar, *District 4*  
Dean Preston, *District 5*

Matt Haney, *District 6*  
Myrna Melgar, *District 7*  
Rafael Mandelman, *District 8*  
Hillary Ronen, *District 9*  
Ahsha Safai, *District 11*

**CITY ATTORNEY**

David Chiu<sup>(2)</sup>

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

Carmen Chu, *City Administrator*  
Benjamin Rosenfield, *Controller*  
Anna Van Degna, *Director, Controller's Office of Public Finance*  
Elaine Forbes, *Executive Director, Port of San Francisco*

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**PROFESSIONAL SERVICES**

**Bond Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Special Tax Consultant**

Goodwin Consulting Group, Inc.  
Sacramento, California

**Municipal Advisors**

PFM Financial Advisors LLC  
San Francisco, California

CSG Advisors Incorporated  
San Francisco, California

**Fiscal Agent**

Zions Bancorporation, National Association  
Los Angeles, California

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

<sup>(2)</sup> Appointed and expected to assume office in November 2021.

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## **NOTICE TO INVESTORS**

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 2021B/C Bonds, the complete terms and conditions being set forth in the Fiscal Agent Agreement (as described herein). 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 Underwriter 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 Underwriter.

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 2021B/C 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 2021B/C 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 2021B/C Bonds are being offered and sold only to “Qualified Purchasers,” which is defined in the Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933). Pursuant to the Fiscal Agent Agreement, the 2021B/C Bonds may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except a Qualified Purchaser; provided, however, that 2021B/C Bonds registered in the name of DTC or its nominee shall be deemed to comply with the Fiscal Agent Agreement so long as each beneficial owner of the 2021B/C Bonds is a Qualified Purchaser. In addition, the face of each 2021B/C Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Fiscal Agent Agreement. Each entity that is or that becomes a Beneficial Owner of a 2021B/C Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the transfer restrictions under the Fiscal Agent Agreement. In the event that a holder of the 2021B/C Bonds makes an assignment of its beneficial ownership interest in the 2021B/C Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein. Any transfer of a 2021B/C Bond to any entity that is not a Qualified Purchaser shall be deemed null and void. See “TRANSFER RESTRICTIONS” herein.

The Underwriter has provided the following two paragraphs for inclusion in this Official Statement.

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

IN CONNECTION WITH THE OFFERING OF THE 2021B/C BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2021B/C 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 2021B/C 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 green highlighted area in the photo above shows the location of the Mission Rock Project, a portion of which is included in the District. The 2021B/C Bonds will be secured by Development Special Taxes levied in the District and certain payments from tax increment generated in Project Area I of the City and County of San Francisco Infrastructure Financing District (Port of San Francisco) available to offset the obligation of holders of Leasehold Interests in the District to pay Development Special Taxes. The boundaries of Project Area I generally correspond to the boundaries of the District. See Appendix H for a map of the boundaries of the District and Project Area I. No mortgage or deed of trust on property secures the repayment of the 2021B/C Bonds. Further, neither the General Fund of the City nor the enterprise funds of the San Francisco Port Commission are liable for the payment of the principal of or interest on the 2021B/C Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2021B/C Bonds. See “SECURITY FOR THE BONDS – Limited Obligation” herein.

## OFFICIAL STATEMENT

### CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2020-1 (MISSION ROCK FACILITIES AND SERVICES)

**\$54,280,000**  
**DEVELOPMENT SPECIAL TAX BONDS,**  
**SERIES 2021B**  
**(FEDERALLY TAXABLE)**

**\$10,000,000**  
**DEVELOPMENT SPECIAL TAX BONDS,**  
**SERIES 2021C**

## 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, California (the “City” or “County”) on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) of its Development Special Tax Bonds, Series 2021B (Federally Taxable) (the “2021B Bonds”) and Development Special Tax Bonds, Series 2021C (the “2021C Bonds” and, together with the 2021B Bonds, the “2021B/C Bonds”).

### Authority for the 2021B/C Bonds

The 2021B/C Bonds are being issued on behalf of the District, which was established by the Board of Supervisors of the City, pursuant to the following:

- the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates 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”),
- Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by Mayor London N. Breed (the “Mayor”) on May 15, 2020, as supplemented by Resolution No. 224-21, which was adopted by the Board of Supervisors on May 11, 2021 and approved by the Mayor on May 21, 2021, approving the First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$64,900,000 of special tax bonds in one or more series (collectively, the “Resolution”), and
- a Fiscal Agent Agreement, dated as of May 1, 2021 (the “Original Fiscal Agent Agreement”), as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (the “First Supplement to Fiscal Agent Agreement” and, together with the Original Fiscal Agent Agreement, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”).

## **Use of Proceeds**

The 2021B/C Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District (the “Facilities”) for Phase 1A of the Mission Rock Project, (ii) a deposit to the 2021B Capitalized Interest Account for capitalized interest on the 2021B Bonds, (iii) a deposit to the 2021C Capitalized Interest Account for capitalized interest on the 2021C Bonds, (iv) a deposit to the 2021A Reserve Fund (as defined herein); (v) a deposit to the 2021B Reserve Fund (as defined herein), and (vi) costs of issuance, all as further described herein. See “THE FINANCING PLAN,” “ESTIMATED SOURCES AND USES OF FUNDS” and “THE MISSION ROCK PROJECT - Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project” herein.

## **Parity Bonds**

The 2021B/C Bonds are being issued under the Fiscal Agent Agreement on a parity basis with the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A (the “2021A Bonds”), which are currently outstanding in the aggregate principal amount of \$41,950,000.

The City is authorized under the Fiscal Agent Agreement to issue additional bonds that are payable on a parity basis with the 2021A Bonds and the 2021B/C Bonds. See “SECURITY FOR THE BONDS – Parity Bonds” herein.

The 2021A Bonds, the 2021B/C Bonds and any Parity Bonds issued in the future (as defined herein) are collectively referred to herein as the “Bonds.”

## **The District and the Mission Rock Project**

The District includes a portion of the Mission Rock Project, within the larger Mission Bay neighborhood. The Mission Rock Project is a public-private partnership among an affiliate of the San Francisco Giants, Tishman Speyer (as defined herein), the Port of San Francisco (the “Port”) and the City to develop a waterfront mixed-use neighborhood on property which has been serving as a parking lot for Oracle Park. (The 41,265 seat Oracle Park is the home baseball stadium of Major League Baseball’s San Francisco Giants.)

The District contains 12 blocks of land at Seawall Lot 337, of which 11 blocks are currently subject to the levy of the Development Special Taxes securing the Bonds. The land in the District is owned by the City, operating by and through the Port, and currently leased to (i) Seawall Lot 337 Associates, LLC (the “Master Developer”), a Delaware limited liability company, that is acting as the horizontal developer of the Mission Rock Project described herein and (ii) certain vertical developers as described under “THE MISSION ROCK PROJECT - Phase 1A of the Mission Rock Project” herein.

The property in the District is entitled under the Planning Code for the development of approximately 972,000 to 1.4 million square feet of office space, approximately 245,000 square feet of retail space, and an estimated 1,000 to 1,600 for-rent multifamily residential units; 40% of the residential units will be affordable (i.e., for low and moderate income households earning 45-150% of the area median income). The property in the District is expected to be developed in four phases (“Phases 1, 2, 3, and 4,” respectively, with Phase 1 further divided into a Phase 1A and Phase 1B) as part of the Mission Rock Project.

Phase 1A includes four leasehold parcels with expected developments as summarized below:

- Parcel A: a 23-story building planned for 283 residential rental units, approximately 58,136 rentable square feet of office space, and approximately 20,931 rentable square feet of first floor retail;
- Parcel B: an 8-story building planned for approximately 274,005 rentable square feet of office (suitable for life science uses and other office uses) and approximately 20,101 rentable square feet of retail;
- Parcel F: a 23-story building planned for 254 residential rental units and approximately 44,197 rentable square feet of retail; and
- Parcel G: a 13-story building planned for approximately 302,920 square feet of office and 18,435 square feet of retail.

Vertical development is underway for Parcels A, B and G.

Phase 1B includes China Basin Park: a 212,000 square foot park that will include a large lawn, storm water garden, dog play area, public restrooms, and plaza spaces. While the entire 212,000 square foot area is included in the scope for China Basin Park, only the areas inland of the Bay Trail will be improved as part of Phase 1B. The final proposed shoreline improvements located to the north and east (waterside) of the Bay Trail will be completed in Phases 2-4.

See “THE MISSION ROCK PROJECT” herein for more complete information on the Mission Rock Project.

## **Appraisal**

The firm of Integra Realty Resources, Inc. (the “Appraiser”) was retained by the City and prepared an Appraisal Report dated September 20, 2021 (the “Appraisal Report”), estimating the market value of the leasehold interests (by ownership) in the District that are subject to the Development Special Taxes securing the Bonds. In the report, the Appraiser concluded that the aggregate or cumulative value (by ownership) of the leasehold interest in the appraised properties as of August 1, 2021 was \$394,470,000, subject to certain assumptions and limiting conditions set forth in the report, including the condition that proceeds from the 2021B/C Bonds are available for public improvements. See “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein.

The Appraisal Report appraised the leasehold interests in the District that are subject to the Development Special Taxes securing the Bonds, representing 11 of the 12 planned blocks within the District. The developable uses planned for Block D2 (intended to include a parking garage and retail space) are not subject to the Development Special Taxes securing the Bonds and, therefore, Block D2 was excluded from the Appraisal Report. The value of individual parcel leasehold interests may vary significantly, and no assurance can be given that should Development Special Taxes levied on one or more of the leasehold interests become delinquent, and should the delinquent leasehold interest be offered for sale at a judicial foreclosure sale, that any bid would be received for it or, if a bid is received, that such bid would be sufficient to pay the related delinquent Development Special Taxes. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.”

See “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein.

In connection with the previously-issued 2021A Bonds, the City commissioned the Appraiser to appraise the leasehold interest in District property at a few points in time. The most recent of those previous valuations, with a valuation date of April 21, 2021 (at an earlier stage of development in the District),

concluded that the aggregate, or cumulative, value (by ownership) of the leasehold interest in the appraised properties was not less than \$324,890,000, subject to certain assumptions and limiting conditions. Since that time, infrastructure improvements have continued to be installed, additional impact fees have been paid and vertical construction is well under way on Parcel G and Parcel A and begun on Parcel B, all of which has contributed to an aggregate increase in District value as of the current Appraisal date of value. More specifically, the appraised values of Parcels A, B and F have increased while those of Parcel G and the parcels assigned to Phases 2-4 have decreased.

The Appraisal Report, which is included in Appendix G, must be read in its entirety by prospective purchasers of the 2021B/C Bonds.

None of the City, the Port, the District or the Underwriter make any representation as to the accuracy or completeness of the Appraisal Report.

### **Formation of the District**

The District was formed by the City pursuant to the Special Tax Financing Law, which incorporates the Act. The Act was enacted by the State of California (the “State”) Legislature to provide an alternative method of financing certain capital facilities and services, especially in developing areas of the State, and the Special Tax Financing Law was enacted by the Board of Supervisors to provide for the financing of certain capital facilities and services within the City.

Under the Special Tax Financing Law, the City may establish a district to provide for and finance the cost of eligible facilities and services. Subject to approval by two-thirds of the votes cast of the qualified electors at an election and compliance with the other provisions of the Special Tax Financing Law, the Board of Supervisors 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. See “FORMATION OF THE DISTRICT” below.

### **The 2021B/C Bonds**

The 2021B/C 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 2021B/C Bonds shall be payable on each March 1 and September 1, commencing March 1, 2022 (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 2021B/C Bonds delivered to the Fiscal Agent prior to the applicable Record Date.

The 2021B/C 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 2021B/C Bonds. Individual purchases of the 2021B/C Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021B/C Bonds will be payable by DTC through the DTC participants. Purchasers of the 2021B/C Bonds will not receive physical delivery of the 2021B/C Bonds purchased by them. See “THE 2021B/C BONDS - Book-Entry System” herein.

### **Security for the Bonds**

The Bonds are secured by a first pledge of all Revenues, which include Development Special Tax Revenues, and certain offsetting tax increment payments, to the extent available. See APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto. The Bonds are also payable from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including two or more debt service reserve funds, all as more fully described herein.



“Development Special Tax Revenues” is defined in the Fiscal Agent Agreement to mean the proceeds of the Development Special Tax (the “Development Special Taxes”) levied according to the rate and method of apportionment of the Development Special Taxes and certain other special taxes (the “Rate and Method”) and received by the City, including any scheduled payments thereof and any Development 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 Development Special Taxes to the amount of said lien and interest thereon, but not including any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

On May 12, 2020, the Board of Supervisors adopted Ordinance No. 79-20, levying special taxes within the District in accordance with the Rate and Method. The Mayor approved the Ordinance on May 22, 2020. The Board of Supervisors approved the levy of the Development Special Taxes on the secured roll pursuant to Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and approved by the Mayor on May 15, 2020, and the Board of Supervisors further agreed in such Resolution to continue such levy on the secured roll as long as the Bonds are outstanding.

Under the Rate and Method, with respect to each fiscal year, the Development Special Taxes required to be levied in the District with respect to certain parcels will be reduced in the amount of certain tax increment that was allocated to and received by the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) during the prior fiscal year (“Parcel Increment”). See “SECURITY FOR THE BONDS – General,” and “– IFD Payment Amount Fund” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” (for a description of Parcel Increment and its application to reduce the levy of Development Special Taxes) and APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto.

The Rate and Method also provides for the levy of special taxes other than the Development Special Tax in the District. Only the Development Special Taxes (and none of such other special taxes) are pledged under the Fiscal Agent Agreement and constitute a part of Revenues pledged to the Bonds. The Rate and Method provides for the levy of the Development Special Taxes only on Leasehold Interests in Taxable Parcels within the District. Under the Rate and Method, fee interests or other interests in property within the District are not subject to the Development Special Tax.

## **2021A Reserve Fund**

The City, on behalf of the District, established the 2021A Reserve Fund as additional security for the 2021A Bonds and certain 2021A Related Parity Bonds pursuant to the Fiscal Agent Agreement. The Fiscal Agent Agreement requires the 2021A Reserve Fund to be funded at the 2021A Reserve Requirement (defined below). The 2021C Bonds are designated as 2021A Related Parity Bonds under the First Supplement to Fiscal Agent Agreement and, on the date of issuance of the 2021C Bonds, proceeds of the 2021C Bonds will be deposited into the 2021A Reserve Fund so that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement.

As 2021A Related Parity Bonds, the 2021C Bonds will be secured by a first pledge of all moneys deposited in the 2021A Reserve Fund. The moneys in the 2021A Reserve Fund (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 2021A Bonds, the 2021C Bonds and all other 2021A Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2021A Bonds, the 2021C Bonds and all other 2021A Related Parity 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. See “SECURITY FOR THE BONDS – 2021A Reserve Fund” herein. The 2021A Reserve Fund does not secure the 2021B Bonds or any 2021B Related Parity Bonds.

## **2021B Reserve Fund**

The City, on behalf of the District, will establish under the Fiscal Agent Agreement a debt service reserve fund (the “2021B Reserve Fund”) as additional security for the 2021B Bonds and certain 2021B Related Parity Bonds (defined below). The 2021B Reserve Fund will initially be funded with proceeds of the 2021B Bonds in an amount equal to the 2021B Reserve Requirement (defined below). See “SECURITY FOR THE BONDS – 2021B Reserve Fund” herein.

The 2021B Bonds will be secured by a first pledge of all moneys deposited in the 2021B Reserve Fund. The moneys in the 2021B Reserve Fund (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 2021B Bonds and all other 2021B Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2021B Bonds and all other 2021B Related Parity 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. See “SECURITY FOR THE BONDS – 2021B Reserve Fund” herein. The 2021B Reserve Fund does not secure the 2021A Bonds, the 2021C Bonds or any 2021A Related Parity Bonds.

## **Future Indebtedness**

The City anticipates issuing additional community facilities district bonds for the District and is authorized to issue up to \$3.7 billion of bonded indebtedness. Issuance of additional District bonds may result in overall appraised value-to-lien ratios for the District as a whole and for individual Parcels that are lower than current ratios unless sufficient additional investment by the Master Developer and/or the Vertical Developers occurs before the issuance of such bonds. See “SECURITY FOR THE BONDS – Future Indebtedness” and “SPECIAL RISK FACTORS – Future Indebtedness” herein. Issuance of additional District bonds and other Parity Bonds would be limited under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS - Parity Bonds.”

## **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 Development Special Taxes within the District, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS –Development Special Tax Account” 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 Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the Bonds.*

## **Transfer Restrictions**

The 2021B/C Bonds are being offered and sold only to “Qualified Purchasers,” which is defined in the Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933). Pursuant to the Fiscal Agent Agreement, the 2021B/C Bonds may not be registered in the name of, or transferred to,

and the Beneficial Owner cannot be, any person except a Qualified Purchaser; provided, however, that 2021B/C Bonds registered in the name of DTC or its nominee shall be deemed to comply with the Fiscal Agent Agreement so long as each beneficial owner of the 2021B/C Bonds is a Qualified Purchaser. In addition, the face of each 2021B/C Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the Fiscal Agent Agreement. Each entity that is or that becomes a Beneficial Owner of a 2021B/C Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the transfer restrictions under the Fiscal Agent Agreement. In the event that a holder of the 2021B/C Bonds makes an assignment of its beneficial ownership interest in the 2021B/C Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein. Any transfer of a 2021B/C Bond to any entity that is not a Qualified Purchaser shall be deemed null and void. See “TRANSFER RESTRICTIONS” herein.

### **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 Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12 (“Rule 15c2-12”). In addition, the Master Developer has voluntarily agreed to provide certain continuing disclosure. See the caption “CONTINUING DISCLOSURE” herein.

The continuing disclosure undertakings by Master Developer are independent of the City’s continuing disclosure obligation, and the City shall have no authority to compel Master Developer to provide the information as and when promised thereunder.

### **No Rating**

The 2021B/C Bonds are not rated. See “NO RATING” herein. 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 2021B/C Bonds. The lack of a bond rating could impact the market price or liquidity for the 2021B/C Bonds in the secondary market. See “SPECIAL RISK FACTORS – Limited Secondary Market” herein.

### **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 2021B/C Bonds, see “SPECIAL RISK FACTORS” herein. Such discussion does not purport to be comprehensive or definitive, and investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

### **Further Information**

Brief descriptions of the 2021B/C Bonds, the security for the Bonds, special risk factors, the District, the Port, the City, the IFD 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 2021B/C Bonds, the Fiscal Agent Agreement, the Pledge Agreement (defined below), resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2021B/C Bonds, the Fiscal Agent Agreement, the Pledge 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 2021B/C Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto.

## THE FINANCING PLAN

The 2021B Bonds are being issued to finance: (i) the Facilities, (ii) a deposit to the 2021B Capitalized Interest Account for capitalized interest on the 2021B Bonds through September 1, 2022, (iii) a deposit to the 2021B Reserve Fund, and (vi) costs of issuance. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2021B Bonds (federally taxable) will finance, among other Horizontal Improvements, (i) infrastructure related to a thermal district energy system and a blackwater recycling system that will serve the entirety of the Mission Rock Project, which will be owned and operated by Mission Rock Utilities, Inc., a non-stock corporation organized under Delaware law (see “THE MISSION ROCK PROJECT - Development and Financing Plan for the Mission Rock Project”) and (ii) the Phase 1B portion of China Basin Park, which may be managed by the Master Developer or a related entity.

The 2021C Bonds are being issued to finance: (i) the Facilities, (ii) a deposit to the 2021C Capitalized Interest Account for capitalized interest on the 2021C Bonds through September 1, 2022, (iii) a deposit to the 2021A Reserve Fund, and (v) costs of issuance. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Facilities to be financed by the 2021C Bonds are expected to consist of Horizontal Improvements, including water, sewer and storm drain infrastructure, roadways, streetscape, and parks and open space, as further described in this Official Statement. See “THE MISSION ROCK PROJECT - Overview of Mission Rock Transaction Structure.”

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.

## ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	<u>2021B Bonds</u>	<u>2021C Bonds</u>	<u>Total</u>
Principal Amount	\$54,280,000.00	\$10,000,000.00	\$64,280,000.00
Premium	-	1,066,400.00	1,066,400.00
Total Sources	<u>\$54,280,000.00</u>	<u>\$11,066,400.00</u>	<u>\$65,346,400.00</u>
<u>Uses of Funds</u>			
Deposit to 2021B Improvement Fund	\$46,048,115.13	\$ -	\$46,048,115.13
Deposit to 2021C Improvement Fund	-	9,611,433.67	9,611,433.67
Deposit to 2021B Capitalized Interest Account <sup>(1)</sup>	2,234,051.46	-	2,234,051.46
Deposit to 2021C Capitalized Interest Account <sup>(1)</sup>	-	323,333.33	323,333.33
Deposit to 2021A Reserve Fund	4,661,672.55	-	4,661,672.55
Deposit to 2021B Reserve Fund	-	885,472.18	885,472.18
Costs of Issuance <sup>(2)</sup>	1,336,160.86	246,160.82	1,582,321.68
Total Uses	<u>\$54,280,000.00</u>	<u>\$11,066,400.00</u>	<u>\$65,346,400.00</u>

<sup>(1)</sup> Represents capitalized interest through September 1, 2022.

<sup>(2)</sup> Includes Underwriter’s discount, fees and expenses for Bond Counsel, Disclosure Counsel, the Municipal Advisors, the Special Tax Consultant, the Appraiser, the Fiscal Agent and its counsel, costs of printing the Official Statement, and other costs of issuance of the 2021B/C Bonds.

## THE 2021B/C BONDS

### Description of the 2021B/C Bonds

The 2021B/C Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple in excess thereof within a single series and maturity and will be dated and bear interest from the date of their delivery. The 2021B/C Bonds will be issued in fully registered form, without coupons. The 2021B Bonds will mature on September 1 in the principal amounts and years as shown on the first inside cover page hereof. The 2021C Bonds will mature on September 1 in the principal amounts and years as shown on the second inside cover page hereof.

The 2021B Bonds will bear interest at the rates set forth on the first inside cover page hereof, payable on the Interest Payment Dates in each year. The 2021C Bonds will bear interest at the rates set forth on the second inside cover page hereof, payable on the Interest Payment Dates in each year. Interest on all 2021B/C Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2021B/C 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 2021B/C Bonds; provided, however, that if at the time of authentication of a 2021B/C Bond, interest is in default thereon, such 2021B/C 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 2021B/C 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 2021B/C Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such 2021B/C 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 2021B/C Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2021B/C Bonds at the Principal Office of the Fiscal Agent. All 2021B/C Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent.

### Redemption

***Make-Whole Optional Redemption Prior to September 1, 2031.*** The 2021B Bonds are subject to optional redemption prior to their stated maturity dates, as directed by the City from sources of funds other than prepayments of Development Special Taxes, as a whole or in part, on any business day, prior to September 1, 2031, at the Make-Whole Redemption Price, plus accrued and unpaid interest on the 2021B Bonds to be redeemed on the date fixed for redemption.

The "Make-Whole Redemption Price" is the greater of (i) 100 percent of the principal amount of the 2021B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2021B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2021B Bonds are to be redeemed, discounted to the date on which the 2021B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year

consisting of twelve 30-day months, at the “Treasury Rate” defined below, plus the “Applicable Spread” defined below.

“Applicable Spread” means 50 basis points.

“Treasury Rate” means, with respect to any redemption date for a particular 2021B Bond, the yield to maturity as of such Valuation Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on the Valuation Date selected by the City (excluding inflation indexed securities) (or, if such Statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2021B Bond to be redeemed (taking into account any sinking fund installments for such 2021B Bonds); provided, however, that if the period from the redemption date to such maturity date (taking into account any sinking fund installments for such 2021B Bonds) is less than one year, the weekly average yield on actual traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the City or the Fiscal Agent, the Make-Whole Redemption Price of the 2021B Bonds, with respect to clause (ii) of the definition of Make-Whole Redemption Price, will be calculated by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City’s expense. The City and the Fiscal Agent may conclusively rely on the determination of the Treasury Rate by the investment banking firm or financial advisory firm and on any Make-Whole Redemption Price calculated by an independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

“Valuation Date” means a Business Day not later than the third Business Day preceding the redemption date but no more than 45 calendar days prior to the redemption date.

***Optional Redemption on or after September 1, 2031 – 2021B Bonds.*** The 2021B Bonds maturing on or after September 1, 2032 are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, 2031, as a whole or in part as directed by the City, at a redemption price equal to the principal amount of the 2021B Bonds to be redeemed, without premium, together with accrued interest thereon to the date fixed for redemption.

***Mandatory Sinking Fund Redemption – 2021B Bonds.*** The 2021B Bonds maturing on September 1, 2031, September 1, 2033 and September 1, 2049 (the “Term 2021B Bonds”) 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 tables:

Term 2021B Bonds Maturing September 1, 2031

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2024	\$355,000
2025	435,000
2026	515,000
2027	600,000
2028	690,000
2029	780,000
2030	885,000
2031 (maturity)	990,000

Term 2021B Bonds Maturing September 1, 2033

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2032	\$ 960,000
2033 (maturity)	1,070,000

Term 2021B Bonds Maturing September 1, 2049

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2034	\$1,355,000
2035	1,505,000
2036	1,675,000
2037	1,855,000
2038	2,035,000
2039	2,240,000
2040	2,445,000
2041	2,670,000
2042	2,905,000
2043	3,160,000
2044	3,430,000
2045	3,710,000
2046	4,010,000
2047	4,325,000
2048	4,665,000
2049 (maturity)	5,015,000

Provided, however, if some but not all of the Term 2021B Bonds of a given maturity have been redeemed pursuant to optional redemption or redemption from Development Special Tax Prepayments, the total amount of all future Sinking Fund Payments related to such maturity shall be reduced by the aggregate principal amount of Term 2021B Bonds of such maturity 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 City.

***Optional Redemption – 2021C Bonds.*** The 2021C Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, 2028, as a whole or in part as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2021C 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, 2028 through August 31, 2029	103%
September 1, 2029 through August 31, 2030	102
September 1, 2030 through August 31, 2031	101
September 1, 2031 and any date thereafter	100

***Mandatory Sinking Fund Redemption – 2021C Bonds.*** The 2021C Bonds maturing on September 1, 2051 (the “Term 2021C Bonds”) 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>
2050	\$4,845,000
2051 (maturity)	5,155,000

Provided, however, if some but not all of the Term 2021C Bonds of a given maturity have been redeemed pursuant to optional redemption or redemption from Development Special Tax Prepayments, the total amount of all future Sinking Fund Payments related to such maturity shall be reduced by the aggregate principal amount of Term 2021C Bonds of such maturity 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 City.

***Redemption from Development Special Tax Prepayments.*** Development Special Tax Prepayments and any corresponding transfers from the 2021B Reserve Fund shall be used to redeem 2021B 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 for the 2021B Bonds (expressed as a percentage of the principal amount of the 2021B 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, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	100

Development Special Tax Prepayments and any corresponding transfers from the 2021A Reserve Fund shall be used to redeem 2021C 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 for the 2021C Bonds (expressed as a percentage of the principal amount of the 2021C Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:



**Redemption Date****Redemption Price**

Any Interest Payment Date on or before March 1, 2029	103%
September 1, 2029 and March 1, 2030	102
September 1, 2030 and March 1, 2031	101
September 1, 2031 and any Interest Payment Date thereafter	100

Any other Bonds redeemed in connection with a Development Special Tax Prepayment may also be redeemed from transfers from other applicable debt service reserve funds (if any) with respect to such other series of Bonds.

***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 2021B/C 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 (“EMMA”) system.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2021B/C Bonds are to be called for redemption shall state as to any 2021B/C Bond called in part the principal amount thereof to be redeemed, and shall require that such 2021B/C 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 2021B/C 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.

The City has the right to rescind any notice of the optional redemption of 2021B/C 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 2021B/C 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.*** Whenever the City has called for redemption of less than all of the Bonds, the City shall determine which series and maturities shall be redeemed, as set forth in the Fiscal Agent Agreement. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent shall select the Bonds of such maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

***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 2021B/C 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 2021B/C 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 2021B/C Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

## **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 PRINCIPAL LEGAL DOCUMENTS” hereto.

## **Book-Entry System**

DTC will act as securities depository for the 2021B/C Bonds. The 2021B/C 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 2021B/C Bonds will not receive physical certificates representing their interest in the 2021B/C Bonds. So long as the 2021B/C 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 Bonds. Payments of the principal of, premium, if any, and interest on the 2021B/C 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 2021B/C 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 Schedule**

The following is the debt service schedule for the 2021B Bonds and the 2021C Bonds and the outstanding Parity Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

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# DEBT SERVICE SCHEDULE

<u>Year Ending (September 1)</u>	<u>Outstanding Parity Bonds Debt Service<sup>(1)</sup></u>	<u>2021B Bonds</u>		<u>2021C Bonds</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 1,678,000	\$ -	\$ 2,234,051.46	\$ -	\$ 323,333.33	\$ 4,235,384.79
2023	1,678,000	-	2,763,775.00	-	400,000.00	4,841,775.00
2024	2,003,000	355,000.00	2,763,775.00	-	400,000.00	5,521,775.00
2025	2,040,000	435,000.00	2,749,575.00	-	400,000.00	5,624,575.00
2026	2,080,000	515,000.00	2,732,175.00	-	400,000.00	5,727,175.00
2027	2,122,800	600,000.00	2,711,575.00	-	400,000.00	5,834,375.00
2028	2,163,200	690,000.00	2,687,575.00	-	400,000.00	5,940,775.00
2029	2,211,200	780,000.00	2,659,975.00	-	400,000.00	6,051,175.00
2030	2,251,400	885,000.00	2,628,775.00	-	400,000.00	6,165,175.00
2031	2,299,000	990,000.00	2,593,375.00	-	400,000.00	6,282,375.00
2032	2,343,600	960,000.00	2,553,775.00	-	400,000.00	6,257,375.00
2033	2,390,200	1,070,000.00	2,512,975.00	-	400,000.00	6,373,175.00
2034	2,438,600	1,355,000.00	2,467,500.00	-	400,000.00	6,661,100.00
2035	2,488,600	1,505,000.00	2,396,362.50	-	400,000.00	6,789,962.50
2036	2,535,000	1,675,000.00	2,317,350.00	-	400,000.00	6,927,350.00
2037	2,587,800	1,855,000.00	2,229,412.50	-	400,000.00	7,072,212.50
2038	2,641,600	2,035,000.00	2,132,025.00	-	400,000.00	7,208,625.00
2039	2,691,200	2,240,000.00	2,025,187.50	-	400,000.00	7,356,387.50
2040	2,746,600	2,445,000.00	1,907,587.50	-	400,000.00	7,499,187.50
2041	2,802,400	2,670,000.00	1,779,225.00	-	400,000.00	7,651,625.00
2042	2,858,400	2,905,000.00	1,639,050.00	-	400,000.00	7,802,450.00
2043	2,914,400	3,160,000.00	1,486,537.50	-	400,000.00	7,960,937.50
2044	2,970,200	3,430,000.00	1,320,637.50	-	400,000.00	8,120,837.50
2045	3,030,600	3,710,000.00	1,140,562.50	-	400,000.00	8,281,162.50
2046	3,095,200	4,010,000.00	945,787.50	-	400,000.00	8,450,987.50
2047	3,153,600	4,325,000.00	735,262.50	-	400,000.00	8,613,862.50
2048	3,215,800	4,665,000.00	508,200.00	-	400,000.00	8,789,000.00
2049	3,281,400	5,015,000.00	263,287.50	-	400,000.00	8,959,687.50
2050	3,345,000	-	-	4,845,000.00	400,000.00	8,590,000.00
2051	3,416,400	-	-	5,155,000.00	206,200.00	8,777,600.00
Total	\$77,473,200	\$54,280,000.00	\$56,885,351.46	\$10,000,000.00	\$11,729,533.33	\$210,368,084.79

<sup>(1)</sup> Outstanding Parity Bonds currently include only the 2021A Bonds.

## SECURITY FOR THE BONDS

### General

***Pledge of Revenues.*** The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Revenues, which include Development Special Tax Revenues, and any available IFD Payment Amounts (defined below; see “ - IFD Payment Amount Fund” below). Except as provided below, the Bonds are also payable from amounts in certain funds and accounts including the Bond Fund (including the Development Special Tax Prepayments Account), the IFD Payment Amount Fund, the Development Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Development Special Taxes). The Revenues and all moneys deposited into such funds and accounts (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, the IFD Law (defined below) and the Special Tax Financing Law 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. See “ - Special Fund Administration Agreement and Related Funds and Accounts” and “IFD Payment Amount Fund” below and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” and APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto.

“Revenues” means (i) Development Special Tax Revenues, and (ii) IFD Payment Amounts; but such term does not include amounts deposited to the Administrative Expense Fund or any Improvement Fund, or any earnings thereon.

“Development Special Taxes” means the Development Special Tax levied by the Board of Supervisors within the District under the Special Tax Financing Law, the Rate and Method, the Ordinance and the Fiscal Agent Agreement.

“Development Special Tax Revenues” means the proceeds of the Development Special Taxes received by the City, including any scheduled payments thereof and any Development 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 Development 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.

“Development Special Tax Prepayments” means the proceeds of any Development Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method or the Act, less any administrative fees or penalties collected as part of any such prepayment.

“Leasehold Interest” means a Master Lease, ground lease, or any other lease arrangement of a Parcel or Parcels against which special taxes described in the Rate and Method, including the Development Special Tax, may be levied in any current or future Fiscal Year.

The Development Special Taxes are to be apportioned, levied and collected according to the Rate and Method on Leasehold Interests in Taxable Parcels within the District. The Rate and Method contemplates levying other special taxes in the District. Of the special taxes under the Rate and Method, only the Development Special Tax is pledged under the Fiscal Agent Agreement and constitutes a part of Revenues pledged to the Bonds.

The Development Special Taxes will only be levied on the Leasehold Interests in the Taxable Parcels in the District. Under the Master Lease and each Parcel Lease, the lessee’s right to terminate the lease has been suspended so long as Bonds issued when the right to terminate arose are outstanding or until

a replacement lease extending until the maturity date of the outstanding Bonds is executed. The City will covenant in the Fiscal Agent Agreement to inhibit the Port from terminating any Leasehold Interest in a Taxable Parcel except by entering into a “Replacement Lease,” which is a lease that is subject to the Development Special Taxes, establishes a Leasehold Interest with a term that ends on or after the final maturity date of the Bonds and covers substantially the same real property and improvements as the existing lease. In connection with a Replacement Lease, the City will covenant in the Fiscal Agent Agreement to cause the Port to require payment, either by the tenant under the terminated lease or the tenant under the Replacement Lease, of any scheduled Development Special Taxes then due together with interest to the payment date at the interest rate borne by the Bonds (the Port may waive any interest in excess of the interest due on the Bonds and any penalties). See “SPECIAL RISK FACTORS - Real Estate Investment Risks” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

Under the Rate and Method, with respect to each fiscal year, the Development Special Taxes required to be levied in the District with respect to certain parcels will be reduced in the amount of certain tax increment that was allocated to the IFD during the prior fiscal year (“Parcel Increment”). Parcel Increment is the source of the IFD Payment Amounts referenced above. See “ – IFD Payment Amount Fund” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” (for a description of Parcel Increment and its application to reduce the levy of Development Special Taxes) and APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto.

See also 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 the investment quality of the 2021B/C Bonds.

***Pledge of Moneys in the Capitalized Interest Accounts.*** The 2021B Bonds will be secured by a first pledge of all moneys deposited in the 2021B Capitalized Interest Account. The 2021C Bonds will be secured by a first pledge of all moneys deposited in the 2021C Capitalized Interest Account.

***Pledge of Moneys in the 2021A Reserve Fund.*** The 2021A Bonds, the 2021C Bonds and all other 2021A Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the 2021A Reserve Fund. The moneys in the 2021A Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2021A Bonds, the 2021C Bonds and all other 2021A Related Parity Bonds as provided in the Fiscal Agent Agreement, in the IFD Law and in the Special Tax Financing Law until all of the 2021A Bonds, the 2021C Bonds and all other 2021A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2021A Related Parity Bonds” means the 2021A Bonds, the 2021C Bonds and any series of Parity Bonds for which (i) the Proceeds are deposited into the 2021A Reserve Fund so that the balance therein is equal to the 2021A Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2021A 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. See “ - 2021A Reserve Fund.”

***Pledge of Moneys in the 2021B Reserve Fund.*** The 2021B Bonds and all other 2021B Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the 2021B Reserve Fund. The moneys in the 2021B Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2021B Bonds and all other 2021B Related Parity Bonds as provided in the Fiscal Agent Agreement, in the IFD Law and in the Special Tax Financing Law until all of the 2021B Bonds and all other 2021B Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2021B Related Parity Bonds” means the 2021B Bonds and any series of Parity Bonds for which (i) the Proceeds are deposited into the 2021B Reserve Fund so that the balance therein is equal to the 2021B Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2021B 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. See “ - 2021B Reserve Fund.”

***Unavailable Amounts.*** Amounts in any Improvement Fund (and the accounts therein), the Administrative Expense Fund, the 2021B Costs of Issuance Fund and the 2021C Costs of Issuance Fund are not pledged to the repayment of the 2021B/C Bonds. The 2021A Reserve Fund only secures the 2021A Related Parity Bonds, and not any other Bonds. The 2021B Reserve Fund only secures the 2021B Related Parity Bonds, and not any other 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.

### **Special Fund Administration Agreement and Related Funds and Accounts**

The Port, as required under the Disposition and Development Agreement, dated August 15, 2018, by and between the City, by and through the Port, and the Master Developer (the “DDA”), and as agent of the IFD and the District, and Zions Bancorporation, National Association, as special fund trustee (the “Special Fund Trustee”) have entered into a Special Fund Administration Agreement dated as of May 1, 2021 (the “Special Fund Administration Agreement”). The purpose of the Special Fund Administration Agreement is to provide for the coordinated management of all of the moneys related to the Mission Rock Project.

Applicable law requires the proceeds of the Development Special Taxes to be deposited into a special fund, and the Port, as agent of the District, has established under the Special Fund Administration Agreement a “Development Special Taxes Subaccount” within a “CFD Facilities Special Taxes Account” as such special fund.

The City has agreed in the Fiscal Agent Agreement to promptly remit or cause to be remitted, the proceeds of the Development Special Taxes received by the City to the Special Fund Trustee for deposit in the Development Special Taxes Subaccount of the CFD Facilities Special Tax Account.

In each Bond Year, the City will cause the proceeds of the Development Special Taxes to be distributed in the following order of priority:

(i) promptly upon receipt, the City will separately identify (or cause to be identified) the proceeds of the Development Special Taxes in an amount not to exceed the amount included in the Development Special Tax levy for such Fiscal Year for Administrative Expenses that may be paid from the Development Special Tax and will cause such proceeds to be transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account (the “CFD Administrative Costs Account”) established and held by the Special Fund Trustee under the Special Fund Administration Agreement;

(ii) promptly upon receipt, the City will identify (or cause to be identified) any Development Special Tax Revenues constituting the collection of delinquencies in payment of Development Special Taxes and will cause such Development Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund to pay any past due Debt Service on the Bonds; (b) second, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in the 2021A Reserve Fund to the extent needed to increase the amount then on deposit in the 2021A Reserve Fund to the then 2021A Reserve Requirement, transferred for deposit in the 2021B Reserve Fund to the

extent needed to increase the amount then on deposit in the 2021B Reserve Fund to the then 2021B Reserve Requirement, and transferred for deposit in the reserve account for any Parity Bonds that are neither 2021A Related Parity Bonds nor 2021B Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

(iii) promptly upon receipt, the City will identify (or cause to be identified) any proceeds of Development Special Tax Prepayments and will cause such Development Special Tax Prepayments to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Development Special Taxes Subaccount of the CFD Remainder Account (the “CFD Remainder Account”) established and held by the Special Fund Trustee under the Special Fund Administration Agreement that portion of any Development Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds); and (b) second, transferred by the Special Trust Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit in the Development Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement;

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City will cause proceeds of the Development Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the IFD Payment Amount Fund, the Improvement Fund(s) as directed by the City, the 2021A Reserve Fund, the 2021B Reserve Fund, and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, the 2021B Capitalized Interest Account, the 2021C Capitalized Interest Account, a capitalized interest account for any Parity Bonds, and the Development Special Tax Prepayments Account of 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 and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City will cause proceeds of the Development Special Taxes, after taking into account any anticipated transfers from the IFD Payment Amount Fund, to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, (b) to the Fiscal Agent for deposit in the 2021B Reserve Fund an amount, taking into account amounts then on deposit in the 2021B Reserve Fund, such that the amount in the 2021B Reserve Fund is equal to the 2021B Reserve Requirement, and (c) for deposit in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, taking into account amounts then on deposit in the 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 IFD Payment Amount Fund and the Development Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2021A Reserve Fund, the 2021B Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

(vi) on each September 1, after the transfers described in preceding subparagraphs, the City will cause the Special Fund Trustee to transfer from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account, any amount required to pay Administrative Expenses that may be paid from the Development Special Tax that cannot be paid from amounts then on deposit in the CFD Administrative Costs Account or the Administrative Expense Fund.

On each October 1, the City will cause all of the moneys remaining in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to be transferred to the Development Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee, after which they will no longer be available to pay debt service on the Bonds.

The City has established the Mello-Roos Bonds Account (Development Special Taxes) under the Special Fund Administration Agreement for the purpose of facilitating a more orderly transfer of Development Special Taxes to the Fiscal Agent when required under the Fiscal Agent Agreement, and the Special Fund Administration Agreement provides for the transfer of Development Special Taxes from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Mello-Roos Bonds Account (Development Special Taxes). The Fiscal Agent Agreement provides that, if at any time during any Bond Year the City has caused to be set aside Development Special Taxes in the Mello-Roos Bonds Account (Development Special Taxes) in an amount sufficient to satisfy the payments described in clauses (iv) and (v) above in such Bond Year, taking into account amounts then held by the Trustee then in the IFD Payment Amount Fund, then it may apply Development Special Taxes in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for the purposes described in clauses (vi) and transfer any remaining Development Special Taxes to the Development Special Taxes Subaccount of the CFD Remainder Account, after which they will no longer be available to pay debt service on the Bonds.

### **IFD Payment Amount Fund**

As described in “ - Rate and Method of Apportionment of Special Taxes” below, under the Rate and Method, with respect to each fiscal year, the Development Special Taxes required to be levied in the District on certain parcels will be reduced in the amount of certain tax increment that was allocated to the IFD during the prior fiscal year (“Parcel Increment”).

The IFD, the City, on behalf of the District, and the Fiscal Agent have entered into a Pledge Agreement, dated as of May 1, 2021, to implement the reduction of the Development Special Taxes described in the Rate and Method. On each July 1 (the “IFD Payment Date”), the IFD will transfer the “IFD Payment Amount” (which is the Parcel Increment described in the Rate and Method) to the Fiscal Agent.

Pursuant to the Fiscal Agent Agreement, the City will cause the Fiscal Agent to establish and maintain an “IFD Payment Amount Fund,” and will cause the Fiscal Agent to deposit the IFD Payment Amount into such fund upon receipt.

Amounts in the IFD Payment Amount Fund will be used to pay principal of and interest on the Bonds in the immediately succeeding Bond Year and, to the extent available, to make deposits into the 2021A Reserve Fund, the 2021B Reserve Fund or the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds in such Bond Year. For example, any IFD Payment Amount paid by the IFD to the Fiscal Agent on July 1, 2025 (which would be funded from the Pledged Tax Increment allocated to the IFD for fiscal year 2024-25) would be used to reduce the Development Special Tax levy for fiscal year 2025-26 and applied according to the Fiscal Agent Agreement to pay debt service on the Bonds for the Bond Year ending on September 1, 2026 (i.e., on March 1, 2026 and September 1, 2026).

See APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” for more information about the Rate and Method, the Pledge Agreement and the Fiscal Agent Agreement related to the IFD Payment Amount.

*Significant amounts of tax increment are unlikely to be generated unless and until the property in Project Area I is developed. No assurance is given that any such tax increment will be available in any given amount or at any given time.*



## **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.

***Capitalized Interest Accounts.*** On the date of issuance of the 2021B Bonds, a portion of the proceeds of the 2021B Bonds will be deposited in the 2021B Capitalized Interest Account held by the Fiscal Agent under the Fiscal Agent Agreement and will be used to pay interest on the 2021B Bonds through September 1, 2022. On the date of issuance of the 2021C Bonds, a portion of the proceeds of the 2021C Bonds will be deposited in the 2021C Capitalized Interest Account held by the Fiscal Agent under the Fiscal Agent Agreement and will be used to pay interest on the 2021C Bonds through September 1, 2022.

***Flow of Funds for Payment of Principal and Interest.*** At least ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Director of the Office of Public Finance of the City (or a successor official responsible for management of municipal bonds issued by the City) (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 (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, 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 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 shall do the following:

(i) Withdraw from the 2021A Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2021A Bonds, the 2021C Bonds and any other 2021A Related Parity Bonds. Amounts so withdrawn from the 2021A Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the 2021B Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2021B Bonds and any other 2021B Related Parity Bonds. Amounts so withdrawn from the 2021B Reserve Fund shall be deposited in the Bond Fund.

(iii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2021A Related Parity Bonds or 2021B 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.

***Disbursements from the Development Special Tax Prepayments Account.*** Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the “Development Special Tax Prepayments Account.” Moneys in the Development 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.

***2021B Capitalized Interest Account.*** Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the “2021B Capitalized Interest Account.” The 2021B Bonds will be secured by a first pledge of all moneys deposited in the 2021B Capitalized Interest Account.

***2021C Capitalized Interest Account.*** Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the “2021C Capitalized Interest Account.” The 2021C Bonds will be secured by a first pledge of all moneys deposited in the 2021C Capitalized Interest Account.

## **2021A Reserve Fund**

The District established under the Fiscal Agent Agreement a 2021A Reserve Fund. The 2021A Reserve Fund is established for the benefit of the 2021A Bonds, the 2021C Bonds and any other 2021A Related Parity Bonds. Under the Fiscal Agent Agreement, the District is obligated to fund the 2021A Reserve Fund in an amount equal to the 2021A Reserve Requirement.

“2021A Reserve Requirement” means, as of the date of calculation, an amount equal to the least of

(i) Maximum Annual Debt Service on the 2021A Bonds, the 2021C Bonds and any other 2021A Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or

(ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2021A Bonds, the 2021C Bonds and any other 2021A Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and

(iii) 10% of the outstanding principal amount of the 2021A Bonds, the 2021C Bonds and any other 2021A Related Parity Bonds;

provided, however,

(A) that with respect to the calculation of clause (iii), the issue price of the 2021A Bonds, the 2021C Bonds or any other 2021A Related Parity Bonds excluding accrued interest will be used rather than the outstanding principal amount, if (a) the net original issue discount or premium of the 2021A Bonds, the 2021C Bonds or any other 2021A Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2021A Bonds, the 2021C Bonds or any other 2021A Related Parity Bonds and (b) 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 2021A Reserve Fund on the date of issuance of the 2021A Bonds (if they are the only Bonds covered by the 2021A Reserve Fund) or the most recently issued series of 2021A Related Parity Bonds except in connection with any increase associated with the issuance of 2021A Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2021A Reserve Fund in connection with the issuance of a series of 2021A 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.

Upon issuance of the 2021C Bonds, the 2021A Reserve Requirement is expected to be satisfied as reflected in the table below:

<b>2021A Reserve Requirement</b>	<b>\$4,160,025.16</b>
Balance in the 2021A Reserve Fund	\$3,274,552.98
Deposit to the 2021A Reserve Fund from 2021C Bonds proceeds	<u>885,472.18</u>
<b>Total Deposited to the 2021A Reserve Fund</b>	<b>\$4,160,025.16</b>

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2021A 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 2021A Bonds, the 2021C Bonds and any other 2021A Related Parity Bonds or, in accordance with the Fiscal Agent Agreement, for the purpose of redeeming 2021A Bonds, the 2021C Bonds and any other 2021A Related Parity Bonds from the Bond Fund.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2021A 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 2021A Bonds, the 2021C Bonds or any other 2021A 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 PRINCIPAL LEGAL DOCUMENTS” hereto for more information about the 2021A Reserve Fund.

## **2021B Reserve Fund**

The District will establish under the Fiscal Agent Agreement a 2021B Reserve Fund for the benefit of the 2021B Bonds and any 2021B Related Parity Bonds. Moneys in the 2021B Reserve Fund will be used to pay debt service on the 2021B Bonds and any 2021B Related Parity Bonds, and for the other purposes specified in the Fiscal Agent Agreement. The District is obligated to fund the 2021B Reserve Fund in an amount equal to the 2021B Reserve Requirement.

“2021B Reserve Requirement” means, (i) an amount equal to the Aggregate 2021A/2021B Reserve Requirement less (ii) an amount equal to the 2021A Reserve Requirement (defined above). Upon issuance of the 2021B Bonds, the initial 2021B Reserve Requirement will be \$4,661,672.55. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

“Aggregate 2021A/2021B Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any 2021B Related Parity Bonds, between the date of such calculation and the final maturity of such Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Bonds), (b) 125% of average Annual Debt Service on the 2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any 2021B Related Parity Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Bonds), and (c) 10% of the outstanding principal of the 2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any Related 2021B Parity Bonds; provided, however:

(A) that with respect to the calculation of clause (c) of any Bonds the interest on which is excluded from gross income for federal income tax purposes, the issue price of such Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of such Bonds was less than 98% or more than 102% of the original principal amount of such Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount; and

(B) that, with respect to each of the 2021A Reserve Fund and the 2021B Reserve Fund, considered separately, in no event shall the amount so calculated exceed the amount on deposit in such Fund on the date of issuance of the most recent issue of Bonds secured by such Fund.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2021B 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 2021B Bonds or any 2021B 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 PRINCIPAL LEGAL DOCUMENTS” hereto for more information about the 2021B Reserve Fund.

#### **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 Development Special Tax. The Rate and Method also authorizes the levy of a Shoreline Special Tax, Office Special Tax and Contingent Services Special Tax. **Only the Development Special Tax constitutes the “Development Special Tax” as defined under the Fiscal Agent Agreement, and the other taxes under the Rate and Method are not pledged to support the payment of the Bonds.** This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B. Capitalized terms used in this summary and not defined have the meanings give in 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 taxes according to the Rate and Method.

“Assessed Parcel” means, in any Fiscal Year, any Taxable Parcel that meets all five of the following conditions: (i) there is a building on the Taxable Parcel for which a Certificate of Occupancy (as defined in the Rate and Method) has been issued; (ii) based on all information available to the Administrator, the Baseline Assessed Value has been determined for the Taxable Parcel; (iii) ad valorem taxes have been levied on the Taxable Parcel based on the Baseline Assessed Value of the building; (iv) by the end of the prior Fiscal Year, at least one year of ad valorem taxes based upon the Baseline Assessed Value of the building have been paid; and (v) the Taxable Parcel does not have outstanding delinquencies in the payment of ad valorem property taxes or special taxes under the Rate and Method at the latest point at which the Administrator is able to receive delinquency information from the County prior to submitting the Development Special Tax levy in any Fiscal Year. Once a Taxable Parcel has been categorized as an Assessed Parcel, such Taxable Parcel shall be considered an Assessed Parcel in all future Fiscal Years in which there are no outstanding delinquencies for the Parcel, regardless of increases or decreases in assessed value.

“Baseline Assessed Value” means, after a Certificate of Occupancy has been issued for a Taxable Parcel, the assessed value that the Port and Vertical Developer (as defined in the Rate and Method) mutually agree is the final, unappealable value for the Taxable Parcel.

“Developed Property” includes, in any Fiscal Year, all Taxable Parcels for which the 24-month anniversary of the Parcel Lease Execution Date has occurred in a preceding Fiscal Year, regardless of whether a Permit has been issued.

“Development Special Tax” means a special tax levied in any Fiscal Year on a Leasehold Interest in a Taxable Parcel to pay the Development Special Tax Requirement.

“Development Special Tax Bonds” means any Bonds (as defined in the Rate and Method) secured solely by Development Special Taxes.

“Development Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Development Special Tax Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on Development Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments; (iii) replenish reserve funds created for Development Special Tax Bonds under any indenture, fiscal agent agreement, resolution, or other instrument pursuant to which Bonds are issued to the extent such replenishment has not been included in the computation of the Development Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Development Special Tax Bonds which have occurred in the prior Fiscal Year; (v) in any Fiscal Year in which there is a Development Special Tax levied on one or more Parcels whose Development Special Tax levy is adjusted to account for Parcel Increment under the Rate and Method, pay the fee imposed by the City for levying such Development Special Tax on the County tax roll; (vi) pay other obligations described in the Financing Plan; and (vii) pay directly for Authorized Expenditures, so long as such levy under this clause (vii) does not increase the Development Special Tax levied on Undeveloped Property. The amount calculated to pay items (i) through (vii) above may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Development Special Tax 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 Port, proceeds received by the District from the collection of penalties associated with delinquent Development Special Taxes; and (c) any other revenues available to pay such costs, as determined by the Administrator, the City, and the Port.

“Leasehold Interest” means a Master Lease, ground lease, or any other lease arrangement of a Parcel or Parcels against which special taxes under the Rate and Method may be levied in any current or future Fiscal Year. The Review Authority (i.e., the Deputy Director of Real Estate & Development for the Port or an alternate designee from the Port or the City who is responsible for approvals and entitlements of a development project) shall make the final determination as to whether a Parcel or building in the District is subject to a Leasehold Interest for purposes of the Rate and Method.

“Parcel Increment” means, in any Fiscal Year, the amount of Tax Increment and funds from any tax increment reserve fund maintained by the City that the Deputy Director of Finance and Administration for the Port or other such official that acts as the chief financial officer for the Port has determined, pursuant to the Financing Plan, is available to reduce the amount of Development Special Tax levied against Assessed Parcels. The Parcel Increment described in the Rate and Method is equal to the IFD Payment Amount described in the Pledge Agreement and the Fiscal Agent Agreement.

“Planning Parcel” means a geographic area within the District that, for planning and entitlement purposes, has been designated as a separate Parcel with an alpha, numeric, or alpha-numeric identifier to be used for reference until an Assessor’s Parcel is created and an Assessor’s Parcel number is assigned. The Planning Parcels at District formation are identified in the Rate and Method.

“Project Area I” means the area within the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (previously defined in this Official Statement as the “IFD”) that covers the Project Site (defined in the Rate and Method, generally, as certain property leased by the Port to the Master Developer under a master lease and upon which portions of the Mission Rock Project is to be developed) and was formed by Ordinance No. 34-18.

“Sub-Project Areas” means all sub-project areas designated within Project Area I.

“Tax-Exempt Port Parcels” means Port-owned Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, open space, or other similar uses. The final determination as to whether a Parcel is a Tax-Exempt Port Parcel shall be made by the Review Authority.

“Taxable Parcel” means any Parcel within the District that is not a Tax-Exempt Port Parcel or a Parcel for which a special tax under the Rate and Method has been prepaid pursuant to Sections 53317.3 or 53317.5 of the Act. See “*Exemptions to the Development Special Tax*” below.

“Tax Increment” means the tax increment generated from all Sub-Project Areas.

“Tax Zone” means a separate and distinct geographic area in the District within which one or more special taxes under the Rate and Method are applied at a rate or in a manner that is different than in other areas within the District. The two Tax Zones at District Formation are identified in the Rate and Method. Parcels that annex into the District may annex into Tax Zone 1, Tax Zone 2, or establish a new Tax Zone upon annexation. The Port will determine the applicable Tax Zone for Parcels that annex into the District.

“Planning Parcel” means a geographic area within the District that, for planning and entitlement purposes, has been designated as a separate Parcel with an alpha, numeric, or alpha-numeric identifier to be used for reference until an Assessor’s Parcel is created and an Assessor’s Parcel number is assigned.

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

**General.** A Development Special Tax applicable to each Leasehold Interest in Taxable Parcels in the District 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 applicable Square Footage Category in the building(s) on the Taxable Parcel and the applicable Tax Zone, and adjusted in cases of Parcel Increment, as described below. The Leasehold Interests in the Taxable Parcels in the District shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including Leasehold Interests in property subsequently annexed to the District. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” 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 or Undeveloped Property, (ii) within which Planning Parcel and Tax Zone each Taxable Parcel is located, (iii) for Developed Property, the Market-Rate Residential Square Footage and Office Square Footage within each building, (iv) the Taxpayer for each Leasehold Interest in a Taxable Parcel, and (v) the Development Special Tax Requirement, Office Special Tax Requirement, Shoreline Special Tax Requirement, and, if applicable, Services Special Tax Requirement for the Fiscal Year.

**Base Development Special Tax Rates.** The following table sets forth the “Base Development Special Tax” for each Square Footage Category, the per-square foot Development Special Tax for square footage within such Square Footage Category and in each Tax Zone, as provided in the Rate and Method. The Base Development Special Tax is subject to escalation as set forth in the Rate and Method. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

**Table 1**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Base Development Special Tax Rates**

<b>Square Footage Category</b>	<b>Base Development Special Tax Tax Zone 1 and Tax Zone 2 (FY 2021-22) (per square foot of the applicable type)</b>
Market-Rate Residential Square Footage	\$8.93
Office Square Footage	\$6.76
Excess Exempt Square Footage	
Market-Rate Residential Square Footage	\$8.93
Office Square Footage	\$6.76

*Source: Goodwin Consulting Group, Inc.*

***Development Special Tax Rates.*** The Rate and Method provides how the Development Special Tax rates are determined. For Undeveloped Property, Development Special Tax rates are set forth in an attachment to the Rate and Method. For Developed Property, Development Special Tax rates are generally based on a maximum tax rate that varies based on the square footage of each Square Footage Category in the building(s) of the Taxable Parcel. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” attached hereto.

***Maximum Development Special Tax.*** Pursuant to the Rate and Method, the Administrator shall apply the steps set forth therein to determine the Maximum Development Special Tax for the next succeeding Fiscal Year for the Leasehold Interests in each Taxable Parcel. The Maximum Development Special Tax is based in part upon whether such Taxable Parcel is classified as Developed Property or Undeveloped Property. For Undeveloped Property, the Maximum Development Special Tax is set forth in an attachment to the Rate and Method. For Developed Property, the Administrator determines the Maximum Development Special Tax based generally on the applicable Tax Zone, the applicable Base Development Special Taxes, and the identified actual or expected square footage attributable to Market Rate Residential Square Footage, Office Square Footage and Excess Exempt Square Footage in the building(s) on the Taxable Parcel. The Administrator will also conduct a comparison to the Expected Maximum Development Special Tax Revenues as part of its determination of Maximum Development Special Taxes. On each July 1, each of the following amounts shall be increased by 2% of the amount in effect in the prior Fiscal Year: the Base Development Special Tax for each Tax Zone, the Expected Maximum Development Special Tax Revenues and the Maximum Development Special Tax assigned to the Leasehold Interests in each Taxable Parcel. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

***Exemptions to the Development Special Tax.*** Under the Rate and Method, for Developed Property, the square footage of buildings attributable to certain exempt uses is not included when calculating the Maximum Development Special Tax, except Excess Exempt Square Footage (as defined in the Rate and Method). See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

***Levy of the Development Special Tax.*** Each Fiscal Year, the Administrator shall determine the Development Special Tax Requirement, and the Development Special Tax shall be levied in according to the following steps:

Step 1. The Administrator shall determine the Development Special Tax to be levied on Leasehold Interests in each Taxable Parcel of Developed Property, as follows:

Step 1a. Calculate the Maximum Development Special Tax for each Leasehold Interest in each Parcel of Developed Property.

Step 1b. In consultation with the City, determine which Parcels of Developed Property are Assessed Parcels.

Step 1c. For all Parcels of Developed Property that are not Assessed Parcels, levy the Maximum Development Special Tax on Leasehold Interests in such Parcels. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

Step 1d. For all Assessed Parcels:

Step 1dA. Determine the amount of the Parcel Increment.

Step 1dB. If the total amount of Parcel Increment available is equal to or greater than the total aggregate Maximum Development Special Taxes for all Assessed Parcels, then the levy on each Assessed Parcel shall be zero (\$0).

Step 1dC. If the total amount of Parcel Increment available is less than the aggregate Maximum Development Special Taxes for all Assessed Parcels, the Administrator shall apply the appropriate sub-step below:

Substep 1dC(i). If, after coordination with the City and Port, the Administrator is provided with a breakdown of Parcel Increment on a Parcel-by-Parcel basis in time for submission of the special tax levy, the Administrator shall determine the net tax levy on Leasehold Interests in each Assessed Parcel (the “Net Assessed Parcel Tax Levy”) by taking the following steps in the following order of priority: (i) subtract from the Maximum Development Special Tax for each Assessed Parcel the amount of Parcel Increment generated from the applicable Assessed Parcel, and (ii) for each Assessed Parcel whose tax levy was not reduced to \$0 pursuant to item (i) in this paragraph, apply any remaining Parcel Increment that was not applied pursuant to item (i) in this paragraph to each such Assessed Parcel on a pro rata basis (based on the Assessed Parcel’s net remaining tax levy as a percentage of the aggregate net remaining tax levy for all Assessed Parcels for which Parcel Increment was insufficient to pay the full amount of the Assessed Parcel’s Maximum Development Special Tax). The Administrator shall levy on Leasehold Interests in each Assessed Parcel the Net Assessed Parcel Tax Levy for such Assessed Parcel. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

Substep 1dC(ii). If, after coordination with the City and Port, the Administrator determines that a breakdown of Parcel Increment on a Parcel-by-Parcel basis cannot be provided in time for submission of the special tax levy, the Administrator shall determine the net tax levy on the Leasehold Interest in each Assessed Parcel (the “Net Assessed Parcel Tax Levy”) by subtracting from the Maximum Development Special Tax for each Assessed Parcel a pro rata share of the Parcel Increment, with such pro rata share determined based on each Assessed Parcel’s Maximum Development Special Tax as a percentage of the aggregate Maximum



Development Special Tax for all Assessed Parcels in the District. The Administrator shall levy on the Leasehold Interest in each Assessed Parcel the Net Assessed Parcel Tax Levy for such Assessed Parcel. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

The Review Authority shall make the final determination regarding available Parcel Increment, the Maximum Development Special Tax that applies to a Parcel based on the Leasehold Interests in the Parcel, and the application of Parcel Increment pursuant to Substeps 1dC(i). and 1dC(ii) above.

Step 2. If additional revenue is needed after Step 1 in order to meet the Development Special Tax Requirement after Capitalized Interest, if any, has been applied to reduce the Development Special Tax Requirement, the Development Special Tax shall be levied Proportionately on Leasehold Interests in each Taxable Parcel of Undeveloped Property, in an amount up to 100% of the Maximum Development Special Tax for Leasehold Interests in each Taxable Parcel of Undeveloped Property for such Fiscal Year.

### **Levy of Development Special Taxes on the Secured Roll**

The Board of Supervisors approved the levy of the Development Special Taxes on the secured roll pursuant to Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and approved by the Mayor on May 15, 2020, and the Board of Supervisors further agreed in the Resolution to continue such levy on the secured roll as long as the Bonds are outstanding. The benefit of levying the Development Special Taxes on the secured roll is that the Development Special Taxes will have a priority lien over all pre-existing and future private liens imposed on the Leasehold Interests.

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

**General.** In the event of a delinquency in the payment of any installment of Development Special Taxes, the City is authorized by the Special Tax Financing Law to order institution of an action in a Superior Court of the State to foreclose any lien for such delinquent installment. In such action, the Leasehold Interest subject to the Development Special Taxes may be sold at a judicial foreclosure sale. For property owned or leased by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies, the City may be limited in its ability to foreclose the lien of delinquent unpaid Development Special Taxes and may require prior consent of the property owner or lessee. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.”

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. Development Special Taxes may be levied on all Leasehold Interests in Taxable Parcels within the District up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds. However, under the Rate and Method, the Development Special Tax levy on a Leasehold Interest in a Taxable Parcel may not increase by more than 10% of the Maximum Development Special Taxes as a consequence of delinquencies or defaults in payment of Development Special Taxes levied on Leasehold Interests in another Parcel(s) in the District (a “Delinquency Levy”). In addition, the Delinquency Levy, if any, is determined when calculating the Development Special Tax Requirement. Accordingly, when determining the levy of Development Special Taxes on Leasehold Interests in Assessed Parcels, the Delinquency Levy, if any, has already been applied and, therefore, the Administrator shall not levy any additional Delinquency Levy on an Assessed Parcel that has its Development Special Tax levy reduced or eliminated by Parcel Increment.

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 or Leasehold Interest 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.*** As authorized under the Special Tax Financing Law, 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 Development 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. The City Attorney shall commence foreclosure proceedings by asking the Board of Supervisors to approve the removal of the delinquent installment from the secured property tax roll and initiate a foreclosure action in the Superior Court.

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Development Special Taxes theretofore levied in the District to the amount of Development Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Development Special Tax in the District is delinquent in the payment of one or more installments of Development Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the District is then participating in the Teeter Plan, or an equivalent procedure, (2) the amount in the 2021A Reserve Fund is at least equal to the 2021A Reserve Requirement (3) the amount in the 2021B Reserve Fund is at least equal to the 2021B Reserve Requirement and (4) the amount in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds is at least equal to the required amount.

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 shall be an Administrative Expense.

### **Limited Obligation**

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

The City is under no obligation to Bond Owners to levy any tax, other than the Development Special Taxes, or to transfer any funds of the City other than to transfer to the Fiscal Agent the Development Special Taxes as set forth in the Fiscal Agent Agreement and to the IFD the ad valorem property tax increment revenue that is the source of the IFD Payment Amounts. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose Development Special Tax liens upon delinquencies, “SECURITY FOR THE BONDS – 2021A Reserve Fund,” for a discussion of the 2021A Reserve Fund securing the 2021A Bonds and the 2021C Bonds and any other 2021A Related Parity Bonds and “SECURITY FOR THE BONDS – 2021B Reserve Fund,” for a discussion of the 2021B Reserve Fund securing the 2021B Bonds and any other 2021B Related Parity Bonds.

## **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. 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.

The Board of Supervisors, by resolution, has extended the Teeter Plan to the allocation and distribution of special taxes for a limited number of community facilities districts located within the City. However, the Board of Supervisors has not extended the Teeter Plan to the collection of special taxes within the District. Accordingly, the Teeter Plan is not expected to be available for the collection of the Development Special Taxes and the collection of the Development Special Taxes will reflect actual delinquencies.

In respect of tax increment allocated to the IFD, the City’s Teeter Plan contemplates advancing 100% of tax increment payable to the IFD without regard to taxpayer delinquencies. However, if actual ad valorem tax payments are unpaid by the taxpayer as of June 30, the related ad valorem property tax revenues advanced to the IFD can be recovered from the IFD by the City.

## **Parity Bonds**

The District is authorized to incur \$3.7 billion of bonded indebtedness and other debt in the aggregate. Such bonded indebtedness and other debt includes the Bonds that are payable from the Development Special Taxes as well as bonded indebtedness and other debt payable from other special taxes levied under the Rate and Method. The 2021B Bonds and the 2021C Bonds will be the second and third series of bonds issued for the District and the second and third series of Bonds issued under the Fiscal Agent Agreement. The City may issue additional bonds payable on a parity with the 2021A Bonds and the 2021B/C Bonds under the Fiscal Agent Agreement (“Parity Bonds”) pursuant to a Supplemental Agreement entered into by the City and the Fiscal Agent. See “– Future Indebtedness” below.

Any such Parity Bonds shall be secured by a lien on the Revenues and certain 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 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 District’s \$3.7 billion 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 (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

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

(i) a deposit to the 2021A Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2021A 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 2021A Reserve Fund and that the Owners of the Bonds covered by the 2021A Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the 2021A 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 2021A 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.

In connection with the issuance of the 2021B/C Bonds, as described above, (i) the 2021C Bonds are being issued as 2021A Related Bonds and the proceeds of the 2021C Bonds will be deposited in the 2021A Reserve Fund so that the balance therein is equal to the 2021A Reserve Requirement, and (ii) the 2021B Bonds are not being issued as 2021A Related Bonds and the proceeds of the 2021B Bonds will be deposited in the 2021B Reserve Fund in an amount equal to the 2021B Reserve Requirement.

(D) *Special Tax District Value.* The Special Tax District 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 parcels in the District subject to the levy of Development Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds. For purposes of the provisions described in this paragraph:

(y) the applicable aggregate principal amount of Other Special Tax Bonds that are issued by or for the District is equal to the entire aggregate outstanding principal amount of such Other Special Tax Bonds, and

(z) the applicable aggregate principal amount of Other Special Tax Bonds that are not issued by or for the District is equal to the aggregate outstanding principal amount of such Other Special Tax Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that could be levied for such Other Special Tax Bonds on Leasehold Interests in Taxable Parcels within the District, and the denominator of which is the total amount of special taxes that could be levied to pay such Other Special Tax Bonds on all parcels of land against which the special taxes could be levied to pay such Other Special Tax Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on such bonds occurs), based upon information from the most recent available Fiscal Year. For purposes of the calculations in this paragraph, the IFD Payment Amount shall be assumed to be \$0 (regardless of the actual amount of the IFD Payment Amount).

“Other Special Tax Bonds” means the following: (a) bonds issued by or for a community facilities district or special tax district other than the District that are outstanding and payable at least partially from special taxes to be levied on parcels of land within the District, and (b) bonds issued by or for the District that are payable from special taxes levied under the Rate and Method other than the Development Special Tax and that do not constitute Bonds under Fiscal Agent Agreement.

“Special Tax District Value” means the estimated 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 the Leasehold Interests in all Taxable Parcels subject to the levy of the Development Special Taxes and not delinquent in the payment of any Development Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an 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 performed 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 Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. In the Fiscal Agent Agreement, it is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Under the Fiscal Agent Agreement, 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.

(E) *Coverage.* An independent financial consultant shall certify that for each Fiscal Year after issuance of the Parity Bonds, beginning in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of the Officer’s Certificate described in clause (F) below are expected to first collectively constitute Developed Property under the Rate and Method, the maximum amount of the Development Special Taxes that could be levied on the Leasehold Interests in all of the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses that may be paid from the Development Special Tax 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.

For purposes of clause (E) above, “Qualifying Taxable Parcel” means, as of the date of the Officer’s Certificate described in clause (F) below, a Taxable Parcel that (i) is subject to a Parcel Lease, (ii) the Leasehold Interest in which is not delinquent in the payment of Development Special Taxes and (iii) the Leasehold Interest in which has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Bonds then Outstanding that is allocable to such Leasehold Interest, plus (x) the portion of the aggregate principal amount of the series of Parity Bonds proposed to be issued that is allocable to such Leasehold Interest, plus (y) the aggregate principal amount of any fixed assessment liens on such Leasehold Interest, plus (z) the portion of the applicable principal amount of any and all Other Special Tax Bonds that is allocable to such Leasehold Interest. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Bonds, Parity Bonds or Other Special Tax Bonds allocable to each Leasehold Interest in a Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Bonds, proposed Parity Bonds or Other Special Tax Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied to pay for the Bonds, proposed Parity Bonds or Other Special Tax Bonds on such Leasehold Interest in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of issuance of the proposed Parity Bonds are expected to first collectively constitute Developed Property under the Rate and Method, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Bonds, Parity Bonds or Other Special Tax Bonds in such fiscal year.

For purposes of the calculations in the two paragraphs above, the IFD Payment Amount shall be assumed to be \$0 (regardless of the actual amount of the IFD Payment Amount).

“Taxable Parcel Value” means the estimated 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 the Leasehold Interest in a Taxable Parcel, including with respect to such Leasehold Interest the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an Appraiser selected by the City, or (ii) in the alternative, the assessed value as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the Special Tax District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the Special Tax District. 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.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year.

(F) *Certificates.* The City is required to deliver to the Fiscal Agent an Officer’s Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in clauses (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).

See “ – Future Indebtedness” below.

### **Subordinate and Unsecured Obligations Payable from Development Special Taxes**

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

The City, for and on behalf of the District, has executed a promissory note to the Port in a principal amount of \$43 million. The promissory note evidences the principal of and interest on the loans made by the Port as DRP Advances (defined below). As of October 1, 2021, the amount of the promissory note, including accreted interest, was about \$45 million. (The Port lent this amount to the District as a DRP Advance, as reflected in Table 5, below.) The District reimbursed Master Developer for entitlement costs and capital costs of the Horizontal Improvements with the DRP Advance. The promissory note is payable from Special Taxes under the Rate and Method, including Development Special Taxes, after payment of debt service on the Bonds. The promissory note is (i) not secured by a pledge of Development Special Tax Revenues or other District Special Taxes and (ii) secured by a pledge of Allocated Tax Increment that is subordinate to the pledge of the IFD Payment Amount under the Pledge Agreement. See “ – Special Fund Administration Agreement and Related Funds and Accounts” and “ – IFD Payment Amount Fund” above. See “THE MISSION ROCK PROJECT - Overview of Mission Rock Transaction Structure – Financing Plan” and “SPECIAL RISK FACTORS – Future Indebtedness” herein.

## **Bonds Payable from Other Special Taxes Levied under the Rate and Method**

The City shall comply with the value to burden tests described in clause (D) under “ – Parity Bonds” above in connection with the issuance by the City of any Other Special Tax Bonds. See “ – Future Indebtedness” below and See “SPECIAL RISK FACTORS – Future Indebtedness” herein.

## **Other Indebtedness and Obligations**

The properties in the District may be subject to other existing authorized indebtedness payable from taxes and assessments that may be levied. Existing authorized indebtedness is shown in Table 12 under “THE MISSION ROCK PROJECT - Direct and Overlapping Debt” herein.

Additionally, parcels within the District are subject to a special tax levied and collected by Community Facilities District No. 90-1, San Francisco Unified School District, San Francisco County, California (the “San Francisco Unified School District CFD”). The special tax levied by the San Francisco Unified School District CFD may not exceed \$32.20 per parcel for single-family residential and nonresidential parcels and \$16.10 per dwelling unit for mixed use and multifamily residential parcels, adjusted annually for inflation but not exceeding 2% per year. Certain exemptions to the special tax apply to dwelling units owned or rented by persons age 65 or older. The San Francisco Unified School District CFD’s special tax may be levied for twenty years beginning in fiscal year 2010-11.

## **Future Indebtedness**

As discussed under the caption “ - Parity Bonds” above, the District is authorized to issue \$3.7 billion of bonded indebtedness and other debt in the aggregate. Assuming development within the District progresses as projected by the Master Developer, the City anticipates issuing additional community facilities district bonds for the District. Within the next several years, the City expects to issue approximately \$44.7 million in additional bonds leveraging the Development Special Taxes, Shoreline Special Taxes and Office Special Taxes associated with Phase 1A; additional bonds that will be sized based on the Development Special Taxes, Shoreline Special Taxes and Office Special Taxes on parcels in Phases 2 through 4 may follow as development proceeds. See Table 5 below. Issuance of additional District bonds may result in overall appraised value-to-lien ratios for the District as a whole and for individual Parcels that are lower than current ratios unless sufficient additional investment by the Master Developer and/or the Vertical Developers occurs before the issuance of such bonds.

See “THE MISSION ROCK PROJECT – Projected Development Special Tax Levy, Appraised Values and Value-to-Lien Ratios” and “SPECIAL RISK FACTORS – Future Indebtedness” herein. Issuance of additional District bonds and other Parity Bonds would be limited under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS - Parity Bonds” and “- Bonds Payable from Other Special Taxes Levied under the Rate and Method.”

## **FORMATION OF THE DISTRICT**

On February 25, 2020, the Board of Supervisors adopted Resolution No. 84-20 stating its intent to form the District and a Future Annexation Area under the Act. Also, on February 25, 2020, the Board of Supervisors adopted Resolution No. 85-20, in which it declared its intention to incur bonded indebtedness and other debt on behalf of the District in an aggregate amount not to exceed \$3,700,000,000. The resolutions were approved by the Mayor on March 6, 2020.

On April 14, 2020, after holding a noticed public hearing, the Board of Supervisors adopted (i) Resolution No. 160-20 forming the District and the Future Annexation Area, approving the levy of special taxes within the District according to the Rate and Method and approving an initial \$3,700,000,000 annual appropriation limit for the District, subject to approval of the qualified electors, (ii) Resolution

No. 161-20 declaring the necessity to incur bonded indebtedness and other debt in an amount not to exceed \$3,700,000,000, subject to approval of the qualified electors and (iii) Resolution No. 162-20, calling an election of the qualified landowner electors in the District. The Mayor approved these resolutions on April 24, 2020.

On April 27, 2020, an election was held within the District pursuant to the Act at which the City, by and through the Port Commission, as the qualified landowner elector, approved the levy of special taxes according to the Rate and Method, bonded indebtedness and other debt in an aggregate amount not to exceed \$3,700,000,000 with respect to the District, and an initial annual appropriations limit for the District of \$3,700,000,000.

On May 5, 2020, the Board of Supervisors adopted Resolution No. 195-20 pursuant to which the Board of Supervisors, acting as the legislative body of the District, approved the canvass of the votes and declared the District to be fully formed with the authority to levy certain special taxes, to incur bonded and other indebtedness and to maintain an appropriations limit. See “SECURITY FOR THE BONDS” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.” On the same date, the Board of Supervisors adopted Resolution No. 196-20, pursuant to which the Board of Supervisors approved the incurrence of \$3,700,000,000 of bonded indebtedness and other debt for the District. The Mayor approved these resolutions on May 15, 2020.

On May 12, 2020, the Board of Supervisors adopted Ordinance No. 79-20, levying special taxes within the District in accordance with the Rate and Method. The Mayor approved the Ordinance on May 22, 2020.

On May 22, 2020, a Notice of Special Tax Lien was recorded against the property in the District as Instrument No. 2020-K933385-00. The Notice of Special Tax Lien establishes the lien of special taxes pursuant to the Rate and Method against the Leasehold Interests in property in the District in accordance with the Rate and Method. The District began levying Development Special Taxes during Fiscal Year 2020-21.

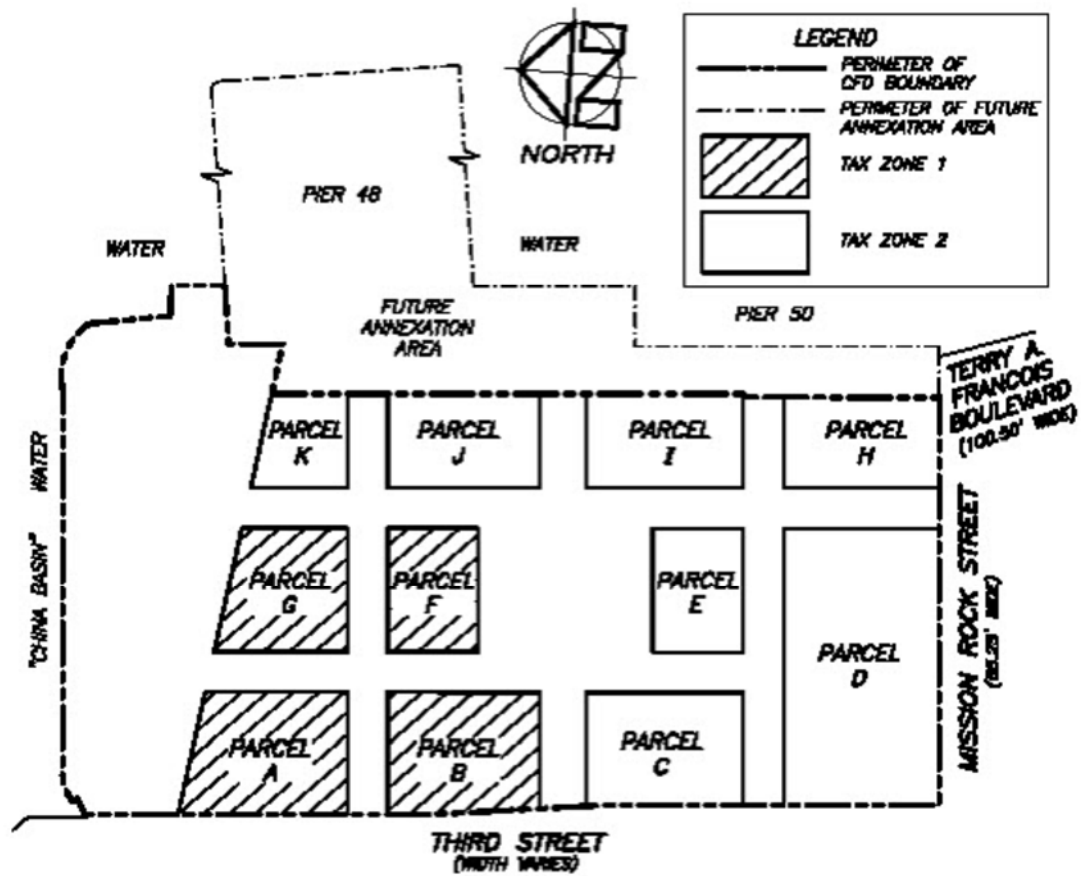
On December 8, 2020, the Board of Supervisors adopted Resolution No. 565-20, supplementing Resolution No. 196-20 and approving the form of Fiscal Agent Agreement and the issuance and sale of up to \$43,300,000 of special tax bonds in one or more series pursuant to the Fiscal Agent Agreement. The Mayor approved this resolution on December 18, 2020. On May 27, 2021, the 2021A Bonds were issued and delivered under the authorization provided by this resolution.

On May 11, 2021, the Board of Supervisors adopted Resolution No. 224-21, further supplementing Resolution No. 196-20, and approving the form of a First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$64,900,000 of special tax bonds in one or more series. The Mayor approved this resolution on May 21, 2021. The 2021B/C Bonds will be issued and delivered under the authorization provided by this resolution.

***Only the property in the District is subject to the Development Special Tax that secures payment on the Bonds.*** Pier 48 and certain adjacent areas (also owned by the Port) are part of the Mission Rock Project, but are not currently located within the District. Pier 48 consists of four acres located to the east of the District and is currently used for storage. Pier 48 and certain adjacent areas have been identified as a Future Annexation Area and may be annexed into the District in the future only with the unanimous approval of the owner or owners of each parcel or parcels seeking annexation at the time of annexation into the District, whereupon a special tax will become a continuing lien on the Leasehold Interest in annexed parcels according to the Rate and Method. See “THE MISSION ROCK PROJECT” for more information about Pier 48 and the Future Annexation Area.



Below is a map of the District's boundaries (designated in the legend as "Perimeter of CFD Boundary") and the perimeter of the designated Future Annexation Area:



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## THE CITY

**General.** 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. As of January 1, 2021, the State estimates the City’s population to be 875,010. 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, and hosts a vital life-sciences research sector that includes the Gladstone Institutes (located in the City’s Mission Bay area) and the Eli and Edythe Broad Center of Regeneration Medicine and Stem Cell Research at UCSF. 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.** Beginning in late winter 2020, the City faced significant negative impacts resulting from 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 impacts on the City’s and the region’s economy have been material and adverse. The pandemic has resulted in reductions in tourism and disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment. In the City, numerous businesses have closed on a permanent basis and tourism-related economic activity declined substantially with only a partial recovery to date. From March 2020 through March 2021, more than 173,000 temporary or permanent layoffs were reported in the Bay Area, with about 61,000 of those in the City. The unemployment rate in the City rose to a high of 12.8% in May 2020 from 2.2% in February 2020, before declining to 5.2% in July 2021. Some of the City’s largest private employers instituted remote work policies that may continue for extended periods or indefinitely. A large-scale return to workplaces has yet to materialize, which is also reflected in continued low transit ridership to workplace centers in the City.

The COVID-19 pandemic has negatively impacted values in certain segments of the real estate market. The Appraisal Report describes adverse impacts of the COVID-19 Pandemic on residential markets and more positive indicators in those markets. See “THE MISSION ROCK PROJECT - Property Values” and “SPECIAL RISK FACTORS – Value-to-Lien Ratios; Future Indebtedness; Parity Liens” herein and APPENDIX G – APPRAISAL REPORT” attached hereto.

The City cannot predict how long the current economic conditions will last. While public health restrictions have been loosened or eliminated recently in response to positive public health data on COVID-19, future developments regarding COVID-19 remain substantially uncertain. The City economy may experience similar continuing impacts or additional, different impacts from the COVID-19 pandemic or other public health emergencies, which may be material and adverse. See “SPECIAL RISK FACTORS – Public Health Emergencies” below.

***Impact of California Wildfires.*** In recent years, California 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, as well as the desirability of the City and the Bay area as places to live, potentially negatively affecting real estate trends and values. See “RISK FACTORS – Natural Disasters and Other Events” herein.

## **THE PORT**

The Port manages 7.5 miles of waterfront along the San Francisco Bay, including tidelands and submerged lands. The Port’s seawall lots are tidelands that were filled and cut off from the waterfront by the construction of the great seawall in the late 19th and early 20th centuries, and by the construction of the Embarcadero roadway which lies, in part, over a portion of the great seawall. Seawall Lot 337 is the largest seawall lot within the Port’s jurisdiction; it has been used as a surface parking lot and event space since 1999.

Portions of the Port’s territorial jurisdiction, including Seawall Lot 337, are subject to a public trust under the Burton Act (stats. 1968, ch. 1333, as amended) and a transfer agreement with the State of California, which limit trust land uses.

Through 2007 legislation known as Senate Bill 815 (“SB 815”), the California Legislature found that the revitalization of Seawall Lot 337 is of particular importance to the State of California. Under SB 815, the Port is authorized (free of the public trust’s limitations) to ground lease portions of the Mission Rock Project area to permit development of improvements that may be used for non-trust uses to enable higher economic development and revenues. The Port will use non-trust lease revenues, as well as repayment of lease revenues advanced by lessees for infrastructure costs, to preserve its historic resources and for other public trust-consistent uses permitted under SB 815. See “ - Overview of Mission Rock Transaction Structure” below.

On November 3, 2015, San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the Project Site (which is defined below as the premises ground leased to the Master Developer under a Master Lease, currently having the same boundaries as the District), subject to environmental review, and established a City policy to encourage development of the Project Site. Proposition D specifically provides that it is intended to encourage and implement the lease and development of the Project Site as described in SB 815 to support the purposes of the Burton Act, especially the preservation of historic piers and historic structures and construction of waterfront plazas and open space.

Following a public solicitation process to implement goals and objectives developed through a multi-year community process, the Port Commission awarded to the Master Developer the opportunity to negotiate exclusively for the lease, construction, and operation of the Mission Rock Project in 2009.

The Port Commission and the Board of Supervisors each adopted findings under the California Environmental Quality Act, including a statement of overriding considerations in connection with the Mission Rock Project.

## **THE MISSION ROCK PROJECT**

*Seawall Lot 337 Associates, LLC, a Delaware limited liability company (the “Master Developer”), has provided the following information with respect to the Mission Rock Project (defined below). No assurance can be given by the City, including the Port, that all information is complete or accurate.*

*No assurance can be given by the City, including the Port, that development of the Mission Rock Project will be completed, or that it will be completed in a timely manner, including, but not limited to construction of the infrastructure required to occupy future buildings in the District. 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 2021B/C Bonds.*

*The information in this Official Statement regarding the District and the Mission Rock Project has considered the current public health orders and any other local restrictions in disclosing estimated time frames for development in the District. Since the beginning of the COVID-19 pandemic, construction projects that are considered essential businesses, including the Mission Rock Project, have been able to continue all construction activities, subject to social distancing requirements. However, the impact of COVID-19 and the public health orders – including the impact from supply chain issues – is likely to evolve over time, which could adversely impact the development within the District and the Mission Rock Project as a whole. See “SPECIAL RISK FACTORS – Public Health Emergencies” below. Neither the Master Developer nor the Vertical Developers 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 Mission Rock Project as planned and described herein, or the availability of Development Special Taxes from the District in an amount sufficient to pay debt service on the 2021B/C Bonds.*

## **Overview of the Mission Rock Project**

The property in the District is part of the larger “Mission Rock Project,” which includes the development of a new mixed-use waterfront neighborhood within the Mission Bay neighborhood of the City. It includes the development of a 28-acre area bounded generally by China Basin to the north, San Francisco Bay to the east, Mission Rock Street to the south, and Third Street to the west. More specifically, the Mission Rock Project area consists of (i) Seawall Lot 337, (ii) 3.53 acres along Terry A. Francois Boulevard from Third Street to Mission Rock Street, (iii) ½ acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier 50 and (iv) Pier 48. Pier 48, itself, and certain adjacent areas are part of the Mission Rock Project but outside the current boundaries of the District, in an area designated as a Future Annexation Area. See diagram under “- Project Entitlements, Phasing and Mapping Process” below.

The Mission Rock Project site is located adjacent to Muni light rail which offers connectivity to BART at Embarcadero station within about 15 minutes and Caltrain at its Fourth and King Streets terminus within minutes. Between BART and Caltrain, more than 6 million Bay Area residents within about a 50-mile radius across the Bay Area have direct, convenient access to the Mission Rock Project. The site is located immediately south of Oracle Park on property that previously served as a parking lot for Oracle Park and just north of the new Chase Arena, home to the National Basketball Association’s Golden State Warriors team. Games held at these venues, coupled with concerts and other events, are expected to attract an influx of activity and contribute to a vibrant, walkable environment at the Mission Rock Project.

The Mission Rock Project is anticipated to include:

- Approximately 1,119 residential rental units, with 40 percent affordable to low and moderate income households earning 45-150% of the area median income.
- About 8 acres of parks and open space, including signature 4.4-acre China Basin Park on the waterfront.
- Up to 1.4 million square feet of new, high quality office space.
- 200,000+ square feet of neighborhood-serving retail and production space (considered part of the active ground floor retail space).

- Up to 3,000 space parking structure to serve Oracle Park and neighborhood needs.
- Rehabilitation of historic Pier 48.
- Public waterfront access and improvements, including a segment of the Blue Greenway trail connection from Embarcadero to Hunters Point.

The Mission Rock Project is planned to be subdivided into approximately 12 development parcels (sometimes referred to as “Parcels A, B, F and G” and “Blocks C, D1, D2, E, H, I, J and K,” respectively) and developed in four phases (“Phases 1, 2, 3, and 4,” respectively, with Phase 1 further divided into a Phase 1A and Phase 1B). Active development of Phase 1A, including Parcels A, B, F and G, is underway and Phase 1B is in predevelopment with construction anticipated to begin in the first quarter of 2022. (See “ - Project Entitlements, Phasing and Mapping Process” below.)

### **The Master Developer of the Mission Rock Project**

The Master Developer, Seawall Lot 337 Associates, LLC, is developing the Mission Rock Project, as a public-private partnership among (i) Giants Development Services, LLC, a Delaware limited liability company (“Giants Development”), an entity in common ownership with the San Francisco Giants baseball franchise (herein, the “San Francisco Giants”), (ii) the Port, (iii) the City and (iv) TSCE 2007 Mission Rock, L.L.C., a Delaware limited liability company, which is an affiliate of Tishman Speyer Crown Equities 2007 LLC, a Delaware limited liability company (herein, “Tishman Speyer”). The Master Developer’s sole member is Mission Rock Partners, LLC, a Delaware limited liability company (“Mission Rock Partners”). Mission Rock Partners is a joint venture with the following members: (i) Giants Development, and (ii) Tishman Speyer.

***San Francisco Giants.*** The 138-year old Giants franchise, one of the oldest teams in Major League Baseball, moved to San Francisco from New York in 1958. After playing for 42 years in Seals Stadium and Candlestick Park, the team privately constructed Oracle Park pursuant to a Port ground lease in 2000. The 41,265 seat Oracle Park is now the home baseball stadium of the San Francisco Giants. Since opening its gates, Oracle Park has become internationally-renowned as a premier venue in the world of both sports and entertainment.

***Tishman Speyer.*** Tishman Speyer is a leading owner, developer, operator and fund manager of first-class real estate around the world. Founded in 1978, Tishman Speyer is active across the United States, Europe, Latin America and Asia, building and managing premier office, residential and retail space in 29 key global markets for industry-leading tenants. The firm has acquired, developed and operated a portfolio of over 165 million square feet with a total value of approximately \$83 billion spread over 401 assets. Signature assets include New York City’s Rockefeller Center, São Paulo’s Torre Norte, The Springs in Shanghai, Lumière in Paris and OpernTurm in Frankfurt. Tishman Speyer currently has projects at different stages of development in Boston, Brasília, Frankfurt, Gurgaon, Hyderabad, Los Angeles, New York City, Paris, Rio de Janeiro, São Paulo, Shanghai, Shenzhen and Washington, D.C. In San Francisco, the firm has been responsible for projects such as Infinity, Lumina, 555 Mission and 222 2nd Street. The firm also operates portfolios of prominent office property portfolios in Berlin, Chicago and London.

***Public-Private Partnership.*** The City, by and through the Port, owns, and will continue to own, the fee title to all of the property in the District. The City, by and through the Port, and the Master Developer entered into a Master Lease (the “Master Lease”) pursuant to which the Master Developer ground leased property upon which portions of the Mission Rock Project will be developed (the “Project Site”). As the Mission Rock Project is developed, development sites have been, and will be, leased by the Port to Vertical Developers (as defined herein) pursuant to the DDA and VDDAs (as defined herein).

See “ - Overview of Mission Rock Transaction Structure – Master Lease” below.

## Overview of Mission Rock Transaction Structure

The City, acting by and through the Port, and the Master Developer entered into a series of agreements related to the development of the Mission Rock Project, as discussed below. The leasehold interests created by the Master Lease and the Parcel Leases are the Leasehold Interests that are subject to the Development Special Tax under the Rate and Method.

**DDA.** The DDA provides the Master Developer the right and obligation, subject to various terms and conditions, to develop the public capital facilities and infrastructure built at or near the Project Site (the “Horizontal Improvements”) in Phases (as defined in the DDA). The Facilities that may be financed by the City, on behalf of the District, generally consist of the Horizontal Improvements. Certain conditions precedent relate to the Master Developer proceeding with any Phase. The Port’s obligation to pay for improvements, is conditioned on approval by the Port of a Phase Submittal and Phase Budget (each as defined in the DDA) and approval by the City of a final subdivision map and construction permits for the Horizontal Improvements. See – “Phase 1 Budget” below.

The DDA contemplates the ground lease of each vertical development site (each a “Vertical Parcel”) to a developer (which may be the Master Developer or an affiliate through an option provided to the Master Developer in the DDA) at fair market value by entering into a vertical development and disposition agreement (a “VDDA”) for each Vertical Parcel. The DDA also requires a ground lease agreement (a “Parcel Lease”) in connection with each VDDA. The VDDAs and Parcel Leases are discussed further below.

If the Horizontal Improvements have not been completed and neither the Port nor the City has assumed the obligation to construct the Horizontal Improvements, the City will covenant under the Fiscal Agent Agreement to inhibit the Port from terminating the DDA solely as a result of a delinquency by the Master Developer in the payment of Development Special Taxes or other taxes or assessments levied or assessed on the Leasehold Interest conveyed under the Master Lease, unless the Port will concurrently enter into a “Replacement DDA,” which is a disposition and development agreement executed by the Port to replace the DDA (or a successor to the DDA) that covers substantially the same real property and improvements as the DDA and establishes substantially the same rights and responsibilities as the DDA (or successor to the DDA) and, if applicable, a Replacement Lease.

**Financing Plan.** A financing plan (the “Financing Plan”) establishes the agreement between the Master Developer and the Port for the financing of the Horizontal Improvements using revenue generated by the Mission Rock Project itself, including special tax revenues from the District, property tax increment from Project Area I and ground rent paid by developers of the Vertical Parcels (each a “Vertical Developer”). Certain Horizontal Improvements will be acquired by the Port, on its own behalf or on the behalf of the appropriate public agency (the “Acquiring Agency”) at a price, agreed to represent fair market value; provided, that payment will be made only as, and to the extent, that the identified “Project Payment Sources” are available. The identified “Project Payment Sources” include: (i) District revenues, including both District bond proceeds and special taxes levied in the District (the special taxes are secured by liens on the Leasehold Interests on the Master Lease and the Parcel Leases); (ii) property tax increment generated by development within the Mission Rock Project, captured through IFD Project Area I; (iii) Port capital, but only if the Port elects, through its approval of the Phase Budget, to use such capital to pay development costs of the Horizontal Improvements; and (iv) prepaid rent (“Development Rights Payments”) paid by Vertical Developers upon conveyance under Parcel Leases. The Financing Plan includes provisions that allow Development Rights Payments to be credited against amounts due to the Master Developer for Horizontal Improvements in lieu of payment in cash. The Port will loan certain Development Rights Payments to the District (each loan a “DRP Advance”), and the District will repay the DRP Advances, with interest, from Special Taxes under the Rate and Method, including Development Special Taxes, after payment of all obligations to the Master Developer and after payment of debt service on the Bonds. The

loan of DRP Advances is evidenced by a promissory note. Such promissory note is (i) not secured by a pledge of Development Special Tax Revenues or other District Special Taxes and (ii) secured by a pledge of Allocated Tax Increment that is subordinate to the pledge under the Pledge Agreement. See “SECURITY FOR THE BONDS - Infrastructure Financing District Pledge Supporting Bonds” and “ - Subordinate and Unsecured Obligations Payable from Development Special Taxes” herein.

**Master Lease.** The City, by and through the Port, and the Master Developer entered into the Master Lease pursuant to which the Master Developer leases the entirety of the Project Site for a term of up to thirty (30) years ending on August 15, 2048, unless extended. The Master Lease permits the Master Developer to use the existing surface lot for parking, and permits the Master Developer to construct the Horizontal Improvements within the leased premises in accordance with the DDA. The Master Developer may also use the leased premises for other ancillary uses, such as special events and construction staging. The Master Lease provides for payment of percentage rent to the Port, subject to a minimum rent, based upon the revenue generated from use of the leased premises for parking and other uses. In August 2020, the Port Commission adopted a rent forgiveness program for many of its retail tenants; this program did not, however, address rent relief requests from master tenants of development sites, such as Master Developer. During the period from March 1, 2020 to April 30, 2021, expected minimum base rent due to the Port under the Master Lease associated with event parking during this interim period was \$1,284,515. Due to reductions in revenue because of the COVID-19 pandemic, the Master Developer has only paid \$656,830 of the outstanding balance. Master Developer’s affiliate, China Basin Ballpark Company (“CBBC”), which operates the event parking in its proprietary capacity distinct from the development project, has requested that the Port consider forgiving a portion of the \$627,684 outstanding balance. The Port has been prioritizing processing applicants to the August 2020 program and has only in the summer of 2021 begun considering other tenant requests to provide rent relief, including CBBC’s request. The Port and CBBC have been negotiating in good faith to reach a resolution for a reduced rent amount. While it is considering the rent forgiveness, the Port does not intend to submit a notice of default to the Master Developer, however the Port reserves the right to do so under the terms of the Master Lease. Upon such notice, the failure to pay minimum base rent within the applicable cure period would be an Event of Default under the Master Lease, but the Port is limited in its ability to terminate the Master Lease while bonds are outstanding (as set forth in the Master Lease and the Fiscal Agent Agreement). The Master Developer has represented to the Port that despite its decision to not pay minimum base rent due under the Master Lease, (i) the Master Developer has sufficient financial resources to complete its development activities in the District and to pay Development Special Taxes when due, (ii) the affiliated Vertical Developers have sufficient financial resources to complete their development activities in the District and to pay Development Special Taxes, when due and (iii) in the event that the Port notifies CBBC that it intends to issue a Notice of Default for non-payment of rent, CBBC would endeavor to promptly cure. Parking revenues have since recovered with the return of in-person games at the ballpark.

The original Master Lease leased the existing surface parking lot, and provided for the leased premises to be expanded to include the entire Mission Rock Project site, subject to various terms and conditions. The Memo of Technical Corrections expanded the leased premises under the Master Lease to include certain portions of the District that were not previously included in the Master Lease, so that the boundaries of the leased premises are the same as the District’s boundaries. In the future, the leased premises may be expanded to include certain portions of the real property commonly known as Channel Wharf and Terry Francois Boulevard that are not within the District.

As the Port enters into Parcel Leases, the vertical development sites leased under the Parcel Leases are released from the Master Lease premises. The areas within each approved Phase that are to be improved with Horizontal Improvements remain subject to the Master Lease and part of the Master Lease premises until such Horizontal Improvements are completed. Once complete, the Acquiring Agency will accept and acquire the completed Horizontal Improvements, and the accepted Horizontal Improvements are released from the premises leased under the Master Lease. Though such portions may be released upon completion, the area to be developed in subsequent Phases (Phases 2, 3, and 4) remains within the Master Lease

premises, and the Master Developer may continue to use those remaining areas for parking, construction staging, and other ancillary uses. This process will be repeated for future Phases until the term of the Master Lease expires or all of the leased premises has been released from the Master Lease, either as a Horizontal Improvement acquired by an Acquiring Agency or as a Vertical Parcel leased to a Vertical Developer.

***VDDAs and Parcel Leases.*** Each Vertical Developer (whether or not affiliated with the Master Developer) is required to enter into a VDDA and a Parcel Lease. Pursuant to the DDA, in each Phase, the Master Developer has the right to exercise the option to enter into a VDDA to acquire a leasehold interest in each Vertical Parcel that is a part of such Phase through an affiliate Vertical Developer. Each VDDA will specify the Vertical Developer's development rights and obligations to construct the vertical improvements. The Master Developer is required under the Master Lease to make available for use without charge all Horizontal Improvements necessary for any vertical improvements to obtain a temporary certificate of occupancy. Pursuant to the VDDA, a Vertical Developer will lease the applicable Vertical Parcel for a period of up to seventy-five (75) years. Each Parcel Lease for the Vertical Parcels in Phase 1 was fully prepaid through Development Rights Payments upon conveyance of the Parcel Lease. Parcel Leases in subsequent Phases are expected to require a mix of Development Rights Payments and annual ground rent. To the extent provided in the Phase Budget, Development Rights Payments received by the Port from the Vertical Developer will be loaned by the Port to the District as DRP Advances. The DRP Advances, along with other Project Payment Sources, will be used by the District to pay the Master Developer for the purchase price of the Horizontal Improvements and associated developer return or as a credit against such amounts due. The Port is to be repaid for its DRP Advances from Project Payment Sources after the Master Developer has been fully repaid. The Port is not obligated to convey Parcel Leases under a VDDA for Phases 2 through 4 unless a minimum annual rent at least equal to the "Reserve Rent" (\$3.5 million for the entire site, allocated among the remaining development parcels) will be payable.

***Development Agreement.*** The City and the Master Developer also entered into a Development Agreement, dated August 15, 2018 (as amended from time to time, the "DA"), which provides the Master Developer the vested right to develop the Mission Rock Project in accordance with the DA, the DDA, and the project approvals referenced in the DA.

***Assignment of Phase 1.*** The DDA permits the Master Developer to transfer its horizontal development rights and obligations with respect to a particular Phase to certain affiliates. Mission Rock Horizontal Sub (Phase I), L.L.C., a 100% subsidiary of the Master Developer (herein, the "Phase I Sub"), acquired a ground subleasehold interest in all of the non-vertical parcels in Phase 1, such as the common areas, streets, plazas, and China Basin Park in anticipation of constructing Horizontal Improvements, but excluding vertical development Parcels A, B, F, and G (the "Phase 1 Sublease").

The Master Developer and Phase I Sub entered into that certain Assignment and Assumption Agreement (Mission Rock Project; Phase 1), dated December 18, 2019, and recorded in the Official Records as Document No. E879368 (the "Assignment"), pursuant to which the Master Developer assigned, and Phase I Sub, accepted and assumed certain rights and obligations of the Master Developer under the DDA and DA applicable to Phase 1, including the obligation to complete all of the required infrastructure work in Phase 1. Phase I Sub now constitutes a Phase Transferee (as defined in the DDA) with respect to Phase 1.

***CC&Rs.*** A Mission Rock Master Declaration of Restrictions dated as of June 25, 2020, executed by the Master Developer and consented to by the City of behalf of the Port (the "CC&Rs") addresses parking and utilities in the Mission Rock Project area. The CC&Rs provide for parking facilities access and use by each holder of a ground leasehold that includes permitted commercial uses and/or residential uses, a non-exclusive easement burdening each parking facility in existence from time to time, subject to the terms and conditions in the CC&Rs.



The CC&Rs also contemplate a thermal district energy system and a blackwater recycling system planned for the Mission Rock Project. See “THE MISSION ROCK PROJECT – Development and Financing Plan for the Mission Rock Project – Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein.

***Phase 1 Budget.*** The Master Developer has a Port-approved Phase Budget for Phase 1 to construct the Phase 1A Horizontal Improvements required for the Vertical Developers of Parcels A, B, F and G to obtain certificates of occupancy for the vertical improvements on those Parcels and to construct Phase 1B (China Basin Park). On August 10, 2021, the Port Commission approved a \$39.1 million increase to the Phase 1 Budget. Primary drivers of this increase include (i) rising construction material and labor costs, (ii) higher than expected costs to approve use of lightweight cellular concrete (“LCC”) in the project’s streets, and associated LCC warranty and monitoring costs, (iii) unforeseen geotechnical, environmental, and field conditions such as higher groundwater levels and utility conflicts, (iv) additional permitting requirements, design scope changes, and requests on behalf of City agencies, and (v) incorporating design improvements for China Basin Park based on required Port, San Francisco Bay Conservation and Development Committee (“BCDC”), and community feedback. As part of the Phase 1 Budget update, the Master Developer updated the Phase 2 – 4 budgets to incorporate the hard and soft cost escalation and specified requirements that have evolved through the development and final permitting approval of the Phase 1 scope. The increased Phase 1 and future phase budgets are reflected in the Appraisal Report and the financial tables herein. See “ - Development and Financing Plan for the Mission Rock Project” below.

The Port’s obligation to pay for improvements is conditioned on approval by the Port of a Phase Budget (as defined in the DDA), among other conditions. See “ – DDA” above.

### **Project Entitlements, Phasing and Mapping Process**

The Mission Rock Project is planned to be subdivided into approximately 12 development parcels, as described in Table 2, below. Eleven of the parcels are planned for a mix of commercial/office, retail, and market rate and affordable residential uses. Five of the 12 development parcels are expected to include construction of residential rental property. Blocks H, I and J are designated under the Planning Code as “Flex Commercial or Residential Mixed Use” (with optionality to be office or residential). The precise combination of uses is expected to be based on market demands as the Mission Rock Project progresses. See “ - Overview of the Mission Rock Project” above. The Master Developer currently expects one of these “flex” parcels to be developed with residential rental property and two with commercial property as reflected in Tables 2 and 3 below. Public parking garages are expected to serve the development and other nearby uses, including baseball games and other events at Oracle Park. Most buildings are planned to include ground floor retail or neighborhood-serving uses.

Pier 48 and certain adjacent areas are identified as a Future Annexation Area that may be annexed into the District in the future; the Future Annexation Area is not part of the Master Lease at this time. The Master Developer, however, will enter into an interim lease of Pier 48 for parking and event use. Because the Future Annexation Area is not the subject of the Master Lease, the cost estimates and development timelines for the Mission Rock Project in this Official Statement do not include the Future Annexation Area.

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**Table 2**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Overview of the Mission Rock Project**  
**(as of August 1, 2021)**

<b>Parcel/ Block</b>	<b>Phase</b>	<b>Tax Zone</b>	<b>Acreage</b>	<b>Rentable Residential Sq. Ft.<sup>(1)</sup></b>	<b>Rentable Office Sq. Ft.<sup>(1)</sup></b>	<b>Rentable Retail Sq. Ft.<sup>(1)</sup></b>
A	1	1	0.96	214,135	58,136	20,931
B	1	1	0.93	--	274,005	20,101
F	1	1	0.58	175,964	--	44,197
G	1	1	0.78	--	302,920	18,435
C	2	2	0.90	--	300,000	27,250
D1	2	2	0.58	188,963	--	--
E	3	2	0.58	--	112,748	14,450
H <sup>(2)</sup>	4	2	0.72	85,175	50,000	21,798
I <sup>(2)</sup>	4	2	0.75	--	116,760	19,979
J <sup>(2)</sup>	4	2	0.72	--	114,259	22,524
K	4	2	0.41	89,461	--	8,391
D2 <sup>(3)</sup>	2	2	1.62	--	--	9,388
<b>Totals</b>			<b>9.53</b>	<b>753,698</b>	<b>1,328,828</b>	<b>227,444</b>

<sup>(1)</sup> Square footage amounts shown above represent the expected rentable (leaseable) square footage for office, residential (both market rate and inclusionary), and retail/ground floor space. Note that this square footage has only been confirmed for the office component of Parcel G, where there is a contractual square footage as defined by the Visa, Inc. lease. See "THE MISSION ROCK PROJECT - Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project – Parcel G" herein.

<sup>(2)</sup> Flex parcels.

<sup>(3)</sup> Block D2's intended uses include a parking garage and retail space. Those developable uses are not subject to the Development Special Taxes securing the Bonds.

<sup>(4)</sup> Phases 2-4 projections have changed since the 2021A Bonds were issued. These parcels are not yet designed and are subject to further change.

*Source: Master Developer*

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An overview of the proposed residential development in the Mission Rock Project is set forth below in Table 3, though two of these parcels have flexible entitlements, as noted above.

**Table 3**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Residential Overview**  
**(as of August 1, 2021)**

Parcel/ Block	Phase	Tax Zone	Number of Units		
			Market Rate Units	Inclusionary Units <sup>(1)</sup>	Total
A	1	1	181	102	283
F	1	1	157	97	254
D1	2	2	115	149	264
H <sup>(2)</sup>	4	2	80	46	126
K	4	2	92	39	131
<b>Totals</b>			<b>625</b>	<b>433</b>	<b>1,058</b>

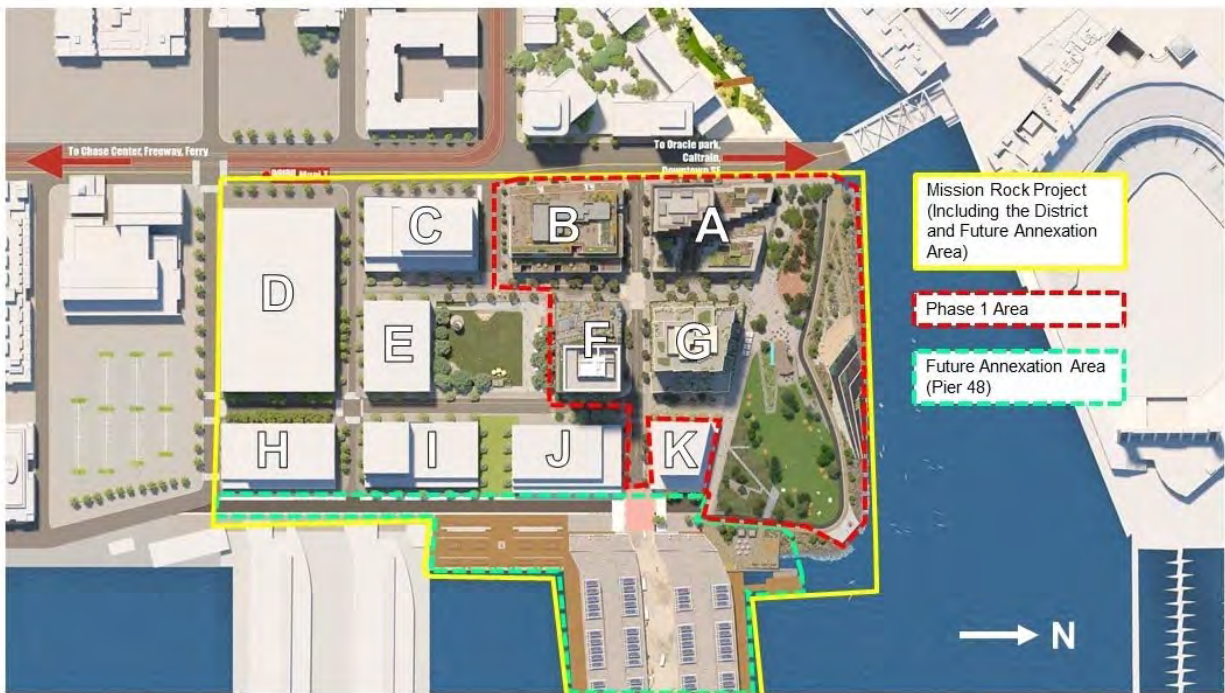
<sup>(1)</sup> Below market rate rental units.

<sup>(2)</sup> Flex parcel.

<sup>(4)</sup> Phases 2-4 projections have changed since the 2021A Bonds were issued. These parcels are not yet designed and are subject to further change.

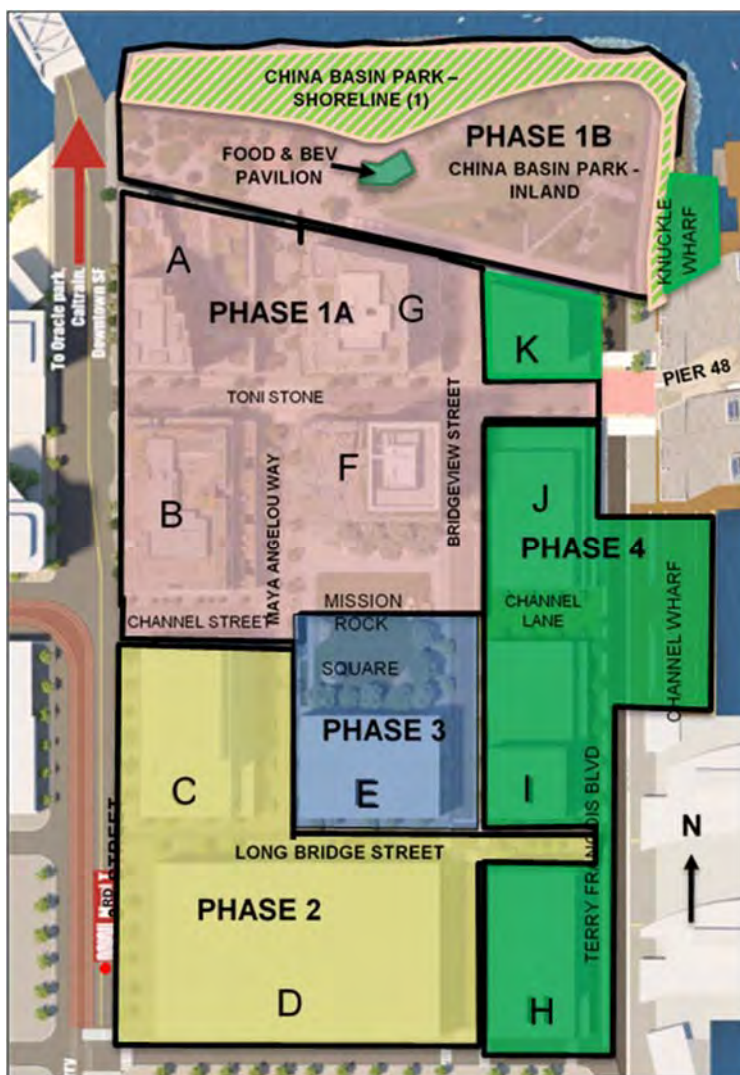
Source: Master Developer

The Mission Rock Project development plan is depicted in the following diagram:



## Project Phasing and Mapping Process

**Mission Rock Project Phasing.** The Mission Rock Project has been divided into four Phases (as defined in the DDA). The four Phases, and their respective Vertical Parcels, are depicted in the map below. Phase 1, which includes the four Vertical Parcels labeled as Parcels A, B, F, and G, was approved by the Port in September 2019. Phase 1 has subsequently been divided into two sub-phases, Phase 1A and Phase 1B. Phase 1A encompasses development of Parcels A, B, F, and G and Phase 1B consists of development of the inland portion of China Basin Park.



Note: Generally the areas inland of the Bay Trail will be improved in Phase 1B. The final proposed shoreline improvements located to the north and east (waterside) of the Bay Trail, shaded in pink and green stripes above, will be completed in Phases 2-4.

**Subdivision Mapping Process.** The Master Developer began to process various subdivision maps in order to establish development parcels. The Master Developer, through its affiliate Phase I Sub, received approval of the Mission Rock Tentative Subdivision Map (“TSM”) in December 2019. The Master Developer received approval in June 2020 for the first Final Subdivision Map, which established the vertical development parcels associated with Phase 1A (i.e., Parcels A, B, F, and G). Phase I Sub entered into a

Public Improvement Agreement (Mission Rock – Phase 1) (“PIA”) with the Port and the City, acting by and through its Department of Public Works, for the public improvements associated with Phase 1A, which includes all horizontal improvements permitted by the Department of Public Works required for the Vertical Developers of Parcels A, B, F and G to obtain certificates of occupancy for the vertical improvements constructed on Parcels A, B, F and G upon completion of such construction. The Street Improvement Permit for the horizontal improvements for Phase 1A was issued in October 2020. The Final Subdivision Maps for Phase 1B (China Basin Park) and Phases 2-4 are anticipated to be completed over the next several years, in accordance with the development timeline for the Mission Rock Project.

### **Development and Financing Plan for the Mission Rock Project**

*Although the Master Developer expects to have sufficient funds available to complete development in Mission Rock Project as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available to the Master Developer from its internally generated funds or from any other source when needed. Neither Vertical Developers nor any of their related entities are under any legal obligation of any kind to expend funds for the development of and construction of buildings on their property in the District. Also Vertical Developers have no obligation to fund infrastructure for the Mission Rock Project. Any contributions by the Master Developer or any such entity to fund the costs of such development are entirely voluntary.*

**Cost Estimates of Public Improvements for the Mission Rock Project.** The table below identifies the estimated costs of the improvements required to be constructed and the fees required to be paid by the Master Developer to develop the property in the District as of August 1, 2021. The estimated public improvement costs set forth in the table below are estimates, and actual costs may be affected by known and unknown risks, uncertainties and other factors which may cause actual costs to be materially different from these estimates.

The table below reflects the updated Phase 1 Budget as approved by the Port Commission on August 10, 2021, increasing the Phase 1 Budget by \$39.1 million. Primary drivers of this increase include (i) rising construction material and labor costs, (ii) higher than expected costs to approve use of LCC in the project’s streets, and associated LCC warranty and monitoring costs, (iii) unforeseen geotechnical, environmental, and field conditions such as higher groundwater levels and utility conflicts, (iv) additional permitting requirements and requests on behalf of City agencies, and (v) incorporating design improvements for China Basin Park based on required Port, BCDC, and community feedback. Phase 2-4 budgets increased from \$102.7 million to \$186.0 million. As noted above, as part of the Phase 1 Budget update, the Master Developer updated the Phase 2 – 4 budgets to incorporate the hard and soft cost escalation and specified requirements that have evolved through the development and final permitting approval of the Phase 1 scope. The increased Phase 1 and future phase budgets are reflected in the Appraisal Report and the financial tables below.

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**Table 4**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Cost Estimates for Horizontal Infrastructure for Mission Rock Project**  
**(as of August 1, 2021)**

<b>Description</b>	<b>Estimated Public Improvement Costs<sup>(1)</sup></b>	<b>Spent To Date</b>	<b>Percent Complete</b>
Phase 1A <sup>(2)(3)</sup>			
Entitlement Phase	\$ 29,330,000	\$ 29,330,000	100%
Hard Costs <sup>(4)</sup>	74,678,342	33,141,573	44
Mission Rock Utilities Systems <sup>(5)</sup>	35,928,038	1,722,170	5
A&E & Testing	23,277,001	15,399,994	66
Fees/Bonds/Permits/City	13,570,000	3,522,560	26
Developer Reimbursables	18,903,844	10,620,327	56
Other Soft Costs <sup>(6)</sup>	20,272,653	13,639,746	67
<b>Totals Phase 1A</b>	<b>\$215,959,878</b>	<b>\$107,376,370</b>	<b>50%</b>
Phase 1B through Phase 4 <sup>(7)</sup>			
Phase 1B China Basin Park Hard Costs	\$ 33,395,980	-	-
Phase 2 – 4 Hard Costs <sup>(4)(8)</sup>	110,400,000	-	-
Hard Costs Outside of GMP <sup>(8)</sup>	42,000,000	-	-
Soft Costs <sup>(9)</sup>	33,600,000	-	-
<b>Totals Phase 1B through Phase 4</b>	<b>\$219,395,980</b>	<b>-</b>	<b>-</b>
<b>Totals for Mission Rock Project</b>	<b>\$435,355,857</b>	<b>\$107,376,370</b>	<b>25%</b>

<sup>(1)</sup> Metrics herein reflect the Phase 1 Budget increase and updated Phase 2-4 budget estimates. See “ - Overview of Mission Rock Transaction Structure – Phase 1 Budget” above.

<sup>(2)</sup> The Phase I Sub’s obligation to complete the infrastructure improvements is partially backed by (i) a performance bond of about \$29.6 million to secure satisfactory performance by Phase I Sub and (ii) a payment bond of about \$14.8 million as a guarantee of payment for labor, materials, equipment, and services required for the Phase 1A Horizontal Improvements. See “SPECIAL RISK FACTORS – Real Estate Investment Risks – *Public Infrastructure Construction Delays*” herein.

<sup>(3)</sup> Remaining Infrastructure Costs represented in the Appraisal Report are based on Phase 1A costs and Phase 1A amounts spent to date.

<sup>(4)</sup> Hard Costs include site demolition, prep, grading, utility work, interim work, streetscape.

<sup>(5)</sup> The Mission Rock Utilities Systems will initially be financed by sources other than the Master Developer. However, the Master Developer has entered into a note payment agreement to guaranty the repayment of the principal on the bond anticipation notes issued to initially finance a portion of the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein.

<sup>(6)</sup> Other Soft Costs includes insurance, tax, accounting, legal, general conditions, contingency and estimated debt service on 2021A Bonds and the 2021B/C Bonds prior to tax levy on Vertical Parcels classified as “Developed Property” as defined in the Rate and Method.

<sup>(7)</sup> Horizontal improvements in Phases 2-4 have not been finally designed or permitted, so estimated costs are preliminary.

<sup>(8)</sup> Hard Costs Outside Guaranteed Maximum Price (GMP) includes additional items, general conditions and requirements, indirect costs, and contingency.

<sup>(9)</sup> Soft Costs includes architecture, engineering, fees, bonds, City permits, developer reimbursables, insurance, tax, accounting, and legal.

Source: Master Developer

**Horizontal Financing Plan.** The Master Developer, through the Phase I Sub, estimates the costs to complete horizontal infrastructure required to support the planned development within Mission Rock Project as of August 1, 2021 to be approximately \$435.4 million in total, of which, approximately \$216.0 million is attributable to Phase 1A. Approximately \$107.4 million has been spent, including

entitlement costs. Remaining costs total approximately \$328.0 million, of which approximately \$108.6 million is attributable to Phase 1A.

As of August 1, 2021, the Phase I Sub has funded its site development costs related to Phase 1A of the Mission Rock Project through internally generated funds, Mission Rock Utilities bond anticipation notes proceeds (see “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” below) and other sources. A portion of the development costs have already been reimbursed through DRP Advances and 2021A Bonds proceeds and others will be reimbursed from 2021B/C Bond Proceeds and other sources. Other sources also include, the Jobs/Housing Equivalency Fee, which is paid to the Port as an impact fee by the office components of the Mission Rock project. The Affordable Housing Subsidy Plan, approved by the Port Commission, established the methodology for allocating Jobs/Housing Equivalency Fees to Vertical Developers of the residential buildings.

A summary of the expected sources and uses for the Mission Rock Project is set forth in Table 5.

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**Table 5**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Mission Rock Project Development Sources and Uses**

	<b>Actual As of 8/1/21<sup>(1)</sup></b>	<b>Projected Through 12/31/21</b>	<b>Projected After 1/1/22</b>	<b>Totals</b>
<b>Sources Phase 1A</b>				
DRP Advances <sup>(2)</sup>	\$ 42,247,500	\$ -	\$ -	\$ 42,247,500
CFD Proceeds <sup>(3)</sup>	43,356,139	55,659,549	44,700,000	143,715,688
Mission Rock Utilities Bonds <sup>(4)</sup>	25,000,000	-	10,928,038	35,928,038
Developer Equity <sup>(5)</sup>	76,324,201	16,411,847	57,965,792	150,701,840
<b>TOTAL SOURCES PHASE 1A</b>	<b>\$186,927,840</b>	<b>\$72,071,396</b>	<b>\$113,593,830</b>	<b>\$372,593,066</b>
<b>Uses Phase 1A</b>				
Entitlement Costs <sup>(6)</sup>	\$ 29,330,000	\$ -	\$ -	\$ 29,330,000
Mission Rock Utilities Systems <sup>(4)</sup>	1,722,170	2,124,701	32,081,167	35,928,038
Phase 1A Infrastructure <sup>(7)</sup>	76,324,201	16,411,847	57,965,792	150,701,840
<b>TOTAL USES PHASE 1A</b>	<b>\$ 107,376,371</b>	<b>\$18,536,548</b>	<b>\$90,046,959</b>	<b>\$215,959,878</b>
<b>NET CASH FLOW PHASE 1A</b>	<b>\$ 79,551,469</b>	<b>\$53,534,848</b>	<b>\$23,546,871</b>	<b>\$156,633,188</b>
<b>Sources Phase 1B - 4</b>				
DRP Advances <sup>(2)</sup>	\$ -	\$ -	\$ 39,300,000	\$ 39,300,000
CFD Proceeds <sup>(3)</sup>	-	-	177,107,565	177,107,565
Developer Equity	-	-	219,395,980	219,395,980
<b>TOTAL SOURCES PHASE 1B - 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$435,803,545</b>	<b>\$435,803,545</b>
<b>Uses Phase 1B - 4</b>				
Phase 1B-4 Infrastructure	\$ -	\$ -	\$219,395,980	\$219,395,980
<b>TOTAL USES PHASE 1B - 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$219,395,980</b>	<b>\$219,395,980</b>
<b>NET CASH FLOW PHASE 1B - 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$216,407,565</b>	<b>\$216,407,565</b>
<b>NET CASH FLOW</b>	<b>\$ 79,551,469</b>	<b>\$53,534,848</b>	<b>\$239,954,436</b>	<b>\$373,040,753</b>

<sup>(1)</sup> Includes only revenues and costs associated with the construction of infrastructure as of August 1, 2021; does not include every source or cost incurred by the Master Developer (or through the Phase I Sub) as of August 1, 2021. After the date of this Official Statement, the Master Developer filed a semiannual continuing disclosure report due for filing on November 1, 2021 with information as of October 1, 2021.

<sup>(2)</sup> DRP Advances reflected in the table above are net of transaction costs. DRP Advances are paid to the Master Developer by the District and funded from loans by the Port to the District. DRP Advances are memorialized in a Promissory Note from the District in favor of the Port. The Port funds such DRP Advances from prepaid ground lease rental received by the Port under Parcel Leases of each proposed building to Vertical Developers. See “ - Overview of Mission Rock Transaction Structure – Financing Plan” and “ - VDDAs and Parcel Leases” above.

<sup>(3)</sup> CFD Proceeds reflected in the table above are net of transaction costs and capitalized interest, if applicable. CFD Proceeds after August 1, 2021 reflect estimates. Reflects expected additional CFD bonds leveraging Development Special Tax Revenues, as well as Office Special Tax Revenues and Shoreline Special Tax Revenues.

<sup>(4)</sup> The Master Developer has entered into a note payment agreement to guaranty the repayment of the principal on the bond anticipation notes, issued in November 2020 and maturing in November 2023, to initially finance a portion of the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein. Additional future financing is anticipated in 2022-2023.

<sup>(5)</sup> Phase 1A Infrastructure costs include estimated debt service on currently outstanding Bonds issuances until the vertical parcels are subject to pay Development Special Taxes.

<sup>(6)</sup> Entitlement Costs are costs related to the entitlement of the Mission Rock Project through August 2018. All costs after that date are considered Phase Infrastructure costs.



(7) The Master Developer’s obligation (through the Phase I Sub) to complete the infrastructure improvements for Phase 1 under the Development Agreement is partially backed by subdivision improvement bonds in limited amounts provided to the City and the Successor Agency (Public Works) under the PIA.

*Source: Master Developer*

**Horizontal Infrastructure Status.** Construction of Phase 1A horizontal improvements commenced through early works permits in January 2020 and are scheduled to be completed in the second half of 2022. Phase 1B horizontal improvements are in the process of being permitted, and are currently expected to commence in early 2022 for completion in early 2023. Depending on market conditions, Phase 2 horizontal construction is currently expected to commence late-2022 for completion in late 2023, and horizontal construction for Phases 3 and 4 is currently expected to commence in 2023 and 2024, respectively.

Pursuant to the PIA, the Phase I Sub posted subdivision payment and performance bonds for use by the City related to the Phase 1A public improvements permitted by the City. Specifically, the Phase I Sub has posted (i) a performance bond of about \$29.6 million to secure the satisfactory performance of Phase I Sub’s obligations and (ii) a payment bond of about \$14.8 million as a guarantee of payment for labor, materials, equipment, and services required for the Phase 1A Horizontal Improvements (though amounts available under the performance bond and the payment bond cannot be aggregated). The public improvements supported by the performance bonds do not include those permitted by the Port in its regulatory capacity or the Mission Rock Utilities Systems (as defined below) but do include the pump station planned for use with the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” below and “SPECIAL RISK FACTORS - Real Estate Investment Risks – Public Infrastructure Construction Delays” herein.

**Flood Zone Status.** The Mission Rock Project is located on property that is in Zone X, which is outside the 500-year floodplain. See “SPECIAL RISK FACTORS – Climate Change; Risk of Sea Level Rise and Flooding Damage” for a discussion of potential impacts from sea level rise.

**Seismic Condition.** The Mission Rock Project is not located within an Alquist-Priolo Special Studies Zone. However, the property is located in a liquefaction zone. See “SPECIAL RISK FACTORS – Seismic Risks.”

#### ***Utilities.***

The utility providers for the Mission Rock Project are listed in the below table.

<b><u>Utility</u></b>	<b><u>Provider</u></b>
Potable Water	San Francisco Public Utilities Commission
Non-Potable Water	Mission Rock Utilities
Sewer	San Francisco Public Utilities Commission
Gas	PG&E
Electric	San Francisco Public Utilities Commission
Thermal Energy	Mission Rock Utilities
Telecom	Comcast and AT&T

**Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities.** The Master Developer is developing a thermal district energy system (the “Thermal DES”) and a blackwater recycling system (“Blackwater Facility” and together with the Thermal DES, collectively, the “Mission Rock Utilities Systems”) to serve the entirety of the Mission Rock Project. The Mission Rock Utilities Systems will be owned by Mission Rock Utilities, Inc., a non-stock corporation organized under Delaware law (“MRU”). Both the Thermal DES and the Blackwater Facility are discussed in more detail below.

*Thermal DES.* In general, to receive a certificate of occupancy, a building must provide heating and cooling. Usually, a building will have a system constructed within the building itself, including boilers, chillers and cooling towers. For the Mission Rock Project, the Master Developer is constructing the Thermal DES within the building being constructed on Parcel A, a building that is currently under construction. The Thermal DES will supply hot and chilled water, to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings in the Mission Rock Project. The Thermal DES will contain heating and cooling equipment for the entire development which will replace the need to have this type of equipment inside each building.

Pursuant to current construction schedules, the Thermal DES is anticipated to be operational in time to support the first vertical building occupancy in Phase 1A of the Mission Rock Project (currently expected by September 2022). If, for some reason, the Thermal DES is not operational prior to the time of the first occupancy of vertical buildings in Phase 1A, the Vertical Developer will be required to provide a temporary alternative solution (such as an on-site mobile cooling tower, chiller and/or boiler) in order to receive a Temporary Certificate of Occupancy. The Master Developer does not believe that in the unlikely event that temporary facilities are necessary to receive a certificate of occupancy, there will be a material impact on the anticipated timing for completion and occupancy of the vertical buildings in Phase 1A.

*Blackwater Facility.* In general, to receive a certificate of occupancy, a building must also have a connection to the sewer system to dispose of greywater and blackwater (which includes wastewater collected from toilets, showers and sinks). Usually, each building would have a sanitary sewer system, likely a pump station, that would connect directly to the City's sewer system. In Mission Rock, the Master Developer is building a pump station in the building located on Parcel B that will allow the disposal of greywater and blackwater from Phase 1A buildings. This pump station is part of the Horizontal Developments, and is secured by the payment and performance bonds. (See “ - Development and Financing Plan for the Mission Rock Project – *Horizontal Infrastructure Costs*” above regarding the payment and performance bonds.) Parcel B is currently under construction, and the Master Developer believes that this pump station will be operational in time to support the first vertical building occupancy in Phase 1A of the Mission Rock Project (currently expected by September 2022).

In coordination with the construction of the pump station to be located in the building on Parcel B, the Master Developer expects to be constructing the Blackwater Facility. The Blackwater Facility will be an advanced water recycling facility that will treat a portion of the blackwater and greywater from the Mission Rock Project to meet the non-potable water needs of buildings in the entirety of the Mission Rock Project, as well as associated open space. The Blackwater Facility will incorporate the pump station as part of the Mission Rock Utilities Systems.

The Master Developer anticipates that the commissioning and operation of the Blackwater Facility will occur soon after the first occupancies in Phase 1A. If the operation of the Blackwater Facility is delayed, the Vertical Developers could face City-imposed fees related to non-compliance with non-potable water ordinances requiring recycling of greywater (which the Blackwater Facility will provide, but the pump station alone does not). The Master Developer does not believe that there will be any material delay in the operation of the Blackwater Facility and that there will not be a material impact on the anticipated timing for completion and occupancy of the vertical buildings in Phase 1A.

*The Mission Rock Utilities Systems.* Pursuant to the CC&Rs, buildings in the District are required to receive thermal energy and blackwater recycling services from MRU upon completion of the Mission Rock Utilities Systems. The CC&Rs also require that, before completion of the first Vertical Parcel, long-term utility service agreements be in place that will require the Mission Rock Owners Association (a California nonprofit mutual benefit corporation, of which each of the holders of leasehold interest in the

Vertical Parcels is a member) to use MRU to provide thermal energy and blackwater recycling services to buildings in the District through the Mission Rock Utilities Systems. In addition, parks and open spaces in the District will use recycled water from the Mission Rock Utilities Systems. Utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs.

The central plants of the Blackwater Facility and the Thermal DES will be located separately in two of the first four buildings being constructed as part of Phase 1A of the Mission Rock Project. The central plants will be located in subleased areas subject to a subordination and non-disturbance agreement.

*Financing the Mission Rock Utilities Systems.* The California Pollution Control Financing Authority issued bond anticipation notes in the amount of \$25 million due in November 2023 for the benefit of Mission Rock Utilities. The proceeds of the bond anticipation notes (net of costs of issuance, reserves, and capitalized interest) serve as the initial source to finance a portion of the Mission Rock Utilities Systems; additional financing will be necessary to complete the Mission Rock Utilities Systems. The Master Developer entered into a note payment agreement to guaranty the repayment of the principal on the bond anticipation notes issued for the Mission Rock Utilities Systems. Permanent and additional financing for the Mission Rock Utilities Systems may take the form of the proceeds of a subsequent series of Bonds (if the Mission Rock Utilities Systems is included in a future Phase Budget approved by the Port), long-term revenue bonds issued by the California Pollution Control Financing Authority, equity, some other form of financing, or some combination of any of the foregoing.

***Environmental Mitigation.*** There is a Soil Management Plan and a Dust Control Plan for Seawall Lot 337 because of existing hazardous materials contamination in soils. Seawall Lot 337 was formerly used for commercial and industrial purposes along San Francisco Bay. Seawall Lot 337 was created, as early as 1913, by placing fill materials along the San Francisco Bay shoreline. Former uses on the site were associated with the use, storage, and/or handling of hazardous materials include railway yards and associated structures, metal/machine shops, truck repair shops, and a hazardous waste treatment facility (H&H Ship Service Company). The H&H Ship Service Company facility was cleaned up and closed in 1999, with a land use covenant imposed restricting usage of the site to commercial/industrial as one of the terms of closure completion. In 2019, the California Department of Toxic Substances Control, following additional testing, and public review of additional health risk assessments, approved a modification of the land use covenant to permit residential use. (DTSC File Number 60002504.) Soil and groundwater at the site is known to contain residual contamination consisting of volatile organic compounds (VOCs), polycyclic aromatic hydrocarbons (PAHs), and heavy metals. The development of Seawall Lot 337 has been planned to incorporate several feet of imported fill, geofoam material, and concrete podium-style buildings, or landscaped or hardscape open space to provide barriers or exposure caps between the existing soil and site users.

The Soil Management Plan dated October 18, 2019 and prepared by Ramboll US Corporation (“Mission Rock SMP”) and the Dust Control Plan dated November 1, 2019 and prepared by Ramboll US Corporation (“Mission Rock DCP”) for Seawall Lot 337 were approved by the Port, the Department of Public Health, and the California Department of Toxic Substances Control. The Mission Rock SMP establishes measures that must be followed by anyone performing management, maintenance, and construction within Seawall Lot 337 to mitigate potential health risks related to contaminated soil in Seawall Lot 337. The requirements generally serve to minimize site users’ exposure to soil. Master Developer, Phase I Sub and the Vertical Developers are required to comply with the Mission Rock SMP pursuant to the Master Lease, Phase 1 Sublease and Parcel Leases, as applicable. An Asbestos Dust Mitigation Plan dated November 15, 2019 and prepared by Ramboll US Corporation (“Mission Rock ADMP”) has also been prepared in accordance with Bay Area Air Quality Management District requirements to minimize site users’ exposure to site contaminants.

The Master Developer has conducted environmental testing in connection with its development of the Mission Rock Project. These exposure caps will further reduce the risk of potential exposure relative to existing conditions and essentially eliminate exposure pathways. The Master Developer will be conducting environmental remediation in compliance with the Mission Rock SMP, the Mission Rock DCP, the Mission Rock ADMP, and State law for the work on Seawall Lot 337.

The Master Developer believes that it is in material compliance with applicable environmental laws for the Mission Rock Project. Owners and lessees of real estate such as the Master Developer, Phase I Sub and Vertical Developers may, in the future, be adversely affected by legislative, regulatory, administrative and enforcement actions involving environmental controls. See also “SPECIAL RISK FACTORS – Hazardous Substances” herein.

### **Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project**

*The Vertical Developers provide no assurance that development will be carried out on the schedule and according to the plans summarized below, or that the development plans set forth below will not change after the date of this Official Statement.*

*Although each Vertical Developer expects to have sufficient funds available to complete its respective development activities on Parcels A, B, F and G, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development costs will be available from such Vertical Developer or any other source when needed.*

*If and to the extent that internal funding is inadequate to pay the costs to complete the planned development by a Vertical Developer and other financing by such Vertical Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by such Vertical Developer and the remaining portions of the development may not be developed.*

In addition to its interest in the Master Developer, Mission Rock Partners owns an indirect interest in a series of joint ventures that each wholly owns certain ownership entities that have acquired a ground leasehold interest in each of vertical Parcels A, B, F, and G (each such owner of a ground leasehold interest being referred to as a “Vertical Developer” and collectively as the “Vertical Developers”). All four vertical parcels are capitalized through joint venture partnerships between Mission Rock Partners and a series of institutional limited partners. Equity commitments are funded over time as costs are incurred by each Vertical Developer in connection with its vertical parcel to complete the improvements. Capital calls are issued to either the equity partners or lenders, or a combination of both, to fund the capital required to pay for the costs. All equity commitments required for the construction of the vertical parcels are fully approved by each of the equity partners. The limited partner group consists of (i) the US subsidiary of a publicly-traded, international real estate investment company with approximately \$60 billion of assets and (ii) a consortium of Tishman Speyer’s discretionary separate managed accounts.

Upon conveyance of ground leasehold interests in Parcel A, B, F and G to Parcel A Vertical Developer, Parcel B Vertical Developer, Parcel F Vertical Developer, and Parcel G Vertical Developer, respectively, the Port and the Master Developer released such lots from the DDA and the Master Lease. Similarly, upon conveyance of ground leasehold interests in the remaining Vertical Parcels in later Phases, the Port and the Master Developer will release such lots from the DDA and the Master Lease.

As contemplated by the DDA, and as set forth in separate Vertical Cooperation Agreements (“VCAs”) that have been executed among the Master Developer, the Phase I Sub, the Parcel A Owner, the Parcel G Owner and the Parcel B Owner, and in the VCA expected to be executed with the Parcel F Owner, the Master Developer has agreed or will agree to pay all special taxes levied by the District on the Leasehold Interests in Parcels A, B, F and G until the vertical parcel is considered “Developed Property” under the Rate and Method (i.e., the Fiscal Year following the Fiscal Year in which the VDDA was executed).

Accordingly, after exhaustion of capitalized interest in the 2021B Capitalized Interest Account and the 2021C Capitalized Interest Account, 100% of the debt service on the 2021B/C Bonds will be paid by the Master Developer until at least Fiscal Year 2022-2023 (the date that Parcel G is expected to become Developed Property).

Phase 1A vertical improvements began in December 2020 and are expected to be completed by the first quarter of 2023. Phase 2 vertical construction is currently expected to commence in early 2023 with a 2026 completion date. Vertical construction for Phases 3 and 4 is currently expected to commence in 2023 and 2024 respectively. The expected development and the anticipated construction schedule in Phase 1A is summarized in the tables below as of August 1, 2021:

**Table 6**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Overview of Phase 1A of Mission Rock Project**  
**(projected dates as of August 1, 2021)**

	<b>Parcel A</b>	<b>Parcel B</b>	<b>Parcel F</b>	<b>Parcel G</b>
Vertical Developer/Leaseholder	Mission Rock Parcel A Owner, L.L.C.	Mission Rock Parcel B Owner, L.L.C.	Mission Rock Parcel F Owner, L.L.C.	Mission Rock Parcel G Owner, L.L.C.
Use	Residential/Office	Office	Residential	Office
Rentable Office Square Feet <sup>(1)</sup>	58,136	274,005	-	302,920
Rentable Retail Square Feet <sup>(1)</sup>	20,931	20,101	44,197	18,435
Rentable Residential Square Feet <sup>(1)</sup>	214,135	-	175,964	-
Rental Residential Units	283	-	254	-
Date of Parcel Lease Execution	October 2020	October 2020	October 2020	June 2020
First Fiscal Year as Developed Property under the Rate and Method	2023-2024	2023-2024	2023-2024	2022-2023
Ground Breaking	1/2021	6/2021	4/2022	12/2020
Core/Shell Completion	1/2023	9/2022	2/2024	1/2022
Lease Up Commencement	7/2023	9/2022	7/2024	9/2022
Stabilization	5/2024 <sup>(2)</sup>	9/2023 <sup>(3)</sup>	4/2025 <sup>(4)</sup>	7/2023 <sup>(5)</sup>

<sup>(1)</sup> Square footage amounts shown above represent the expected rentable (leasable) square footage for office, residential (including market-rate rentable square footage and any inclusionary unit rentable square footage), and retail/ground floor space. Note that this square footage has only been confirmed for the office component of Parcel G, where there is a contractual square footage as defined by the Visa, Inc. lease. Market-Rate Residential Square Footage subject to the Development Special Tax excludes any inclusionary unit rentable square footage. See “SECURITY FOR THE BONDS - Rate and Method of Apportionment of Special Taxes” above.

<sup>(2)</sup> Stabilization is defined as 95% leased across residential component.

<sup>(3)</sup> Stabilization is defined as lease up of the office component (93% RSF).

<sup>(4)</sup> Stabilization is defined as 95% leased across residential component.

<sup>(5)</sup> Stabilization is defined as commencement of the Visa, Inc. lease.

Source: Master Developer

**Parcel A.** Mission Rock Parcel A Owner, L.L.C., a Delaware limited liability company (the “Parcel A Vertical Developer”) is developing Parcel A as a 23-story building that will consist of 283 residential rental units, approximately 58,136 rentable square feet of office space, and approximately 20,931 rentable square feet of first floor retail. Of the 283 residential units in Parcel A, 102 will be designated as below-market rental units (“inclusionary units”), set at rental rates for households whose income is 90%-150% of area-median-income.

Designed by renowned architecture firm MVRDV, the building plan for Parcel A draws inspiration from the western U.S. landscape and mimics a cascading canyon. With market leading amenities and interior finishes. Parcel A will offer co-working and gathering spaces for residents working from home. It will feature a fitness center and outdoor lounge space and will include a hot tub, on a shared roof deck where tenants can enjoy views of the San Francisco Bay and China Basin Park.

As of August 1, 2021, the Parcel A Vertical Developer has expended approximately \$77.9 million on pre-development, pre-paid ground lease costs, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional \$278.5 million will be required to be expended on such costs to complete the building on Parcel A. The Parcel A Vertical Developer secured a total construction loan commitment of \$141.95 million (the “Parcel A Loan”) from a bank in November 2020. The Parcel A Loan is secured by the leasehold interest in Parcel A. The Vertical Developer expects the remaining costs to be funded with \$77.7 million in Jobs/Housing Equivalency Fee subsidy and equity. See Table 8 below. The Parcel A Vertical Developer poured the concrete foundation slab in late August 2021. The foundation was then inspected and approved by a member of the Port engineering staff, satisfying the requirement to access the Jobs/Housing Equivalency subsidy. The Parcel A Vertical Developer will draw on the Jobs/Housing Equivalency Fee proceeds on a monthly basis to cover construction costs, until the full Jobs/Housing Equivalency Fee subsidy is utilized.

The site permit and first addendum to the site permit that allows for vertical construction were issued in December 2020. Vertical construction commenced in January 2021. As noted above, the concrete foundation slab was poured in late August 2021. Parcel A development remains on schedule.

**Parcel B.** Mission Rock Parcel B Owner, L.L.C., a Delaware limited liability company (the “Parcel B Vertical Developer”), is developing Parcel B as an 8-story building planned for approximately 274,005 rentable square feet of office (suitable for life science uses and other office uses) and approximately 20,101 rentable square feet of retail. Designed by prominent architecture firm WORKac out of New York, the building plan for Parcel B features expansive floor plates, abundant natural light, and lush outdoor spaces. Each floor will feature multiple outdoor gardens and terraces for employees to enjoy.

Parcel B total development costs increased \$34 million as of August 1, 2021 in order to accommodate life science uses and, to a lesser degree, construction cost increases. The primary increase drivers are estimated tenant improvement costs for a life science tenant, and design revisions to: (i) increase loading capacity and reduce vibration, (ii) increase HVAC and exhaust shaft capacity, and (iii) optimize loading dock efficiencies and ground floor layout for hazardous chemical handling. The Parcel B Vertical Developer has incurred approximately \$127.3 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional \$239.5 million will be required to be expended on such costs to complete the building on Parcel B. Costs incurred to date on Parcel B include approximately \$95 million in Jobs/Housing Equivalency subsidy (approximately \$90.2 million) and permit fees (approximately \$4.8 million) that have been paid. The Parcel B Vertical Developer will finance the remaining costs to complete Parcel B through equity.

The site permit and first addendum to the site permit that allows for vertical construction were issued in June 2021. Vertical construction commenced in June 2021. Pile driving was completed in mid-August 2021. As of September 2021, excavation and foundation work are ongoing and construction remains on schedule.

**Parcel F.** Mission Rock Parcel F Owner, L.L.C., a Delaware limited liability company (the “Parcel F Vertical Developer”) is developing Parcel F as a 23-story building that is planned to consist of 254 residential rental units and approximately 44,197 rentable square feet of retail space.

Designed by world-famous Studio Gang Architects, the building plan for Parcel F will feature oscillating floor plates that cascade into a mesa on the first through third floors. Parcel F will feature abundant amenity space for tenants to enjoy, including co-working areas, private meeting rooms, and a media room. Parcel F will include a large, high-end entertaining and dining area for residents to host guests, as well as ample outdoor space with private seating areas, barbecue grills and fire pits.

Of the planned 254 residential units in Parcel F, 97 will be designated as inclusionary units set at rental rates for households whose income is equal to 90% - 150% of area-median-income.

As of August 1, 2021, the Parcel F Vertical Developer has incurred approximately \$42.3 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional \$256.1 million will be required to be expended on such costs to complete the building on Parcel F. The Parcel F Vertical Developer plans to finance a portion of the costs to complete Parcel F through approximately \$97.4 million in loan proceeds (50% LTC). The Vertical Developer expects to secure construction financing in early 2022 in advance of construction commencement. The Vertical Developer expects the remaining costs to be financed from equity and Jobs/Housing Equivalency Fee subsidy of \$103.6 million. The site permit has been filed and approved. The Master Developer expects the permit will be pulled by early 2022 in advance of groundbreaking, estimated to occur in April 2022. The first addendum to the site permit that allows for vertical construction is anticipated to be issued at approximately the same time.

**Parcel G.** Mission Rock Parcel G Owner, L.L.C., a Delaware limited liability company (the “Parcel G Vertical Developer”) is developing Parcel G as a 13-story building planned for approximately 302,920 square feet of office and 18,435 square feet of retail. The site permit was issued in October 2020, and the first addendum to the site permit that allows for vertical construction was issued in December 2020. Vertical construction commenced in early December 2020. Parcel G steel erection topped off on August 20, 2021. Concrete pours on each of the levels have commenced, and various other trades (mechanical/electrical/plumbing, ductwork, welding) are working their way vertically up the structure.

Visa, Inc. has publicly announced that it will be relocating its global headquarters to the building planned for Parcel G, moving employees from its current offices in Foster City and downtown San Francisco. Visa, Inc. has fully pre-leased the office component of the building. The building planned for Parcel G was designed by Copenhagen-based firm Henning Larsen and will feature expansive terraced rooftop space and unobstructed views of Oracle Park and the San Francisco Bay.

Pertinent terms of the Visa, Inc. lease are outlined below:

- Tenant: Visa, Inc.
- 302,290 rentable square feet (100% of the building’s office space)
- 15 year initial term; first renewal term of ten (10) years and second renewal term of nine (9) years, six (6) months (total aggregate initial term and renewal terms may not exceed thirty-four (34) years, six (6) months)
- Lease commencement nine (9) months after initial tranche delivery (expected lease commencement date in July 2023).

The Visa, Inc. lease may be terminated if the Parcel G Vertical Developer fails to either (i) commence construction by September 2021 or (ii) deliver the last tranche of the building within 32 months of commencing construction. The Parcel G Vertical Developer has already satisfied the first of these two conditions, commencing construction on Parcel G in early December 2020. The Parcel G Vertical Developer remains on schedule and expects to complete construction within 20 months thereafter, providing 12 months of cushion to meet the second timing condition in the Visa, Inc. lease.

As of August 1, 2021, the Parcel G Vertical Developer has incurred approximately \$260.3 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional \$174.2 million will be required to be expended on such costs to complete the building on Parcel G. Costs incurred to date on Parcel G include approximately \$100 million in Jobs/Housing Equivalency subsidy (approximately \$91.1 million) and permit fees (approximately \$8.9 million) that have been paid. The Parcel G Vertical Developer secured a total construction loan commitment of \$285 million (the “Parcel G Loan”) from a syndicate of lenders led by Bank of America, N.A. (“BofA”) in October 2020 for a three-year term maturing October 29, 2023. The syndicate of lenders will be responsible for each making their pro rata share of the Parcel G Loan, with BofA also acting as the administrative agent for the Parcel G Loan. The Parcel G Loan is secured by the leasehold interest in Parcel G. The Vertical Developer expects the remaining costs to be funded with equity.

Table 7 below provides details on the residential unit mix planned for Parcels A and F. Table 8 below provides details on the vertical construction costs and financing sources for Parcels A, B, F, and G. The amounts set forth in Table 8 are estimates as of August 1, 2021 and are subject to change.

**Table 7**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Parcels A and F – Residential Unit Summary**  
**(as of August 1, 2021)**

<b>Floor Plan</b>	<b>Parcel A</b>		<b>Parcel F</b>	
	<b>Avg. Approx. Square Footage<sup>(1)</sup></b>	<b>Total Number of Planned Units<sup>(2)</sup></b>	<b>Avg. Approx. Square Footage<sup>(1)</sup></b>	<b>Total Number of Planned Units<sup>(2)</sup></b>
Studio	546	17	447	29
1 Bedroom	627	155	576	134
2 Bedroom	921	93	938	87
3 Bedroom	1,222	18	1,068	4
<b>Totals</b>		<b>283</b>		<b>254</b>

<sup>(1)</sup> Rentable square feet (includes both Market-Rate Residential Square Footage and inclusionary unit rentable square footage).

<sup>(2)</sup> Inclusionary units are included in totals. See also Table 3.

*Source: Master Developer*

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**Table 8**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Parcels A, B, F, and G – Financing Summary**  
**(as of August 1, 2021)**  
**(\$ in millions)**

Parcel	Total Cost <sup>(1)</sup>	Financing Sources			% Equity	% Debt	Spent to Date	Remaining	Financing Status
		JHEF <sup>(2)</sup>	Total Debt	Total Equity					
Parcel A	\$356.4	\$77.7	\$141.9	\$136.8	50%	50%	\$ 77.9	\$278.5	Construction loan closed
Parcel B	366.8	-	-	366.8	100	-	127.3	239.5	N/A
Parcel F	298.4	103.6	97.4	97.4	50	50	42.3	256.1	Marketing planned later in 2021
Parcel G	434.5	-	285.0	149.5	35	65	260.3	174.2	Construction loan closed with BofA and syndicate

<sup>(1)</sup> Total cost includes JHEF paid by Parcel B of \$90.2 million and Parcel G of \$91.1 million.

<sup>(2)</sup> “JHEF” means Jobs/Housing Equivalency Fee subsidy.

Source: Master Developer

### Assessment Appeals

An affiliate of the Master Developer, China Basin Ballpark Company (previously defined as “CBBC”), as operator of the parking lot in the District serving Oracle Park and the surrounding neighborhood, filed an appeal of the tax assessment on the parking lot for fiscal year 2020-21. As development of the Mission Rock Project proceeded, the footprint of the leased parking area was reduced in size (excluding Phase 1 parcels) and the expected term going-forward was shortened to accommodate the expected timing of future development phases. The appeal was based, among other considerations, on the reduced value of the lease due to these changes in scope and timing. Based on that appeal, an assessment reduction was granted.

CBBC later filed a similar appeal for additional assessed value reductions based on the same reasons. That appeal is currently pending.

See “– Property Values – Assessed Value” below and “SPECIAL RISK FACTORS – Value-to-Lien Ratios; Future Indebtedness; Parity Liens” herein.

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## Expected Land Use and Expected Maximum Special Tax Revenues

The following table sets forth expected land uses, expected square footage, expected Maximum Development Special Tax Revenues, expected Maximum Office Special Tax Revenues, and expected Maximum Shoreline Special Tax Revenues. Only the Development Special Tax Revenues will be available to pay debt service on the Bonds.

**Table 9**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**

**Expected Land Uses, Expected Square Footage, Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues**

<b>Planning Parcel<sup>(1)</sup></b>	<b>Expected Land Uses<sup>(2)</sup></b>	<b>Expected Square Footage</b>	<b>Expected Maximum Development Special Tax Revenues (FY 2021-22)<sup>(3)</sup></b>	<b>Expected Maximum Office Special Tax Revenues (FY 2021-22)<sup>(3)</sup></b>	<b>Expected Maximum Shoreline Special Tax Revenues (FY 2021-22)<sup>(3)</sup></b>
<b>TAX ZONE 1</b>					
A	Market-Rate Residential	140,659	\$1,255,611	\$ 0	\$ 0
	Office	49,000	331,367	97,881	92,783
B	Office	255,008	1,724,517	509,396	482,865
G	Office	283,323	1,916,000	565,957	536,480
F	Market-Rate Residential	110,548	986,821	0	0
<b>TAX ZONE 2</b>					
C	Office	324,548	2,194,788	543,632	614,541
D	Market-Rate Residential	104,650	934,172	0	0
E	Office	125,275	847,185	209,841	237,212
H	Market-Rate Residential	54,079	482,743	0	0
	Office	49,999	338,123	83,751	94,675
I	Office	129,733	877,332	217,308	245,653
J	Office	129,458	875,473	216,848	245,132
K	Market-Rate Residential	62,828	560,842	0	0
	Office	0	0	0	0
<b>TOTAL</b>			<b>\$13,324,976</b>	<b>\$2,444,614</b>	<b>\$2,549,340</b>

<sup>(1)</sup> Alphabetical planning parcel designations in this table correspond to the alphabetical parcel and block designations used elsewhere in this Official Statement.

<sup>(2)</sup> Based on expected land uses at buildout as of October 6, 2021, per the Master Developer.

<sup>(3)</sup> Each July 1, the Base Development Special Tax, the Base Office Special Tax, and the Base Shoreline Special Tax shall be escalated as set forth in Section D.1 of the Rate and Method. See definitions set forth in the Rate and Method, APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

Source: Goodwin Consulting Group, Inc.

Table 10 below sets forth the expected Maximum Development Special Tax Revenues for Fiscal Year 2021-22 and the actual and projected Development Special Tax levy for Fiscal Years 2022-23 and Fiscal Year 2023-24 based on the Parcel Lease execution dates for each of the parcels in Phase 1A.

**Table 10**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Maximum Development Special Tax Revenues and Projected Development Special Tax Levies**

Planning Parcel	Phase	Market-Rate Residential Square Footage <sup>(1)</sup>	Office Square Footage <sup>(1)</sup>	Total Expected Square Footage <sup>(1)</sup>	FY 2021-22 Expected Maximum Development Special Tax Revenues	FY 2021-22 Actual Development Special Tax Levy	FY 2022-23 Projected Development Special Tax Levy <sup>(2)</sup>	FY 2023-24 Projected Development Special Tax Levy <sup>(3)</sup>
A	1	140,659	49,000	189,659	\$ 1,586,979	\$ 200,032	\$ 401,866	\$ 1,651,092
B	1	0	255,008	255,008	1,724,517	217,368	436,695	1,794,188
F	1	110,548	0	110,548	986,821	124,385	249,890	1,026,689
G	1	0	283,323	283,323	1,916,000	241,504	1,954,320	1,993,407
<b>Subtotal</b>		<b>251,207</b>	<b>587,331</b>	<b>838,538</b>	<b>\$ 6,214,317</b>	<b>\$ 783,290</b>	<b>\$ 3,042,772</b>	<b>\$ 6,465,375</b>
C	2	0	324,548	324,548	\$ 2,194,788	\$ 276,644	\$ 555,780	\$ 0
D	2	104,650	0	104,650	934,172	117,749	236,558	0
E	3	0	125,275	125,275	847,185	106,784	214,530	0
H	4	54,079	49,999	104,078	820,867	103,467	207,866	0
I	4	0	129,733	129,733	877,332	110,584	222,165	0
J	4	0	129,458	129,458	875,473	110,350	221,694	0
K	4	62,828	0	62,828	560,842	70,692	142,021	0
<b>Subtotal</b>		<b>221,557</b>	<b>759,013</b>	<b>980,570</b>	<b>\$ 7,110,659</b>	<b>\$ 896,270</b>	<b>\$ 1,800,613</b>	<b>\$ 0</b>
<b>Total</b>		<b>472,764</b>	<b>1,346,344</b>	<b>1,819,108</b>	<b>\$13,324,976</b>	<b>\$ 1,679,560</b>	<b>\$ 4,843,385</b>	<b>\$ 6,465,375</b>

<sup>(1)</sup> Based on the expected land uses at buildout as of October 6, 2021, per the Master Developer. As defined in the RMA, the special taxes are charged based on the following square footage measurements: for office use, the Planning Gross Square Footage measurement, consistent with the Prop M allowance granted to that parcel, as designated on the site permit; for residential: the market rate rentable square footage (excludes any inclusionary unit rentable square footage).

<sup>(2)</sup> Per the Rate and Method, Developed Property means all taxable parcels for which the 24-month anniversary of the Parcel Lease Execution Date has occurred in the preceding fiscal year. The Parcel Lease Execution Date for Parcel G was June 25, 2020, therefore the parcel will become Developed Property in fiscal year 2022-23. The fiscal year 2022-23 Development Special Tax levy is based on debt service for the 2021A Bonds, as well as the 2021B/C Bonds.

<sup>(5)</sup> The Parcel Lease Execution Date for the remaining Phase 1A parcels is October 6, 2020, therefore the parcels will become Developed Property in fiscal year 2023-24. Per Section F of the Rate and Method, the Maximum Development Special Tax is levied on all parcels of Developed Property.

Sources: Port of San Francisco; Integra Realty Resources; Goodwin Consulting Group, Inc.

## Property Values

**Assessed Value.** There are 14 assessor parcel numbers in the District, of which 6 correspond to Taxable Parcels. All of the remaining eight assessor parcels have exempt uses (e.g., streets), with no assessed value assigned to them as a result. Total assessed value for fiscal year 2021-22 for the six assessor parcel numbers that correspond to Taxable Parcels was \$11,950,424. (Sources: San Francisco Assessor's Office; Goodwin Consulting Group, Inc.) The sale prices of the Taxable Parcels were not established through an arms-length market transaction. Without adequate market exposures, such sales prices and, consequently, the assessed value based on such sales prices may be different than market sales prices. Accordingly, there can be no assurance that the assessed valuations of the Taxable Parcels with the District accurately reflect market values.

Assessed values in the District for prior fiscal year 2020-21 were reduced upon appeal for a reduction of assessed value (see “ – Assessment Appeals” above) and were based on a previous assessor parcel that did not align precisely with the District's footprint or reflect currently-applicable exempt uses (e.g., streets).

**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 make any representation as to the accuracy or completeness of the Appraisal Report.*

**The Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 165 thereof. See Appendix G.**

The Appraisal Report of the leasehold interests (by ownership) in all Taxable Parcels within the District was prepared by the Appraiser in connection with the issuance of the 2021B/C Bonds. In the Appraisal Report, the Appraiser concluded that the aggregate market value (by ownership) of the leasehold interest in the appraised properties as of August 1, 2021 was \$394,470,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report. For purposes of the Appraisal Report, the inspection of the Taxable Parcels in the District occurred on August 2, 2021.

The Appraisal Report provided a market value of the leasehold interests (by ownership) in the appraised property, subject to hypothetical conditions, including the condition that proceeds from the 2021B/C Bonds are available for public improvements, as of August 1, 2021.

In its multi-family market analysis, the Appraisal Report observes that market conditions declined significantly following the coronavirus outbreak and containment mandates and, although improvement is beginning, activity remains subdued. San Francisco's average apartment vacancy experienced a significant increase to 10.7% in 2020. The rate had ranged from 3.9% to 5.0% during 2017 through 2019, but began increasing in the first quarter of 2020, with a reported rate of 5.8%. As of the second quarter of 2021, the overall average vacancy was reported at 8.0%, a 1.4% decrease over the first quarter 2021 and a 0.20% decrease year-over-year. The rate remained stable into the third quarter of 2021, with an average rate of 8.0% reported as of mid-August 2021. The Appraisal Report cites a source indicating that the average asking monthly rental rate in the San Francisco market area as of the second quarter 2021 increased from the first quarter 2021, but showed a decrease year-over-year. Rental rate growth had been moderating over the past four years and declined significantly following the COVID-19 stay at home orders. Luxury apartments have been most heavily impacted and have offered the greatest discounts, as they face a slow leasing environment as well as additional competition from newly constructed projects. Rental rates began improving in the first quarter 2021 after five quarters of decline. The Appraisal Report concluded that the

near-term outlook remains uncertain as the number of multi-family residential renters re-entering the market will be dependent on how long and to what extent employers adopt work from home policies and how quickly the amenities that draw residents to city life are restored. The Appraisal Report indicates that guarded reliance should be placed on average asking rates given the number of variables impacting such figures.

The Appraisal Report observes that San Francisco market office vacancy, which had been on a downward trend since late 2017, increased each quarter in 2020. In 2021, the average vacancy rate was 20.1% in the second quarter, 2.3% higher than first quarter 2021 and 10.2% higher than a year prior. Sublease space continues to be a significant source of vacancy, accounting for 45.4% of all vacancy in the market. However, in the second quarter 2021, direct vacant space increased at a greater pace than sublease space. Net absorption was negative each quarter in 2020, rising from 477,857 square feet in the first quarter, to negative 2,766,026 square feet in the second quarter and 3,626,504 square feet in the third quarter, dropping to 2,486,054 square feet in the fourth quarter. As restrictions continued to ease in the economy, leasing activity has been improving, according to the sources cited in the Appraisal Report. The first quarter of 2021 posted negative net absorption of 1,531,996 square feet, an improvement over the previous three quarters, and the second quarter of 2021 closed out with negative net absorption of 2,006,244 square feet. According to market research reports cited in the Appraisal Report, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and, until more recently, had been flat to slightly increasing. As of the second quarter of 2021, the region's average asking rate was \$6.10 per square foot/month (full service), down from \$6.15 per square foot/month in the first quarter and from \$6.93 per square foot/month the previous year. The Appraisal Report indicates that guarded reliance should be placed on average asking rates given the number of variables impacting such figures.

See the Appraisal Report in Appendix G for additional information related to the COVID-19 pandemic's impacts on residential and office rental markets. The Appraisal Report observes that demand for life sciences and bio-technology space has remained strong throughout the pandemic and has outperformed general office space. Demand for this type of office space is expected to continue to strengthen in the near future. The Appraisal Report acknowledges plans for Parcel B have been modified to accommodate life science tenants and observes that office properties that have the flexibility to adapt to either a life science or general office tenant's needs will have an advantage in the current market over traditional general office space.

The Appraisal Report (beginning on page 37 thereof) describes the Appraiser's assessment of the impacts of the COVID-19 pandemic on its valuations.

The Appraisal Report appraised the leasehold interests (by ownership) in the District that are subject to the Development Special Taxes securing the 2021B/C Bonds, representing 11 of the 12 blocks within the District. The uses planned for development of Block D2 (intended to include a parking garage and retail space) are not subject to the Development Special Taxes securing the Bonds, therefore, Block D2 was excluded from the appraised leasehold interests.

**Valuation Method.** The Appraisal Report's analysis begins with income capitalization approaches to determine the market value of the subject blocks as if development was complete and stabilized. 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.

Next, the Appraisal Report employed extraction analyses to determine the value of the underlying land. An extraction analysis takes into account the estimated value as if complete, derived via the aforementioned income capitalization approaches for each block, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of residual land value. The Appraisal Report conducted an extraction analysis for each of the District's taxable blocks.

Finally, the subdivision development method is used to estimate the market value of the Taxable Parcels in the District. The subdivision development method is a form of discounted cash flow analysis 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 are considered. The results of the subdivision development method is a conclusion of value, in bulk, for the subject property.

**Value Estimate.** Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of August 1, 2021, the aggregate market value (by ownership) of the leasehold interests in the Taxable Parcels within the District was \$394,470,000. The Appraisal Report displays the value among leaseholds as set forth in the following table:

Ownership	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	\$ 76,670,000
Mission Rock Parcel B Owner L.L.C.	90,570,000
Mission Rock Parcel F Owner L.L.C.	47,150,000
Mission Rock Parcel G Owner L.L.C.	173,840,000
Seawall Lot 337 Associates, LLC	6,240,000
Total Aggregate, or Cumulative, Value	\$394,470,000

The value of property within the District is an important factor in determining the investment quality of the 2021B/C Bonds. If a taxpayer defaults in the payment of the Development Special Tax, the District's primary remedy is to foreclose on the leasehold interest in the delinquent property in an attempt to obtain funds with which to pay the delinquent Development Special Tax. The Development Special Tax is not a personal obligation of the owners or tenants of the property. A variety of economic, political and natural occurrences incapable of being accurately predicted can affect property values.

**Prior Appraisals.** In connection with the previously-issued 2021A Bonds, the City commissioned the Appraiser to appraise the leasehold interest in District property at a few points in time. The most recent of those previous valuations, with a valuation date of April 21, 2021 (at an earlier stage of development in the District), concluded that the aggregate, or cumulative, value (by ownership) of the leasehold interest in the appraised properties was not less than \$324,890,000, subject to certain assumptions and limiting conditions. Since that time, infrastructure improvements have continued to be installed, additional impact fees have been paid and vertical construction is well under way on Parcel G and Parcel A and begun on Parcel B, all of which has contributed to an aggregate increase in District value as of the current Appraisal date of value. More specifically, the appraised values of Parcels A, B and F have increased while those of Parcel G and the parcels assigned to Phases 2-4 have decreased.

See "SPECIAL RISK FACTORS – Real Estate Investment Risks," "– Public Health Emergencies" and "– Value-to-Lien Ratios; Future Indebtedness; Parity Liens" herein.

### **Projected Development Special Tax Levy, Appraised Values and Value-to-Lien Ratios**

The following table 11 sets forth the projected Development Special Tax Levy, maximum Development Special Tax Revenue and a summary of value-to-lien ratios based on fiscal year 2023-24 projected Development Special Tax levy and based on fiscal year 2021-22 expected maximum Development Special Tax Revenues. See “SECURITY FOR THE BONDS – Parity Bonds” and “– Future Indebtedness” herein. Pursuant to the Act and the Rate and Method, the principal amount of the Bonds is not allocable among the parcels in the District based on the value of the parcels. A downturn of the economy or other market factors may depress property values and hence the value-to-lien ratios. See “SPECIAL RISK FACTORS – Real Estate Investment Risks,” “– Public Health Emergencies” and “– Value-to-Lien Ratios; Future Indebtedness; Parity Liens” herein.

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**Table 11**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Maximum Development Special Tax Revenues, Fiscal Year 2023-24 Projected Development Special Tax**  
**Levy, and Summary of Value-to-Lien Ratios**  
**(Development Status as June 30, 2021)**

Planning Parcel	Appraised Value	Projected Development Special Tax Levy			Maximum Development Special Tax Revenues		
		FY 2023-24 Projected Development Special Tax Levy	Allocated Bond Debt <sup>(1)(2)</sup>	Average Value-to-Lien	FY 2021-22 Expected Maximum Development Special Tax Revenues	Allocated Bond Debt <sup>(1)(3)</sup>	Average Value-to-Lien
A	\$ 76,670,000	\$ 1,651,092	\$ 27,128,440	2.83	\$ 1,586,979	\$ 12,651,785	6.06
B	90,570,000	1,794,188	29,479,579	3.07	1,724,517	13,748,276	6.59
F	47,150,000	1,026,689	16,869,115	2.80	986,821	7,867,183	5.99
G	173,840,000	1,993,407	32,752,866	5.31	1,916,000	15,274,826	11.38
<b>Subtotal</b>	<b>\$ 388,230,000</b>	<b>\$ 6,465,375</b>	<b>\$ 106,230,000</b>	<b>3.65</b>	<b>\$ 6,214,317</b>	<b>\$ 49,542,070</b>	<b>7.84</b>
C	\$ 1,857,041	\$ 0	\$ 0	0.00	\$ 2,194,788	\$ 17,497,394	0.11
D	649,644	0	0	0.00	934,172	7,447,450	0.09
E	741,534	0	0	0.00	847,185	6,753,966	0.11
H	918,904	0	0	0.00	820,867	6,544,151	0.14
I	730,849	0	0	0.00	877,332	6,994,310	0.10
J	726,575	0	0	0.00	875,473	6,979,484	0.10
K	615,452	0	0	0.00	560,842	4,471,174	0.14
<b>Subtotal</b>	<b>\$ 6,240,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0.00</b>	<b>\$ 7,110,659</b>	<b>\$ 56,687,930</b>	<b>0.11</b>
<b>Total</b>	<b>\$ 394,470,000</b>	<b>\$ 6,465,375</b>	<b>\$ 106,230,000</b>	<b>3.71</b>	<b>\$ 13,324,976</b>	<b>\$ 106,230,000</b>	<b>3.71</b>

<sup>(1)</sup> Represents the debt lien of \$41,950,000 in 2021A Bonds and \$64,280,000 for the 2021B/C Bonds.

<sup>(2)</sup> Allocated based on the projected fiscal year 2023-24 Development Special Tax levy.

<sup>(3)</sup> Allocated based on the fiscal year 2021-22 maximum Development Special Tax Revenues.

Sources: Integra Realty Resources; Goodwin Consulting Group, Inc.



## Delinquency History

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

Development Special Taxes were levied for the first time in Fiscal Year 2020-21, thus offering no historical information regarding payment delinquencies before that fiscal year. Both installments of the Development Special Tax levy in Fiscal Year 2020-21, an amount equal to \$1,837,010, were paid in full and no such payments are currently delinquent. Because the County’s Teeter Plan is not available for the Development Special Taxes, collections of the Development Special Taxes will reflect actual deficiencies. Neither the City, the Port, the Underwriter nor the District can predict the willingness or ability of the holders of Leasehold Interests to pay the Development 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 City is obligated to follow, in the event of delinquency in the payment of Development Special Tax installments.

## Direct and Overlapping Debt

The following table details the direct and overlapping debt currently encumbering property within the District. See “ - Property Values - Assessed Value” above.

**Table 12**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Direct and Overlapping Debt**  
**(as of October 1, 2021)**

2021-22 Assessed Valuation: \$11,950,424 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/21</u>
Bay Area Rapid Transit District General Obligation Bonds	0.001%	\$ 24,643
San Francisco City and County General Obligation Bonds	0.004	115,514
San Francisco Unified School District General Obligation Bonds	0.004	37,494
San Francisco Community College District General Obligation Bonds	0.004	18,327
<b>City of San Francisco Community Facilities District No. 2020-1</b>	<b>100.</b>	<b>41,950,000<sup>(1)</sup></b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$42,145,978</b>

<sup>(1)</sup> Excludes 2021B/C Bonds to be sold.

### Ratios to 2021-22 Assessed Valuation:

Direct Debt (\$41,950,000)	351.03%
Total Direct and Overlapping Tax and Assessment Debt	352.67%

*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 2021B/C Bonds. This discussion does not purport to be comprehensive or definitive, and other risk factors could arise in the future that could have a bearing on the 2021B/C Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of holders of Leasehold Interests in the District to pay their Development Special Taxes when due. Such failures to pay Development Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the 2021B/C Bonds, or could otherwise affect the market price and liquidity of the 2021B/C 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 the District or the City's ability to recover delinquent Development Special Taxes in foreclosure proceedings.*

### Real Estate Investment Risks

**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 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, (iii) natural disasters (including, without limitation, earthquakes, subsidence and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction, and (iv) the impacts of a public health emergency, such as the COVID-19 pandemic, on construction and sales activity, the national and regional economy and financial circumstances of property owners in the District. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of holders of Leasehold Interests in the District to pay their Development Special Taxes when due. See “THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy” and “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein.

**Public Infrastructure Construction Delays.** The Vertical Developers of parcels in both Phase 1A and later phases of the Mission Rock Project, will require completion of certain portions of the Horizontal Improvements in order to receive regulatory approval to occupy the buildings they construct. Phase 1A public infrastructure is under construction by the Phase I Sub. The Phase I Sub is party to PIA with the City, pursuant to which the Phase I Sub has provided limited subdivision improvement bonds for use by the City in the event the Phase I Sub fails to complete construction of the Phase 1A Horizontal Improvements. See “THE MISSION ROCK PROJECT - Development and Financing Plan for the Mission Rock Project – *Horizontal Infrastructure Status*” herein. The Vertical Developers for Phase 1, Phase I Sub, and Master Developer have agreed upon a schedule for construction by the Phase I Sub of its Horizontal Improvements obligations. With respect to each vertical parcel, the Vertical Developer, Phase I Sub, and the Master Developer will enter into a Vertical Coordination Agreements (“VCAs”) which require cooperation and ongoing coordination for construction of Phase 1. The existing PIA and VCAs do not address Mission Rock Project phases other than Phase 1. The City has no obligation to complete construction of the Horizontal Improvements, and a determination to call on the payment and performance bonds to complete the Horizontal Improvements would be subject to approval by the Board of Supervisors.

Phase 1A Horizontal Improvements include the use of lightweight cellular concrete (previously defined as “LCC”) beneath the roadways and public spaces. LCC has been used extensively as a lightweight material for comparable uses throughout the United States, but it has not previously been used as a

replacement for native soils as it is being deployed below the Mission Rock Project street areas. Since LCC is not generally applied to such areas in San Francisco, the City requires this material to meet certain design and performance criteria adopted by the City's Department of Public Works. The criteria set acceptable limits to settlement and uplift of the Mission Rock Project streets that may result from the use of LCC. Failure to satisfy the criteria will trigger warranty obligations. Phase 1A Horizontal Improvements built within or upon LCC are subject to an "Initial Warranty," which runs for two years upon the City's issuance of the final Notice of Completion for public improvements within Phase 1A, and a three-year "Extended Warranty" which runs for three years commencing upon the expiration of the Initial Warranty. The Phase I Sub is required to remedy all defects in materials or workmanship, including failures to meet the City's adopted criteria, during the Initial Warranty period. To date, there has been a small amount of non-conforming LCC placed during the initial setting period within Phase 1A. These non-conforming LCC elements have since been replaced and subsequently met the performance criteria, having minimal impacts to cost and schedule. During the Extended Warranty period, the Phase I Sub's liability is limited to an out-of-pocket maximum of \$5,200,000. LCC is also subject to post-construction performance monitoring.

Should Horizontal Improvements in the Mission Rock Project remain incomplete, the buildings to be constructed will not have access to public and other shared infrastructure and will be inherently less valuable than property with access to that infrastructure and would provide less security to the Bondowners in the event the City, on behalf of the District, forecloses on a Leasehold Interest due to the nonpayment of Development Special Taxes. For example, the Mission Rock Utilities Systems will be shared infrastructure among the planned buildings and other facilities in the District. The central plants for the Mission Rock Utilities Systems will be housed in two of the buildings in the District to be built on Parcels A and B, but would be needed for all of the buildings and other serviced facilities. In respect of the Mission Rock Utilities Systems specifically, only a portion of the financing planned for those facilities has been obtained, in the form of bond anticipation notes maturing on November 1, 2023, with repayment of the principal guaranteed by the Master Developer. If the Master Developer is unable to obtain sources for additional financing or permanent financing for the bond anticipation notes, or if building construction on Parcels A or B were delayed, its ability to complete the Mission Rock Utilities Systems may be impacted, which could result in additional costs of temporary facilities, incurrence of fines and penalties and/or a delay in ability of Vertical Developers to obtain timely certificates of occupancy. Also, because rates for service by the Mission Rock Utilities System will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs, if, after Mission Rock Utilities Systems become operational for buildings completed initially, development of later buildings are delayed, the costs of service for early ratepayers may be proportionally higher.

Any delays in developing required infrastructure, or the decision not to construct required infrastructure, or increased costs due to higher utility service rates, may affect the willingness and ability of the holders of Leasehold Interests in property within the District to pay the Development Special Taxes when due.

Moreover, there can be no assurance that the means and incentive to construct the Phase 1A Horizontal Improvements within the District will not be adversely affected by a deterioration of economic conditions, natural disasters or future local, State and federal governmental policies relating to infrastructure development.

***Ownership and Allocation of Development Rights and Obligations.*** Vertical Developers have limited rights to construct the Horizontal Improvements required to obtain regulatory approvals to occupy the buildings to be constructed in the Mission Rock Project. Vertical Developers' rights are limited to construction of Deferred Infrastructure, if any. Deferred Infrastructure is defined as Horizontal Improvements that would be Horizontal Improvements built or installed by the Master Developer but for the Port's agreement through a Phase Approval to require Vertical Developers to construct, limited to

(i) utility infrastructure, (ii) public right of way improvements, and (iii) fixtures installed between right-of-way curbs and the boundaries of a Development Parcel, such as sidewalks and curb cuts, lighting, street furnishings, landscaping, and utility boxes and laterals serving the parcel. There is no Deferred Infrastructure in Phase 1A. Since the leaseholders of the parcels are subject to change, the same development plans outlined in this Official Statement may not be continued by the subsequent leaseholders if the parcels are transferred (such as upon foreclosure on the Leasehold Interest) to different leaseholders, although a transferee of the leasehold under the Master Lease would be obligated to comply with the DDA (until satisfied), and a transferee of a Parcel Lease would be obligated to comply with the VDDA (until satisfied) and will be subject to the policies and requirements of the City.

***Concentration of Ownership of Leasehold Interests.*** Failure of any significant holder of Leasehold Interests in Taxable Parcels in the District to pay the annual Development Special Taxes when due could result in the rapid, total depletion of the 2021A Reserve Fund and the 2021B Reserve Fund prior to replenishment from the resale of the Leasehold Interest 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 2021B/C Bonds.

The Development Special Taxes are not a personal obligation of the owners of the Leasehold Interests on which such Development Special Taxes are levied, and no assurances can be given that the holder of the Leasehold Interest in property within the District will be financially able to pay the Development Special Taxes levied on such Leasehold Interest 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 of Leasehold Interests is concentrated and may be expected to decrease when ownership of the Leasehold Interests is diversified. At present, all of the Leasehold Interests in the District are owned by either the Master Developer or one of four Vertical Developers, each of which is affiliated with the Master Developer.

In addition, as contemplated by the DDA, and under the VCAs with the Parcel A Owner, the Parcel B Owner and the Parcel G Owner, and in the VCA expected for the Parcel F Owner, the Master Developer has agreed to pay all special taxes levied by the District on the Leasehold Interests in Parcels A, B, F and G until the vertical parcel is considered “Developed Property” under the Rate and Method (i.e., the Fiscal Year following the 24 month anniversary of the date on which the VDDA was executed). Accordingly, after exhaustion of capitalized interest on deposit in the 2021B Capitalized Interest Account and the 2021C Capitalized Interest Account, 100% of the debt service on the 2021B/C Bonds will be attributable to special tax payments by the Master Developer until at least Fiscal Year 2022-2023 (the date that Parcel G is expected to become Developed Property).

***Failure to Develop Properties.*** Phase 1A Horizontal Improvements commenced in January 2020; vertical improvements on Parcel G began in December 2020, vertical improvements on Parcel A began in January 2021 and vertical improvements on Parcel B began in June 2021. Vertical improvements on Parcel F and construction of Phases 1B, 2, 3 and 4 has not yet commenced. See “THE MISSION ROCK PROJECT - Overview of the Mission Rock Project” herein. 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 Bondowners should it be necessary for the City to foreclose on Leasehold Interest due to the nonpayment of Development Special Taxes. See “SECURITY FOR THE BONDS – Future Indebtedness” and “THE MISSION ROCK PROJECT - Projected Development Special Tax Levy, Appraised Values and Value-to-Lien Ratios” herein. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the holders of Leasehold Interests in property within the District to pay the Development 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 the District, will be enacted, and a risk that future voter approved land use initiatives could add more restrictions and requirements on development within the District.

The Port's obligation to pay for improvements is conditioned on approval by the Port of a Phase Budget (as defined in the DDA). While the Master Developer has a Port-approved Phase Budget for Phase 1 to construct the Phase 1A Horizontal Improvements required for the Vertical Developers of Parcels A, B, F and G to obtain certificates of occupancy for the vertical improvements on those Parcels and to construct Phase 1B (China Basin Park), the Port has not yet approved a Phase Budget for Phase 2 through 4.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within the District 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 or Leasehold Interests, the national economy, or natural disasters.

Continued financing will be needed to complete the development of the property within the District. 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 that currently projected, which may or may not be available. See "THE MISSION ROCK PROJECT— Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project" for a discussion of the estimated sources of funding for the completion of the construction of certain of the projects in District.

***Office Development Annual Limit Program.*** The Office Development Annual Limit Program (the "Annual Limit Program") of the City became effective in 1985 with the adoption of the Downtown Plan and associated amendments (Proposition M in 1986 and Proposition C in 1987) to the City's Planning Code. As amended over time, the Annual Limit Program governs the approval of all development projects that contain more than 25,000 gross square feet of office space. Such projects require an "office space allocation" from the City's Planning Commission.

The central provision of the Annual Limit Program is a "metering limit" designed to restrict the amount of office space authorized in a given year. No office project subject to the metering limit can be entitled without receiving an allocation under the Annual Limit Program. In doing so, the Annual Limit Program aims to ensure a manageable rate of new development and to guard against typical "boom and bust" cycles, among other goals. A total of 950,000 gross square feet ("gsf") of office development potential becomes available for allocation in each approval period, which begins on October 17th of every year. Of the total new available space, 75,000 gsf is reserved for small allocation projects (projects with between 25,000 and 49,999 gsf of office space), and the remaining 875,000 gsf is available for large allocation projects (projects with at least 50,000 gsf of office space). Any available office space not allocated in a given year is carried over to subsequent years. The status of available allocation under the Annual Limit Program is set forth on the Office Development Annual Limit Program website at <https://sf-planning.org/office-development-annual-limitation-program>.

All planned development in Phase 1A has received an allocation. All future development of properties in phases 2 through 4 planned for office uses may proceed provided the Port gives the Planning Department notice. The Planning Department has 45 days to review the notice and may request a delay of no more than 90 days to authorize the allocation, all as provided under the DDA.

### **Public Health Emergencies**

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of a new disease (“COVID-19”), an upper respiratory tract illness caused by infection by a transmissible, novel coronavirus. COVID-19 has since spread across the globe. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

From time to time since the onset of the pandemic, all counties in the Bay Area (including the City) have implemented and revised restrictions on mass gatherings and widespread closings or other limitations of the operations of government, commercial, educational, and other institutions. While significant portions of the population of the State of California (including the City) have been vaccinated, COVID-19 variants have resulted in increased infection rates and the imposition of certain restrictions on commercial and other activities. Although COVID-19 case rates had been declining significantly through June 2021, increasing case counts in July, August and September 2021 have brought the cumulative COVID-19 case count in San Francisco to 50,469 and the total death count to 636 since the start of the pandemic, as of September 29, 2021.

The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. Existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the City’s public health system, reductions in tourism and disruption of the regional and local economy, widespread business closures, worker migration out of the City due to permissive remote work policies and significantly higher levels of unemployment. See “THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy” herein.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too 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, the District, the Master Developer or the Vertical Developers and the real estate market and development within the City 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, Master Developer or the Vertical Developers. Adverse impacts to the development within the District as a whole could include, without limitation, one or more of the following: (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; (iv) 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, (vii) reduced demand for development projects; (viii) delinquencies in payment of Special Taxes and (ix) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus sufficient to counteract economic impacts of the public health emergency.

The 2021B/C Bonds are limited obligations of the City, secured by and payable solely from the Development Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 or other public health emergencies on the City's finances does not suggest that the City has an obligation to pay debt service on the 2021B/C Bonds from any other sources of funds. See "SECURITY FOR THE BONDS – Limited Obligation" herein.

Neither the City, the Underwriter, the Master Developer nor the Vertical Developers can predict the ultimate effects of the COVID-19 outbreak or other public health emergencies or whether any such effects will not have material adverse effect on the ability to develop the Mission Rock Project as planned and described herein, or the availability of Development Special Taxes in an amount sufficient to pay debt service on the Bonds.

### **Value-to-Lien Ratios; Future Indebtedness; Parity Liens**

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 or lessees 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 leasehold interest as measured by assessed values or appraised values and the denominator of which is the "lien" of governmental bonds payable from the assessments or special taxes. A value-to-lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Property values are sensitive to economic cycles. Assessed or appraised values may not reflect the current market value of leasehold interest property. A downturn of the economy or other market factors may depress leasehold interest values and lower the value-to-lien ratios.

According to the Master Developer, an affiliate of the Master Developer, China Basin Ballpark Company (previously defined as "CBBC"), as operator of the parking lot serving Oracle Park and the surrounding neighborhood, has filed an appeal of the tax assessment on the parking lot. Since development of the Mission Rock Project has proceeded, the footprint of the leased parking area has been reduced in size (now excluding the Phase 1 parcels) and is expected to be shortened in term going forward to accommodate the expected timing of future development phases. This appeal is based, among other considerations, on the reduced value of the lease due to these changes in scope and timing. The appeal is currently pending. See "THE MISSION ROCK PROJECT – Assessment Appeals" herein.

Further, the value-to-lien ratios may vary widely from parcel to parcel. 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 Leasehold Interest with delinquent Development Special Taxes be foreclosed upon and sold, any bid would be received for such Leasehold Interest or, if a bid were received, that such bid would be sufficient to pay all delinquent Development Special Taxes. Like the Vertical Developers, potential bidders on Leasehold Interests would not have the right to construct the Horizontal Improvements required to obtain regulatory approvals to occupy the buildings to be constructed in the District, which may dissuade potential bidders from bidding on Leasehold Interests foreclosed upon prior to completion of the Horizontal Improvements. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances.

Additional debt issued for the District and debt issuance by another entity could dilute value-to-lien ratios and reduce the ability or willingness of property owners in the District to pay their Development Special Taxes when due. The cost of any additional improvements may well increase the public and private debt for which the Leasehold Interests in the District provides security, and such increased debt could reduce the ability or desire of holders of Leasehold Interests to pay the Development Special Taxes levied against the Leasehold Interests in the District. The City has the authority, on behalf of the District, to issue

additional bonded indebtedness and other debt from the other special taxes that may be levied under the Rate and Method (i.e., the Shoreline Special Tax, Office Special Tax and Contingent Services Special Tax); these special taxes have a lien on a parity with the lien of the Development Special Taxes. In addition, while the Development Special Taxes have priority over all existing and future private liens imposed on the Leasehold Interests, 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 Development Special Taxes. The City is authorized to issue on behalf of the District bonded indebtedness and other debt, including the 2021A Bonds, the 2021B/C Bonds, future Parity Bonds and bonds payable from other special taxes levied under the Rate and Method in an aggregate amount not to exceed \$3.7 billion.

See “SECURITY FOR THE BONDS – Parity Bonds” and “– Future Indebtedness” herein.

The City has no control over the ability of other agencies to issue indebtedness secured by other special taxes or assessments payable from all or a portion of the Leasehold Interests within the District.

### **Billing of Development 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 Development Special Taxes are levied on Leasehold Interests in Taxable Parcels within the District. Such Development 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 Development Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of the holder of a Leasehold Interest to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make installment payments of Development 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 Development Special Taxes.

### **Maximum Development Special Tax Rates**

Within the limits of the Rate and Method, in the event of Development Special Tax delinquencies by one or more Taxable Parcels, the City may adjust the Development Special Taxes levied on all property within the District to provide the amount required each year to pay annual debt service on the Bonds, to replenish the 2021A Reserve Fund to an amount equal to the 2021A Reserve Requirement and to replenish the 2021B Reserve Fund to an amount equal to the 2021B Reserve Requirement, but the Development Special Tax levy on a Leasehold Interest in a Taxable Parcel may not increase by more than 10% of the Maximum Development Special Tax as a consequence of delinquencies or defaults in payment of Development Special Taxes levied on Leasehold Interests in another Parcel(s) in the District (a “Delinquency Levy”). However, the amount of Development 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 Development Special Tax delinquencies, there is no assurance that the maximum tax rates for property in the District would be sufficient to meet debt service obligations on the Bonds. See



“SECURITY FOR THE BONDS –Development Special Tax Account” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

### **Insufficiency of Development Special Taxes; Exempt Property**

Under the Rate and Method, the annual amount of Development Special Tax to be levied on each Leasehold Interest in a Taxable Parcel in the District will be based primarily on the property use category or categories and corresponding square footages. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” and “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes.” The Act provides that, if any Leasehold Interest in property within the District not otherwise exempt from the Development Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Development Special Tax will continue to be levied on and enforceable against the public entity that acquired the Leasehold Interest. In addition, the Act provides that, if a Leasehold Interest in property subject to the Development Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Development Special Tax with respect to that Leasehold Interest 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. In particular, insofar as the Act requires payment of the Development Special Taxes by a federal entity acquiring property within the District, it may be unconstitutional.

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).

*If a substantial portion of Leasehold Interests within the District became exempt from the Development Special Tax, the maximum Development Special Tax which could be levied upon the remaining Leasehold Interests might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest. Only Leasehold Interests may be subject to the Development Special Tax. The fee interest of the City in the property within in the District is not subject to the Development Special Tax.*

### **Collection of Development Special Taxes; Tax Delinquencies**

Under provisions of the Act, the Development Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the holders of Leasehold Interests within the District on the regular property tax bills sent to holders of Leasehold Interest in such properties. Such Development 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. Development Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a holder of a Leasehold Interest in property 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 Development Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – 2021A Reserve Fund,” “SECURITY FOR THE BONDS – 2021B Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein, for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Development Special Tax installments.

The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against Leasehold Interests with delinquent Development Special Taxes to obtain funds to pay debt service on the 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 Development 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 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 Leasehold Interest 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 Development Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the City is not required to purchase or otherwise acquire any Leasehold Interest sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE BONDS –Covenant for Superior Court Foreclosure.”

Because the Teeter Plan is not available to special taxes levied in the District, collections of Development Special Taxes will reflect actual delinquencies.

### **Disclosure to Future Lessees**

Pursuant to Section 53328.3 of the Act, the City has recorded a Notice of Special Tax Lien. The sellers of real property subject to the Development Special Tax within the District 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 Development Special Tax obligation in the purchase of a property or the lending of money thereon. Failure to disclose the existence of the Development Special Taxes could affect the willingness and ability of future holders of Leasehold Interests within the District to pay the Development Special Taxes when due.

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

In the event a Leasehold Interest within the District is purchased by a public entity, the Act provides that the Board of Supervisors may permit such public entity to prepay the Development Special Taxes relating to such Leasehold Interest, but only if the Board of Supervisors finds and determines that the prepayment arrangement will fully protect the interests of the owners of the 2021B/C Bonds.

Similarly, in the event a Taxable Parcel is developed with an affordable housing use that qualifies for a welfare exemption under Section 214(g) of the California Revenue and Taxation Code, the Act provides that the Board of Supervisors may permit the owner of the Leasehold Interest to prepay the Development Special Taxes relating to such Leasehold Interest, but only if the Board of Supervisors finds and determines that the prepayment arrangement will not adversely the City’s ability to make scheduled payments of debt service on the Bonds.

Such payments will result in a mandatory redemption of 2021B/C Bonds from Development 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 Development Special Tax Prepayment. The resulting redemption of 2021B/C Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2021B/C Bonds. See “THE 2021B/C BONDS – Redemption – Redemption from Development Special Tax Prepayments” herein.

## 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 the District, as well as to transportation infrastructure that serves the District. These faults include the San Andreas Fault, which passes within about three miles 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. Significant 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, 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 Study.** 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 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to buildings subject to the Development 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, infrastructure and residential and business real property values, including in the District.

**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 2021. This deadline was extended from the original deadline of September 2020 in light of the COVID-19 pandemic. As of July 6, 2021, improvements have been permitted or completed on approximately 88% of the buildings; however, the City currently does not expect full compliance by the September 2021 completion deadline due to the timing of construction on the various improvements. 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.

## Climate Change; Risk of Sea Level Rise and Flooding Damage

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 are expected to 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, a location 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, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included 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 ongoing 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 Area 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.

The City has already incorporated site specific adaptation plans in the conditions of approval for certain large waterfront development projects, including the Mission Rock Project, as well as the Candlestick/Hunters Point Shipyard, Treasure Island and Pier 70 projects. Also, the City is in the process of planning to fortify the Port’s Bay shoreline against earthquakes, flooding, and sea level rise. The City expects short-term upgrades to cost over \$500 million and long-term upgrades to cost more than \$5 billion. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to \$425 million in general obligation bonds for seismic safety and disaster response improvements along the Seawall. In June 2020, the City issued about \$49.7 million in bonds to support the planning and preliminary design phases of the Seawall program. The City has expended \$16.2 million through fiscal year 2020-21. An August 2020 multi-hazard seismic and flood risk assessment of the Port Commission and the City infrastructure along the Embarcadero Seawall is being used as a guide to inform project planning. The Port Commission and the United States Army Corps of Engineers have also partnered to study and develop coastal flood defenses to address the flooding and sea level rise along the Port’s Bay waterfront which will yield a recommendation to Congress as to the federal interest in funding coastal flood defenses.

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as “Bay Mud.” This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

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 2021B/C 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.

The District may be particularly susceptible to the impacts of sea level rise or other impacts of climate change or flooding because of its location on the waterfront of the City. 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 Leasehold Interests in the District that are subject to the Development Special Tax and the ability of a holder of a Leasehold Interest in the District to pay the Development Special Tax levy.

### **Other Natural Disasters and Other Events**

In addition to earthquake and sea-level rise (discussed above), other natural or man-made disasters, such as flood, wildfire, tsunamis, toxic dumping, civil unrest or acts of terrorism, could also adversely impact persons or property within the City generally and/or specifically in the District, damage City and District infrastructure and adversely impact the City's ability to provide municipal services.

In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City. 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 generation 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. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to 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 Kincade 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 recent years, parts of the City experienced 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 recent years, California 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, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

The California Geological Survey (“CGS”), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern California, produced statewide tsunami hazard zone maps in July 2021. CGS has identified the District and portions of surrounding neighborhoods as being located in the San Francisco tsunami hazard zone.

As a result of the occurrence of events like those described above, a substantial portion of the Leasehold Interest owners in the District may be unable or unwilling to pay the Development Special Taxes when due, and the 2021A Reserve Fund and the 2021B Reserve Fund may become depleted.

### **Hazardous Substances**

A serious risk in terms of the potential reduction in the value of a parcel within the District would be the discovery of a hazardous substance. In general, the owners and operators of a parcel within the District 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 the District 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 Leasehold Interest within the District that is realizable upon a delinquency.

See “THE MISSION ROCK PROJECT - Development and Financing Plan for the Mission Rock Project – *Environmental Mitigation*” herein.

### **Bankruptcy and Foreclosure**

The payment of taxes by the holders of Leasehold Interests and the ability of the District to foreclose the lien of a delinquent unpaid Development 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 2021B/C 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 the holder of a Leasehold Interest (or such lessee'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 2021B/C 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 Development Special Taxes depends upon whether a court were to determine that the Development Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Development 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 Development 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 Development 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 Development 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 Development 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 Leasehold Interests subject to the Development Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021B/C 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 and 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. Development 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 the FDIC is 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 Law 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 Leasehold Interest 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 Leasehold Interest at a foreclosure sale. Owners of the 2021B/C Bonds should assume that the City will be unable to foreclose on any Leasehold Interest in which the FDIC has an interest. Such an outcome would cause a draw on the 2021A Reserve Fund and the 2021B Reserve Fund and perhaps, ultimately, a default in payment of the 2021B/C 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 Leasehold Interests in the District that are subject to the Development Special Tax, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021B/C Bonds are outstanding.

### **California Constitution Article XIIC and Article XIID**

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 XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the City to levy and collect within the District 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 XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Development Special Taxes by the City within the District 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 Development 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 Development 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 Development Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2021B/C Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Development Special Taxes in a manner which does not interfere with the timely repayment of the 2021B/C Bonds, but which does reduce the maximum amount of Development 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 Development Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2021B/C 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 the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the Development Special Tax within the District, and the City, as the owner of the property in the District, was the qualified elector for the District.

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 the District pursuant to the requirements of the Act on April 27, 2020. 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.

### **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 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 Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Development Special Taxes in the event of a payment default by a holder of a Leasehold Interest within the District. 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 PRINCIPAL LEGAL DOCUMENTS” 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 2021B/C Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2021B/C 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 2021B/C 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 applicable limitations on remedies against public agencies in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure.”

### **Limited Secondary Market**

As stated herein, investment in the 2021B/C 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 investment in the 2021B/C Bonds. The 2021B/C 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 2021B/C Bonds or, if a secondary market exists, that the 2021B/C Bonds can or could be sold for any particular price.

## **Cybersecurity**

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City’s Systems Technology and required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Municipal Transportation Agency (“SFMTA”) was subject to a ransomware attack which disrupted some of the SFMTA’s internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy (“Cyber Policy”) to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City’s Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City’s Cyber Policy is reviewed periodically.

The City has also appointed a City Chief Information Security Officer (“CCISO”), who is directly responsible for understanding the business and related cybersecurity needs of the City’s 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City’s Systems Technology and cause material disruption to the City’s operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

## **CONTINUING DISCLOSURE**

### **The City**

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2021B/C Bonds (the “City Disclosure Certificate”), the City has covenanted for the benefit of owners of the 2021B/C 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 2020-21 Fiscal Year (which is due not later than March 31, 2022). 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 in order to assist the Underwriter in complying with the Rule.

The City has conducted a review of the compliance of the City, with their respective previous continuing disclosure undertakings pursuant to Rule 15c2-12. 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.

The Annual Report for fiscal year 2016-17, which was timely prepared, provided investors a link to the City's 2016-17 audited financial statements ("2016-17 Audited Financial Statements") on the City's website. However, the 2016-17 Audited Financial Statements were not posted on EMMA. The City subsequently filed the 2016-17 Audited Financial Statements and a notice of such late filing on EMMA.

As of May 6, 2021, the City was a party to certain continuing disclosure undertakings relating to municipal securities which require the City to file notice filings on EMMA within ten days in the event of the incurrence of financial obligations and certain other events, if material. On May 6, 2021, the City extended for two years certain liquidity facilities relating to series 1 and 1-T and series 2 and 2-T of its commercial paper program. On July 1, 2021, the City filed on EMMA an event notice relating to these extensions.

### **Master Developer**

The Master Developer is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the 2021B/C Bonds (the "Developer Disclosure Certificate"), the Master Developer has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) on a semiannual basis, certain information concerning the Mission Rock Project and the development of Phase 1A of the Mission Rock Project; and (b) notice of certain enumerated events. Each semiannual report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2022.

The obligations of the Master Developer under the Developer Disclosure Certificate will terminate (entirely or in respect of certain elements in semi-annual reports) upon the issuance of certificates of occupancy and under certain other conditions set forth in the Developer Disclosure Certificate.

This is the second continuing disclosure undertaking by the Master Developer. The first undertaking by the Master Developer was in association with the Series 2021A Bonds, and the first report is due for filing by November 1, 2021.

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

## **TAX MATTERS**

***Federal Tax Status – 2021C Bonds.*** 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 2021C 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 2021C 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 2021C Bonds.

***Tax Treatment of Original Issue Discount and Premium – 2021C Bonds.*** If the initial offering price to the public at which a 2021C 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 2021C 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 2021C 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 2021C Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2021C Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2021C Bonds who purchase the 2021C Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2021C Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2021C 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 2021C 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 2021C 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 2021C Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2021C 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 2021C 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 2021C Bonds.

***Federal Tax Status – 2021B Bonds.*** The City does not intend for the interest on the 2021B Bonds to be excluded from gross income for federal income tax purposes.

***California Tax Status – 2021B/C Bonds.*** In the further opinion of Bond Counsel, interest on the 2021C 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 2021B/C 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 2021B/C 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 2021B/C Bonds, or as to the consequences of owning or receiving interest on the 2021B/C Bonds, as of any future date. Prospective purchasers of the 2021B/C 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 2021B/C Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2021B/C 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 2021B/C Bonds, the ownership, sale or disposition of the 2021B/C Bonds, or the amount, accrual or receipt of interest on the 2021B/C Bonds.

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

## **UNDERWRITING**

Stifel, Nicolaus & Company Incorporated (the “Underwriter”) purchased the 2021B Bonds at a purchase price of \$53,616,799.67, representing the principal amount of the 2021B Bonds less an Underwriter’s discount of \$663,200.33 and the 2021C Bonds at a purchase price of \$10,944,218.65, representing the principal amount of the 2021C Bonds, plus an original issue premium of \$1,066,400.00 and less an Underwriter’s discount of \$122,181.35. The Underwriter intends to offer the 2021B/C 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 Underwriter reserves the right to join with dealers and other underwriters in offering the 2021B/C Bonds to the public. The Underwriter may offer and sell the 2021B/C Bonds to certain dealers (including dealers depositing 2021B/C Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow 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 2021B/C Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2021B/C Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2021B/C 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 2021B/C Bonds. Bond Counsel's opinion will speak only as of its date, and subsequent distributions of the opinion by recirculation of this Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. Bond Counsel assumes no obligation to revise or supplement the opinion to reflect any facts or circumstances that may come to their attention after the date of original delivery of the Bonds, or any changes in law that may occur after the date of original delivery of the 2021B/C Bonds. In rendering the opinion, Bond Counsel will rely upon certain certifications and opinions, which Bond Counsel will not have independently verified. The opinions contained in the opinion are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, the opinions contained in the opinion represent the legal judgment of Bond Counsel based upon their review of existing law that they deem relevant to such opinions and in reliance upon the certifications and opinions referenced above.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, Norton Rose Fulbright US LLP, as Disclosure Counsel, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's counsel, is contingent on the issuance and delivery of the 2021B/C 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. Upon issuance and delivery of the 2021B/C Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriter to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein (including without limitation exclusion of any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included herein, and information in Appendices B and F hereof, as to all of which Disclosure Counsel will express no view), 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 2021B/C 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 or other person or party, other than the addressee of the letter, will be entitled to or may rely on such letter of Disclosure Counsel.

## **TRANSFER RESTRICTIONS**

The Fiscal Agent Agreement provides that the 2021B/C Bonds are only to be sold (including in secondary market transactions) to "Qualified Purchasers," which is defined in the Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933).

Neither the Underwriter nor any Holder or Beneficial Owner of the 2021B/C Bonds shall deposit the 2021B/C Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Underwriter nor any Holder or Beneficial Owner shall deposit the 2021B/C Bonds in any trust or account under its control the majority of the assets of which

constitute the 2021B/C Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers; provided that none of the Underwriter, Holders or Beneficial Owners shall have an obligation to independently establish or confirm that any transferee of a 2021B/C Bond is Qualified Purchaser, however any actual transfer of a 2021B/C Bond to any entity that is not a Qualified Purchaser shall be deemed null and void as provided in the Fiscal Agent Agreement.

Under the Fiscal Agent Agreement, no transfer, sale or other disposition of any 2021B/C Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2021B/C Bond for its own account for investment purposes and not with a view to distributing such 2021B/C Bond. Each purchaser of any 2021B/C Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the City, the Underwriter and the Fiscal Agent as follows:

1. That the 2021B/C Bonds are payable solely from Revenues, and from certain funds and accounts established and maintained pursuant to the Fiscal Agent Agreement;
2. That it is a Qualified Purchaser and that it is purchasing the 2021B/C Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933 or other applicable securities laws;
3. That such purchaser acknowledges that the 2021B/C Bonds and beneficial ownership interests therein may only be transferred to Qualified Purchasers;
4. That the City, the Fiscal Agent, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements; and

If a holder of the 2021B/C Bonds makes an assignment of its beneficial ownership interest in the 2021B/C Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein.

## **NO LITIGATION**

### **The City, Port and the District**

To the knowledge of the City, Port and the District, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City, Port and the District, which questions the formation or existence of the District, or contests the authority of the City on behalf of the District to levy and collect the Development Special Taxes or to issue the 2021B/C Bonds.

### **The Master Developer and Certain Affiliates**

There is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body pending against the Master Developer (with proper service of process to the Master Developer having been accomplished) or, to the actual knowledge of the person signing a certificate to this effect, is pending against Mission Rock Partners, the Phase I Sub, Mission Rock Parcel A Owner, L.L.C., Mission Rock Parcel B Owner, L.L.C., Mission Rock Parcel F Owner, L.L.C., or Mission Rock Parcel G Owner, L.L.C. (the "Affiliates") with proper service of process to such Affiliate

having been accomplished), or, to the actual knowledge of the person signing a certificate to this effect, threatened in writing against the Master Developer or any such Affiliate, which if successful, is reasonably likely to materially and adversely affect the Master Developer's or its Affiliate's ability to develop the Mission Rock Project as described in the Official Statement or to pay the Development Special Taxes (to the extent the responsibility of the Master Developer or its Affiliates) prior to delinquency.

### **Ongoing Investigations**

On January 28, 2020 the City's former Director of Public Works Mohammad Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. The allegations contained in the complaint involve various schemes, including an attempt by Mr. Nuru and Mr. Nick Bovis, a local restaurateur who was also indicted by the federal government, to bribe an Airport Commissioner to influence the award of lease of space at the San Francisco International Airport, Mr. Nuru using his official position to benefit a developer of a mixed-use project in San Francisco in exchange for personal gifts and benefits; Mr. Nuru attempting to use his former position as the chair of the Transbay Joint Powers Authority to secure a lease for Mr. Bovis in the Salesforce Transit Center, in exchange for personal benefits provided by the restaurateur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction equipment from contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, the City Attorney and Controller announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

The City Attorney's Office, in conjunction with the Controller's Office, is seeking to identify officials, employees and contractors involved in these schemes or other related conduct, and to identify contracts, grants, gifts, and other government decisions possibly tainted by conflicts of interest and other legal or policy violations. The Controller's Office, in conjunction with the City Attorney's Office, has put into place interim controls to review Public Works contracts for red flags and process failures. The Controller's Office is also working with the City Attorney's Office to identify whether stop payments, cancellations or other terminations are justified on any open contracts, purchase orders or bids. Also, the Controller, in coordination with the City Attorney's Office, intends to produce periodic public reports setting forth assessments of patterns and practices to help prevent fraud and corruption and recommendations about best practices, including possible changes in City law and policy.

On March 10, 2020, the City Attorney transmitted to the Mayor its preliminary report of investigations of alleged misconduct by the City's Director of the Department of Building Inspections ("DBI"). The allegations involve violations of the City Campaign and Conduct Code and DBI's Code of Professional Conduct by the Director by (i) providing intentional and preferential treatment to certain permit expeditors, (ii) accepting gifts and dinners in violation of DBI's professional code of conduct, and (iii) otherwise violating City laws and policies by abusing his position to seek positions for his son and son's girlfriend. The Mayor placed the Director of Building Inspection on administrative leave, and he resigned shortly thereafter.

On June 29, 2020, the Controller released its preliminary assessment of Citywide procurement practices, with an emphasis on the Public Works Department. The report is subject to public comment and review and could be revised in the future. The preliminary assessment focused on City laws, practices and policies and made recommendations to make improvements on such City laws and policies to improve transparency, reduce the risk of loss and abuse in City contracting in the future. The Controller expects to issue additional reports in the future. Reviews of the City internal controls will be released in a subsequent

report. Finally, the City Attorney investigation continues with respect to the review certain contracts and payments made to outside vendors. To date, the City Attorney's investigation has led to the release of four city employees (including the Director of Public Works and the Director of Building Inspections, as described above) or officials from their City positions.

On September 24, 2020, the Controller issued an additional report noting that Mr. Nuru also solicited donations from private sources and directed those donations to a non-profit supporting the Department of Public Works. Such arrangements, which were neither accepted or disclosed by the City, created a perceived risk of "pay-to-play" relationships. The report made recommendations to the Board of Supervisors that, among other things, would restrict the ability of department heads from soliciting donations from interested parties in the future and would increase transparency surrounding gifts made to benefit City departments.

On November 30, 2020, Harlan L. Kelly, Jr., the General Manager of the San Francisco Public Utilities Commission ("PUC"), was charged in a federal criminal complaint with one count of honest services wire fraud. The complaint alleges that Mr. Kelly engaged in a long-running bribery scheme and corrupt partnership with Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. The complaint further alleges that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. Earlier criminal charges filed against Walter Wong alleged that Mr. Wong conspired with multiple City officials, including Mr. Nuru, in a conspiracy and money laundering scheme. Mr. Wong pled guilty in July of this year and is cooperating with the ongoing federal investigation.

Mr. Kelly resigned on December 1, 2020 and the PUC's Commission acted on his resignation on December 8, 2020. Dennis J. Herrera (the current City Attorney) was nominated by the Mayor to be the General Manager of the PUC and his nomination was confirmed by the PUC on September 28, 2021. Mr. Herrera is expected to assume office as General Manager of PUC on November 1, 2021.

On March 4, 2021, the City Attorney announced an approximately \$100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection. The settlement arose from overcharges that were uncovered as part of the continuing public integrity investigation tied to Mr. Nuru and others. As part of the Settlement, Recology will be required to lower commercial and residential rates starting April 1, 2021, and make a \$7 million settlement payment to the City under the California Unfair Competition Law and the San Francisco Campaign and Governmental Conduct Code. In addition, Recology will be enjoined for four years from making any gift to any City employee or any contribution to a nonprofit at the behest of a City employee. The comprehensive settlement agreement with Recology is subject to approval by the Board of Supervisors. The bribery and corruption public integrity investigation related to the Nuru matter is ongoing. On July 8, 2021 the San Francisco District Attorney announced the arrest of former Department of Public Works bureau manager Gerald "Jerry" Sanguinetti. Mr. Sanguinetti was charged with five felony counts of perjury and two misdemeanor charges arising from his failure to report income and file financial disclosure statements associated with the sale to the Public Works Department of merchandise by a company owned by his wife. The charges arise out of the continuing investigation into public corruption involving the Public Works Department. The Public Works Department investigation is ongoing.

In addition to the ongoing joint investigation by the City Attorney's Office and the Controller's Office into City contracting policies and procedures, the City's Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee will also consider the Controller's periodic reports. The full Board of Supervisors is considering retaining additional independent services relating to the matters that were the

subject of the federal indictment. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be. The criminal investigation by the Federal Bureau of Investigation and the United States Attorney's office is ongoing.

### **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 2021B/C 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 2021B/C Bonds. The lack of a bond rating could impact the market price or liquidity for the 2021B/C Bonds in the secondary market. See "SPECIAL RISK FACTORS - Limited Secondary Market."

### **MUNICIPAL ADVISORS**

The City has retained PFM Financial Advisors LLC and CSG Advisors Incorporated as Municipal Advisors in connection with the issuance of the 2021B/C 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 2021B/C 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 independent financial advisory firms and are not engaged in the business of underwriting, trading or distributing the 2021B/C Bonds.

Compensation paid to the Municipal Advisors is contingent upon the successful issuance of the 2021B/C 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 2021B/C 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.

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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

## **APPENDIX A**

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

*The information contained in this Appendix A is provided for informational purposes only. No representation is made that any of the information contained in this Appendix A is material to the holders from time to time of the 2021B/C Bonds, and the City has not undertaken in its Continuing Disclosure Certificate to update this information. The 2021B/C Bonds are limited obligations of the City, secured by and payable solely from the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021B/C Bonds are not payable from any other source of funds other than Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the 2021B/C Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2021B/C 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 include data 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**  
**2011 through 2020<sup>(1)</sup>**

Fiscal Year	Population
2011	815,650
2012	828,876
2013	839,572
2014	850,750
2015	863,010
2016	871,512
2017	878,040
2018	880,696
2019	881,549
2020	873,965

<sup>(1)</sup> Annual estimates as of July 1 in each year 2011 through 2019, and decennial census as of April 1, 2020.  
*Source:* U.S. Census Bureau.

The California Department of Finance, Demographic Research Unit, estimates the City and County of San Francisco population to be 875,010 as of January 1, 2021.

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## 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 2011 to 2020. The annual average unemployment rate in the City in 2020 was approximately 7.8%.

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**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**City and County of San Francisco**  
**Annual Averages, 2011 through 2020**  
**(not seasonally adjusted)**

Year	Civilian Labor Force	Employed Labor Force <sup>(1)</sup>	Unemployed Labor Force <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
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
2020	556,100	512,500	43,500	7.8

<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 2021.

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

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>
Salesforce	9,450	1
Wells Fargo & Co.	7,021	2
Sutter Health	6,134	3
Uber	5,500	4
Kaiser Permanente	4,635	5
PG&E Corp. <sup>(1)</sup>	3,500	6
Allied Universal	3,475	7
First Republic Bank	3,026	8
United Airlines	2,700	9
Twitter	<u>2,500</u>	10
Total	47,941	

Source: San Francisco Business Times 2021 Book of Lists

<sup>(1)</sup> PG&E Corp. has announced plans to move its headquarters out of San Francisco in phases beginning in the first half of 2022.

## 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 2016 through 2020<sup>(1)</sup>

	2016	2017	2018	2019	2020
Valuation (\$000)					
Residential	\$2,136,564	\$2,555,954	\$2,231,737	\$1,730,003	\$1,555,933
Non-Residential	1,525,638	1,995,459	2,293,555	1,461,943	1,253,946
TOTAL	\$3,662,202	\$4,551,412	\$4,525,292	\$3,191,946	\$2,809,881
Dwelling Units					
Single Family	127	46	95	135	65
Multiple family	4,080	4,211	5,098	3,208	2,127
TOTAL	4,207	4,257	5,184	3,343	2,192

Source: Construction Industry Research Board/CIRB.

<sup>(1)</sup> Totals may not add due to rounding.

## Taxable Sales

Taxable sales in the City and County of San Francisco from 2016 through 2020 are shown in the following table.

### TAXABLE SALES 2016 through 2020 (\$ in Thousands)

	2016	2017	2018	2019	2020
Clothing and Clothing Accessories Stores	\$2,132,167	\$2,056,070	\$2,046,414	\$2,029,312	\$1,150,799
General Merchandise	837,698	814,324	790,845	755,350	557,751
Food and Beverage Stores	843,717	863,215	856,217	861,757	732,196
Food Services and Drinking Places	4,670,360	4,743,633	4,844,464	5,046,263	2,005,845
Home Furnishings & Appliances	965,918	916,777	1,018,006	1,034,213	756,519
Building Material and Garden Equipment and Supplies Dealers	586,373	605,3711	681,369	718,692	630,344
Motor Vehicle and Parts Dealers	573,964	628,666	674,008	601,929	591,208
Gasoline Stations	428,473	490,255	583,480	548,509	302,527
Other Retail Stores	2,223,654	2,373,545	2,535,667	2,671,219	2,651,418
Total Retail and Food Services	\$13,262,327	\$13,492,197	\$14,030,469	\$14,267,242	\$9,378,605
All Other Outlets	6,174,841	5,981,674	6,312,252	6,689,891	4,647,273
Total All Outlets <sup>(1)</sup>	\$19,437,168	\$19,473,871	\$20,342,721	\$20,957,132	\$14,025,878

<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	299,686,811	6.6%	1.198	3,823,246	3,785,038	99.0%
2021-22	311,997,808 <sup>(4)</sup>	4.1%	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 2020-21 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 2021-22 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 2021-22

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/TaxDelinq/sanfrancisco.pdf>

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## 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 2011 through 2020.

### PER CAPITA PERSONAL INCOME 2011 through 2020

Year	San Francisco	California	United States
2011	77,633	\$46,177	\$42,735
2012	85,455	48,819	44,598
2013	86,619	49,312	44,851
2014	90,600	52,376	47,058
2015	103,867	55,853	49,003
2016	109,760	58,074	49,995
2017	120,576	60,581	52,096
2018	127,304	63,759	54,581
2019	139,405	66,745	56,474
2020	(1)	71,480	59,729

(1) Not yet available.

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, though it has been delayed due to the COVID-19 pandemic. When completed, the 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 sixth largest school district in California, with a projected enrollment of approximately 51,989 students in fiscal year ending June 30, 2021 and more than 130 schools. SFUSD administers both the school district and the San Francisco County Office of Education, making it a “single district county.”

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 27,000 students and awards undergraduate, master's and doctoral degrees in over 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 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 TAXES**

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## EXHIBIT B

### CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2020-1 (MISSION ROCK FACILITIES AND SERVICES)

#### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

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Special Taxes applicable to the Leasehold Interest in each Taxable Parcel in the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Leasehold Interests in Taxable Parcels, as described below. The Leasehold Interest in all Taxable Parcels in the STD shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the STD.

Special Taxes shall be levied only on Leasehold Interests in Taxable Parcels. In the event a Leasehold Interest in a Taxable Parcel is terminated, the Special Taxes shall be levied on any successor Leasehold Interest in the Taxable Parcel. If a Leasehold Interest terminates while a Special Tax that was previously levied remains unpaid, the owner of the successor Leasehold Interest will take the interest subject to the obligation to pay the unpaid Special Tax along with any applicable penalties and interest.

The City will covenant in each Indenture that, as long as any Bonds are outstanding, it will not terminate, and it will inhibit the Port from terminating, any Leasehold Interest in a Taxable Parcel unless the Port enters into a new lease the term of which ends on or after the final maturity date of the Bonds and that covers substantially the same real property and improvements as the terminated lease. It will not be a violation of this covenant if the City or the Port initiates judicial foreclosure of any such lease pursuant to the CFD Law.

#### **A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

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

costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City in any way related to the establishment or administration of the STD.

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

**“Affordable Housing Project”** means a residential or primarily residential project, as determined by the Review Authority, within which 100% of the residential units are Affordable Units.

**“Affordable Square Footage”** means both: (i) the entire square footage of an Affordable Housing Project; and (ii) the aggregate net rentable square footage that is or is expected to be associated with Affordable Units within a building on a Parcel of Developed Property. The Review Authority shall make the final determination as to the amount of Affordable Square Footage within a building in the STD.

**“Affordable Unit”** means a Residential Unit for which a deed restriction has been recorded that (i) limits the rental rates on the unit or (ii) in any other way is intended to restrict the current or future value of the unit, as determined by the Review Authority.

**“Appendix”** means the Appendix to the DDA.

**“Assessed Parcel”** means, in any Fiscal Year, any Taxable Parcel that meets all five of the following conditions: (i) there is a building on the Taxable Parcel for which a Certificate of Occupancy has been issued; (ii) based on all information available to the Administrator, the Baseline Assessed Value has been determined for the Taxable Parcel; (iii) ad valorem taxes have been levied on the Taxable Parcel based on the Baseline Assessed Value of the building; (iv) by the end of the prior Fiscal Year, at least one year of ad valorem taxes based upon the Baseline Assessed Value of the building have been paid; and (v) the Taxable Parcel does not have outstanding delinquencies in the payment of ad valorem property taxes or Special Taxes at the latest point at which the Administrator is able to receive delinquency information from the County prior to submitting the Development Special Tax levy in any Fiscal Year. Once a Taxable Parcel has been categorized as an Assessed Parcel, such Taxable Parcel shall be considered an Assessed Parcel in all future Fiscal Years in which there are no outstanding delinquencies for the Parcel, regardless of increases or decreases in assessed value.

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

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

**“Association”** means a homeowners or property owners association, including any master or sub-association, that provides services to, and collects dues, fees, or charges from, property within the STD.

**“Association Square Footage”** means square footage within a building that is (i) on property in the STD that is leased to an Association, not including any such property that is located

directly under a residential structure, and (ii) used for purposes of the Association and not leased or otherwise used for purposes that are not part of the operation of the Association.

**“Authorized Expenditures”** means, separately with respect to the Development Special Tax, Office Special Tax, Shoreline Special Tax, and Contingent Services Special Tax, those costs, facilities or public services authorized to be funded by the applicable Special Tax as set forth in the Financing Plan and the documents adopted by the Board at STD Formation, as may be amended from time to time.

**“Base Contingent Services Special Tax”** means, for any Square Footage Category, the per-square-foot Contingent Services Special Tax for square footage within such Square Footage Category, as identified in Table 4 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Development Special Tax”** means, for any Square Footage Category, the per-square-foot Development Special Tax for Square Footage within such Square Footage Category, as identified in Table 1 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Office Special Tax”** means, for Office Square Footage and Excess Exempt Square Footage, the per-square-foot Office Special Tax identified in Table 2 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Shoreline Special Tax”** means, for any Square Footage Category, the per-square-foot Shoreline Special Tax for Square Footage within such Square Footage Category, as identified in Table 3 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Special Tax”** means, collectively, the Base Development Special Tax, the Base Office Special Tax, the Base Shoreline Special Tax, and the Base Contingent Services Special Tax.

**“Baseline Assessed Value”** means, after a Certificate of Occupancy has been issued for a Taxable Parcel, the assessed value that the Port and Vertical Developer mutually agree is the final, unappealable value for the Taxable Parcel.

**“Board”** means the Board of Supervisors of the City, acting as the legislative body of STD No. 2020-1.

**“Bond Sale”** means, for the Development Special Tax, issuance of Development Special Tax Bonds, for the Office Special Tax, issuance of Office Special Tax Bonds, and, for the Shoreline Special Tax, issuance of Shoreline Special Tax Bonds.

**“Bonds”** means bonds or other debt (as defined in the CFD Law), whether in one or more series, that are issued or assumed by or for the STD to finance Authorized Expenditures including any Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline Special Tax Bonds. The term “Bonds” includes any promissory note executed by or on behalf of STD No. 2020-1 for the benefit of the Port.

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

**“Certificate of Occupancy”** means the first certificate, including any temporary certificate of occupancy, issued by the Port to confirm that a building or a portion of a building has met all of the building codes and can be occupied for residential or non-residential use. For purposes of this RMA, “Certificate of Occupancy” shall not include any certificate of occupancy that was issued prior to January 1, 2019 for a building within the STD; however, any subsequent certificates of occupancy that are issued for new construction, or expansion of a building shall be deemed a Certificate of Occupancy and the Special Taxes shall apply to the associated square footage. For Pier 48, only a certificate of occupancy issued in association with the permanent reuse of the building (as determined by the Port) shall qualify as a “Certificate of Occupancy” for purposes of this RMA.

**“CFD Law”** means the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), which incorporates the Mello-Roos Act.

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

**“Contingent Services Special Tax”** means a special tax levied in any Fiscal Year after the Trigger Event on a Leasehold Interest in a Taxable Parcel to pay the Services Special Tax Requirement.

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

**“DDA”** means the Disposition and Development Agreement between the Port and the Developer, including all exhibits and attachments, as may be amended from time to time.

**“Deputy Director”** means the Deputy Director of Finance and Administration for the Port or other such official that acts as the chief financial officer for the Port.

**“Developed Property”** means, in any Fiscal Year, all Taxable Parcels for which the 24-month anniversary of the Parcel Lease Execution Date has occurred in a preceding Fiscal Year, regardless of whether a Permit has been issued. For any Taxable Parcel on which a structure is built and occupied without execution of a Parcel Lease, such Taxable Parcel shall be categorized as Developed Property in the Fiscal Year in which a Certificate of Occupancy was issued on or prior to June 30 of the preceding Fiscal Year.

**“Developer”** means Seawall Lot 337 Associates, LLC, or any successor or assign that takes over as tenant under the Master Lease.

**“Development Approval Documents”** means, collectively, the DDA, any Vertical DDA, any Final Maps, Review Authority approvals, or other such approved or recorded document or plan that identifies the type of structures, acreage, and Market-Rate Residential Square Footage and Office Square Footage approved for development on Taxable Parcels.

**“Development Special Tax”** means a special tax levied in any Fiscal Year on a Leasehold Interest in a Taxable Parcel to pay the Development Special Tax Requirement.

**“Development Special Tax Bonds”** means any Bonds secured solely by Development Special Taxes.

**“Development Special Tax Requirement”** means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Development Special Tax Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on Development Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments; (iii) replenish reserve funds created for Development Special Tax Bonds under the Indenture to the extent such replenishment has not been included in the computation of the Development Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Development Special Tax Bonds which have occurred in the prior Fiscal Year; (v) in any Fiscal Year in which there is a Development Special Tax levied on one or more Parcels pursuant to Step 1d. in Section F below, pay the fee imposed by the City for levying such Development Special Tax on the County tax roll; (vi) pay other obligations described in the Financing Plan; and (vii) pay directly for Authorized Expenditures, so long as such levy under this clause (vii) does not increase the Development Special Tax levied on Undeveloped Property. The amount calculated to pay items (i) through (vii) above may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Development Special Tax 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 Port, proceeds received by the STD from the collection of penalties associated with delinquent Development Special Taxes; and (c) any other revenues available to pay such costs, as determined by the Administrator, the City, and the Port.

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

**“Estimated Base Development Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Development Special Tax by square footage within each Square Footage Category proposed for development and, if applicable, already in completed buildings on a Taxable Parcel.

**“Estimated Base Office Special Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Office Special Tax by square footage within each Square Footage Category proposed for development and, if applicable, already in completed buildings on a Taxable Parcel.

**“Estimated Base Shoreline Special Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Shoreline Special Tax by square footage within each Square Footage Category proposed for development and, if applicable, already in completed buildings on a Taxable Parcel.

**“Excess Exempt Square Footage”** means, after the First Bond Sale, any square footage in a building on a Parcel of Developed Property that is determined by the Review Authority to

exceed the amount of Exempt Square Footage for such building. Excess Exempt Square Footage means a single square-foot unit of Excess Exempt Square Footage.

**“Exempt Square Footage”** means, prior to the First Bond Sale, any square footage in or expected in a building on a Parcel of Developed Property that is determined by the Review Authority to be used or reserved for an Exempt Use. After the First Bond Sale, “Exempt Square Footage” for any building on a Parcel of Developed Property shall be the sum of following, as determined by the Review Authority:

1. The Initial Exempt Square Footage for the building; and
2. Square footage in or expected in the building that (i) exceeds the Initial Exempt Square Footage, and (ii) if exempted from Special Taxes, would not reduce coverage on outstanding Bonds below the Required Coverage.

**“Exempt Use”** means any of the following uses:

- 1) Affordable Square Footage
- 2) Association Square Footage
- 3) Child Care – child care uses that qualify for exemption from the Special Taxes, as determined by the Review Authority after review and consideration of the criteria and requirements set forth in the Parcel Lease and DDA.
- 4) Parking – areas reserved for automobile, motorcycle, or bicycle parking
- 5) Retail – commercial establishments that sell general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to restaurants (subject to the limitation below), bars, entertainment venues, health clubs, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition: (i) all street-level retail bank branches, real estate brokerages, and other such ground-level uses that are open to the public, and (ii) any area designated, pursuant to Section 102 of the Planning Code or successor sections, for “Planning, Distribution, and Repair” (PDR) services, which includes but will not be limited to the following uses: industrial or agricultural use, ambulance services, animal hospital, automotive service station, automotive repair, automotive wash, arts activities, business services, cat boarding, catering service, commercial storage, kennel, motor vehicle tow service, livery stable, parcel delivery service, public utilities yard, storage yard, trade office, trade shop, wholesale sales, or wholesale storage.
- 6) Utilities – areas reserved for facilities associated with the treatment of water or sewer, or the transmission or provision of gas and electricity, or the heating and cooling of buildings.
- 7) Amenity Square Footage – areas reserved for sitewide amenities, such as a welcome center, leasing office, sitewide management, or sitewide security.



**“Expected Land Uses”** means the total Market-Rate Residential Square Footage and Office Square Footage expected on each Planning Parcel in the STD. The Expected Land Uses at STD Formation are identified in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Maximum Development Special Tax Revenues”** means the aggregate Development Special Tax that can be levied based on application of the Base Development Special Tax to the Expected Land Uses. The Expected Maximum Development Special Tax Revenues for each Planning Parcel at STD Formation are shown in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Maximum Office Special Tax Revenues”** means the aggregate Office Special Tax that can be levied based on application of the Base Office Special Tax to the Expected Land Uses. The Expected Maximum Office Special Tax Revenues for each Planning Parcel at STD Formation are shown in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Maximum Shoreline Special Tax Revenues”** means the aggregate Shoreline Special Tax that can be levied based on application of the Base Shoreline Special Tax to the Expected Land Uses. The Expected Maximum Shoreline Special Tax Revenues for each Planning Parcel at STD Formation are shown in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“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 Permits for new construction or historic rehabilitation may be issued without further subdivision.

**“Financing Plan”** means the Financing Plan attached as Exhibit C1 and incorporated into the DDA, as such plan may be amended or supplemented from time to time in accordance with the terms of the DDA.

**“First Bond Sale”** means, (i) for the Development Special Tax, a Bond Sale of the first series of Development Special Tax Bonds, (ii) for the Office Special Tax, a Bond Sale of the first series of Office Special Tax Bonds, and (iii) for the Shoreline Special Tax, a Bond Sale of the first series of Shoreline Special Tax Bonds.

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

**“Future Annexation Area”** means that geographic area that, at STD Formation, was considered potential annexation area for the STD and which was, therefore, identified as “future annexation area” on the recorded STD boundary map. Such designation does not mean that any or all of the Future Annexation Area will annex into the STD, but should owners of property designated as Future Annexation Area choose to annex, the annexation may be processed pursuant to the annexation procedures in the CFD Law for territory included in a future annexation area, as well as the procedures established by the Board and any other applicable provisions of the CFD Law.

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

**“Initial Exempt Square Footage”** means, for any building on a Parcel of Developed Property, the square footage in or expected in the building that, at the time the Parcel became Developed Property, was determined by the Review Authority to be reserved for an Exempt Use.

**“Land Use Change”** means a change to the Expected Land Uses after STD Formation.

**“Leasehold Interest”** means a Master Lease, ground lease, or any other lease arrangement of a Parcel or Parcels against which Special Taxes may be levied in any current or future Fiscal Year. The Review Authority shall make the final determination as to whether a Parcel or building in the STD is subject to a Leasehold Interest for purposes of this RMA.

**“Management Agreement”** means the agreement between the Port and the Association (or related entity) for maintenance, operations, and event planning of the entire public realm (parks, streets, other ROWs) within the Project Site.

**“Market-Rate Residential Square Footage”** means, in any building on a Taxable Parcel, the net rentable square footage that is or is expected to be used for one or more of the following uses: (i) Market-Rate Units, (ii) any type of group or student housing that provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, or (iii) a residential care facility that is not staffed by licensed medical professionals. As set forth in Section B below, the Review Authority shall make the determination as to the amount of Market-Rate Residential Square Footage on a Taxable Parcel in the STD. Market-Rate Residential Square Foot means a single square-foot unit of Market-Rate Residential Square Footage.

**“Market-Rate Unit”** means a Residential Unit that is not an Affordable Unit.

**“Master Lease”** means a lease for all or part of the Project Site that allows the Developer to take possession of the Master Lease Premises and construct horizontal improvements approved under the DDA and to conduct other uses as provided in the DDA.

**“Master Lease Premises”** means, at any point in time, the area subject to the Master Lease.

**“Maximum Contingent Services Special Tax”** means, after the Trigger Event, the greatest amount of Contingent Services Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Contingent Services Special Tax Revenues”** means, at any point in time after the Trigger Event, the aggregate Maximum Contingent Services Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Development Special Tax”** means the greatest amount of Development Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Development Special Tax Revenues”** means, at any point in time, the aggregate Maximum Development Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Office Special Tax”** means the greatest amount of Office Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Office Special Tax Revenues”** means, at any point in time, the aggregate Maximum Office Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Shoreline Special Tax”** means the greatest amount of Shoreline Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Shoreline Special Tax Revenues”** means, at any point in time, the aggregate Maximum Shoreline Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Special Tax”** means, for any Leasehold Interest in a Taxable Parcel in any Fiscal Year, the sum of the Maximum Development Special Tax, Maximum Office Special Tax, Maximum Shoreline Special Tax, and Maximum Contingent Services Special Tax.

**“Maximum Special Tax Revenues”** means, collectively, the Maximum Development Special Tax Revenues, Maximum Office Special Tax Revenues, Maximum Shoreline Special Tax Revenues, and Maximum Contingent Services Special Tax Revenues.

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

**“Office Special Tax”** means a special tax levied in any Fiscal Year on Office Square Footage within a Leasehold Interest in a Taxable Parcel to pay the Office Special Tax Requirement.

**“Office Special Tax Bonds”** means any Bonds secured solely by Office Special Taxes.

**“Office Special Tax Requirement”** means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Office Special Tax Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on Office Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments; (iii) replenish reserve funds created for Office Special Tax Bonds under the Indenture to the extent such replenishment has not been included in the computation of the Office Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Office Special Tax Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; (vi) pay

other obligations described in the Financing Plan; and (vii) pay directly for Authorized Expenditures, so long as such levy under this clause (vii) does not increase the Office Special Tax levied on Undeveloped Property. The amount calculated to pay items (i) through (vii) above may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Office Special Tax 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 Port, proceeds received by the STD from the collection of penalties associated with delinquent Office Special Taxes; and (c) any other revenues available to pay such costs, as determined by the Administrator, the City, and the Port.

**“Office Square Footage”** means, within any building on a Taxable Parcel: (i) the planning gross square footage for which a Prop. M allocation has been secured, (ii) square footage that is or is expected to be part of a hotel operation, including square footage of hotel rooms, restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses, and (iii) any other square footage in the building that does not meet the definition of Market-Rate Residential Square Footage, Exempt Square Footage, or Excess Exempt Square Footage. The Review Authority shall make the final determination as to the amount of Office Square Footage within a building in the STD. Office Square Foot means a single square-foot unit of Office Square Footage.

**“Parcel Increment”** means, in any Fiscal Year, the amount of Tax Increment and funds from any tax increment reserve fund maintained by the City that the Deputy Director has determined, pursuant to the Financing Plan, is available to reduce the amount of Development Special Tax levied against Assessed Parcels.

**“Parcel Lease”** means a contract in the form set forth as an exhibit to the DDA by which the Port will convey a leasehold interest in a Taxable Parcel to a Vertical Developer.

**“Parcel Lease Execution Date”** means the effective date of a Parcel Lease that was fully executed by the Port and a Vertical Developer.

**“Permit”** means (i) for Pier 48, a permit issued by the Port that allows for rehabilitation of the existing historic structures, and (ii) for all property in the STD (other than Pier 48 if it is annexed to the STD), the first permit, whether a site permit or building permit, issued by the Port that, immediately upon issuance or ultimately after addenda to the permit, allows for vertical construction of a building or buildings.

**“Pier 48”** is defined in the Appendix.

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

**“Planning Parcel”** means a geographic area within the STD that, for planning and entitlement purposes, has been designated as a separate Parcel with an alpha, numeric, or alpha-numeric identifier to be used for reference until an Assessor’s Parcel is created and an Assessor’s Parcel number is assigned. The Planning Parcels at STD Formation are identified in Attachment 1 hereto.

**“Port”** means the Port of San Francisco.

**“Project Area I”** means the area within the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) that covers the Project Site and was formed by Ordinance No. 34-18.

**“Project Site”** is defined in the Appendix.

**“Prop. M”** means Proposition M, the citizen-sponsored initiative passed by San Francisco voters in November 1986 that created an annual limit on the square footage of certain office development in the City, and any subsequent proposition that limits office square footage within the STD.

**“Proportionately”** means, for Developed Property, that the ratio of the actual Contingent Services Special Tax levied in any Fiscal Year to the Maximum Contingent Services Special Tax authorized to be levied in that Fiscal Year is equal for all Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Development Special Tax, Office Special Tax, and Shoreline Special Tax levied to the Maximum Development Special Tax, Office Special Tax, and Shoreline Special Tax, respectively, is equal for all Parcels of Undeveloped Property.

**“Public Property”** means any property within the boundaries of the STD that is owned by or leased to the federal government, State of California, City, or public agency other than the Port. Parcels of Public Property, and/or Leasehold Interests in Public Property, that do not fall within the definition of Exempt Square Footage shall be taxed as Developed Property or Undeveloped Property, as determined by the Administrator pursuant to the definitions set forth in this RMA.

**“Remainder Special Taxes”** means, as calculated between September 1<sup>st</sup> and December 31<sup>st</sup> of any Fiscal Year, any Development Special Tax, Office Special Tax, and Shoreline Special Tax revenues that were collected in the prior Fiscal Year and were not needed to: (i) pay debt service on the applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds that was due in the calendar year that begins in the Fiscal Year in which the Remainder Special Taxes were levied; (ii) pay periodic costs on the applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments (iii) replenish reserve funds created for the applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds under the applicable Indenture; (iv) cure any delinquencies in the payment of principal or interest on applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds which have occurred in the prior Fiscal Year; or (v) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City or Port prior to the receipt of Development Special Tax, Shoreline Special Tax or Office Special Tax proceeds.

**“Required Coverage”** means (i) for Development Special Tax Bonds, the amount by which the Maximum Development Special Tax Revenues must exceed the Development Special Tax Bond debt service and priority Administrative Expenses (if any), as set forth in the applicable Indenture, Certificate of Special Tax Consultant, or other STD Formation Proceedings or Bond document that sets forth the minimum required debt service coverage; (ii) for Shoreline Special

Tax Bonds, the amount by which the Maximum Shoreline Special Tax Revenues must exceed the Shoreline Special Tax Bond debt service and priority Administrative Expenses (if any), as set forth in the applicable Indenture, Certificate of Special Tax Consultant, or other STD Formation Proceedings or Bond document that sets forth the minimum required debt service coverage, and (iii) for Office Special Tax Bonds, the amount by which the Maximum Office Special Tax Revenues must exceed the Office Special Tax Bond debt service and priority Administrative Expenses (if any), as set forth in the applicable Indenture, Certificate of Special Tax Consultant, or other STD Formation Proceedings or Bond document that sets forth the minimum required debt service coverage.

**“Residential Unit”** means an individual residential housing unit in a residential or mixed-use building.

**“Review Authority”** means the Deputy Director of Real Estate & Development for the Port or an alternate designee from the Port or the City who is responsible for approvals and entitlements of a development project.

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

**“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 Contingent Services Special Taxes in the prior Fiscal Year; and (iii) pay Administrative Expenses.

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

**“Shoreline Special Tax Bonds”** means any Bonds secured solely by Shoreline Special Taxes that have been levied and are available after dividing the Shoreline Special Taxes as set forth in Financing Plan Section 4.7, and factoring in debt service coverage and related Indenture requirements, as determined by the Administrator

**“Shoreline Special Tax Requirement”** means the amount necessary in any Fiscal Year to pay: (i) pay principal and interest on Shoreline Special Tax Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on Shoreline Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments; (iii) replenish reserve funds created for Shoreline Special Tax Bonds under the Indenture to the extent such replenishment has not been included in the computation of the Shoreline Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Shoreline Special Tax Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; (vi) pay directly for the costs of shoreline improvements so long as such levy under this clause (vi) does not increase the Shoreline Special Tax levied on Undeveloped Property; and (vii) pay other obligations described in the Financing Plan. The amount calculated to pay items (i) through (vii) above may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Shoreline Special Tax 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 Port, proceeds received by the STD from the collection of penalties associated with delinquent Shoreline Special Taxes; and

(c) any other revenues available to pay such costs, as determined by the Administrator, the City, and the Port.

**“Special Taxes”** means the Development Special Tax, Shoreline Special Tax, Office Special Tax, and Contingent Services Special Tax.

**“Square Footage Category”** means, individually, Market-Rate Residential Square Footage, Office Square Footage, and Excess Exempt Square Footage.

**“STD”** or **“STD No. 2020-1”** means the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

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

**“STD Formation Proceedings”** means the proceedings to form the STD, including all resolutions, reports, and notices.

**“Sub-Project Areas”** means all sub-project areas designated within Project Area I.

**“Tax-Exempt Port Parcels”** means Port-owned Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, open space, or other similar uses. The final determination as to whether a Parcel is a Tax-Exempt Port Parcel shall be made by the Review Authority.

**“Tax Increment”** means the tax increment generated from all Sub-Project Areas.

**“Taxable Parcel”** means any Parcel within the STD that is not a Tax-Exempt Port Parcel or a Parcel for which the Special Tax has been prepaid pursuant to Sections 53317.3 or 53317.5 of the Mello-Roos Act.

**“Taxpayer”** means the lessee of a Taxable Parcel within the STD.

**“Tax Zone”** means a separate and distinct geographic area in the STD within which one or more Special Taxes are applied at a rate or in a manner that is different than in other areas within the STD. The two Tax Zones at STD Formation are identified in Attachment 2 hereto. Parcels that annex into the CFD may annex into Tax Zone 1, Tax Zone 2, or establish a new Tax Zone upon annexation. The Port will determine the applicable Tax Zone for Parcels that annex into the STD.

**“Trigger Event”** means the earlier of (i) any amendment to the Management Agreement that expressly authorizes the levy of Contingent Services Special Taxes, (ii) the expiration or earlier termination of the Management Agreement, or (iii) any Taxable Parcel becoming Developed Property prior to a Management Agreement being executed by both the Port and the Association (or related entity).

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

**“Vertical Developer”** means a developer that has entered into a Parcel Lease for construction of vertical improvements on a Taxable Parcel or rehabilitation of Pier 48.

## **B. DATA FOR STD 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 or Undeveloped Property; (ii) the Planning Parcel and Tax Zone within which each Taxable Parcel is located; (iii) for Developed Property, the Market-Rate Residential Square Footage and Office Square Footage within each building; (iv) the Taxpayer for each Leasehold Interest in a Taxable Parcel; and (v) the Development Special Tax Requirement, Office Special Tax Requirement, Shoreline Special Tax Requirement, and, if applicable, Services Special Tax Requirement for the Fiscal Year.

When a Parcel becomes Developed Property, the Administrator and Review Authority shall reference the Permit for each building on the Parcel to determine the Market-Rate Residential Square Footage and/or Office Square Footage within the building(s). If the Market-Rate Residential Square Footage and/or Office Square Footage is not identified on the Permit, the square footage assumptions used in the appraisal prepared when the Vertical DDA and/or Parcel Lease for such Parcel was executed shall be used to determine Market-Rate Residential Square Footage and/or Office Square Footage within the building. If, after review of the Permit and appraisal, there is still no clear indication of the Market-Rate Residential Square Footage and/or Office Square Footage for a building, the Review Authority shall review the Development Approval Documents and make a determination as to the amount of Market-Rate Residential Square Footage and/or Office Square Footage in the building.

When a Parcel becomes Developed Property, the Administrator and Review Authority shall also identify and document the Initial Exempt Square Footage for the building or buildings on or expected on the Parcel. The Administrator shall keep a record of the Initial Exempt Square Footage broken down by Exempt Use. After the First Bond Sale, as square footage within a building is designated for Exempt Uses, the Administrator shall compare the actual square footage used for each Exempt Use to the Initial Exempt Square Footage by Exempt Use. If, at any point in time, there is determined to be Excess Exempt Square Footage within a building, the Administrator and Review Authority shall use this comparison to determine which square footage should be designated Excess Exempt Square Footage. In addition, the Administrator shall determine whether the Excess Exempt Square Footage resulted in a reduction in Market-Rate Residential Square Footage or Office Square Footage expected in the building and, based on this determination, identify the applicable Maximum Special Taxes for the Excess Exempt Square Footage pursuant to the tables in Section C below.

The Administrator shall also: (i) coordinate with the Deputy Director to confirm Parcel Increment; (ii) coordinate with the Treasurer-Tax Collector’s Office to determine if there have been any Special Tax delinquencies or repayment of Special Tax delinquencies in prior Fiscal Years; (iii) review the Development Approval Documents and communicate with the Developer and Vertical Developers regarding proposed Land Use Changes; and (iv) upon each annexation, Land Use Change, and notification of Parcel Lease Execution Dates, update Attachment 3 to reflect the then-current Expected Land Uses, Expected Maximum Development Special Tax



Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. The Developer, Port, or Vertical Developer shall notify the Administrator each time a Parcel Lease is executed in order for the Administrator to keep track of Parcel Lease Execution Dates. In addition, the Port will: (i) provide the Administrator with copies of all leases that establish a Leasehold Interest, (ii) notify the Administrator of renewals of leases that establish a Leasehold Interest, and (iii) identify the buildings, Parcels, and Square Footage subject to such leases that establish a Leasehold Interest. Any time a lease on property within the STD is terminated, the Port will immediately notify the Administrator of such termination.

Prior to the First Bond Sale, the Administrator, Port, Developer, and any Vertical Developers shall coordinate to review the Expected Land Uses and determine if changes should be made to reflect more current estimates for land uses on each Planning Parcel. Based on this review, the Administrator shall update Attachment 3 with the then-current Expected Land Uses and Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues, which will be used to size the sale of Bonds unless and until there are additional updates of Attachment 3.

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, the Administrator shall calculate the Special Taxes for the property affected by recordation of the map or plan by determining the Special Taxes that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map or condominium plan.

### **C. MAXIMUM SPECIAL TAXES**

In calculating Maximum Special Taxes pursuant to this Section C, in any Fiscal Year in which the boundaries of the Planning Parcels are not identical to the boundaries of the then-current Assessor's Parcels, the Administrator shall review the Expected Land Uses for each Planning Parcel and assign the Maximum Special Taxes to the then-current Assessor's Parcels. The Maximum Special Tax Revenues after such allocation shall not be less than the Maximum Special Tax Revenues prior to the allocation.

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

##### **1a. Development Special Tax, Office Special Tax, Shoreline Special Tax**

The Maximum Development Special Tax, Maximum Office Special Tax, and Maximum Shoreline Special Tax for Leasehold Interests in Undeveloped Property in all Tax Zones shall be the Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues shown in Attachment 3 of this RMA, as it may be amended as set forth herein.

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

No Contingent Services Special Tax shall be levied on Parcels of Undeveloped Property in any Tax Zone within the STD.

## **2. Developed Property**

### **2a. Development Special Tax**

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Development Special Taxes shown in Table 1 below and apply the steps set forth in this Section 2a to determine the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates and different Square Footage Categories may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 1</b> <b>Base Development Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Development Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Development Special Tax Tax Zone 2 (FY 2019-20) *</b>
Market-Rate Residential Square Footage	\$8.58 per Market-Rate Residential Square Foot	\$8.58 per Market-Rate Residential Square Foot
Office Square Footage	\$6.50 per Office Square Foot	\$6.50 per Office Square Foot
Excess Exempt Square Footage	\$8.58 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$6.50 per Excess Exempt Square Foot if Office Square Footage was reduced	\$8.58 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$6.50 per Excess Exempt Square Foot if Office Square Footage was reduced

**\* The Base Development Special Tax shown above for each Tax Zone shall be escalated as set forth in Section D.1.**

- Step 1.* Identify the Market-Rate Residential Square Footage, Office Square Footage, and/or Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.
- Step 2.* Multiply the applicable Base Development Special Tax from Table 1 by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage included in Leasehold Interests in the Taxable Parcel. Prior

to the First Bond Sale, the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel shall be the sum of the amounts calculated for Market-Rate Residential Square Footage and Office Square Footage, and Step 3 below shall not apply.

After the First Bond Sale, the Administrator shall apply Step 3 to determine the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel.

*Step 3.* Compare the Estimated Base Development Special Tax Revenues from Step 2 to the Expected Maximum Development Special Tax Revenues, and, apply one of the following, as applicable:

- *If the Estimated Base Development Special Tax Revenues are: (i) greater than or equal to the Expected Maximum Development Special Tax Revenues or (ii) less than the Expected Maximum Development Special Tax Revenues, but the Maximum Development Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Development Special Tax Revenues, are still sufficient to provide Required Coverage, then the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel shall be determined by multiplying the applicable Base Development Special Taxes by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage within each building on the Taxable Parcel. The Administrator shall update Attachment 3 to reflect the change in the Expected Maximum Development Special Tax Revenues.*
- *If the Estimated Base Development Special Tax Revenues are less than the Expected Maximum Development Special Tax Revenues, and the Maximum Development Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Development Special Tax Revenues, are insufficient to provide Required Coverage, then the Administrator and Review Authority shall coordinate with the Developer and Vertical Developer, and the Review Authority shall determine which of the following shall occur:*
  - (i) *the Base Development Special Taxes that were applied to Market-Rate Residential Square Footage and/or Office Square Footage in Step 2 shall be increased proportionately until the amount that can be levied on Leasehold Interests in the Taxable Parcel, combined with the Expected Maximum Development Special Tax Revenues from all other Taxable Parcels in the STD, is sufficient to maintain Required Coverage, **or***
  - (ii) *if Estimated Base Development Special Tax Revenues are less than the Expected Maximum Development Special Tax Revenues due to Excess Exempt Square Footage, then the Base Development Special Tax for Excess Exempt Square Footage shall be levied*

against all Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel.

If, pursuant to (i) above, the Base Development Special Taxes are proportionately increased to maintain Required Coverage, the Administrator shall use the adjusted per-square-foot rates to calculate the Maximum Development Special Tax for each building on the Taxable Parcel. The Administrator shall revise Attachment 3 to reflect any changes to the Expected Land Uses (including the addition of Excess Exempt Square Footage) and the Expected Maximum Development Special Tax Revenues.

If, in any Fiscal Year, the Maximum Development Special Tax is determined for Leasehold Interests in any Parcel of Developed Property for which a Permit had not yet been issued, and if, when a Permit is issued for a building(s) on the Parcel, the Market-Rate Residential Square Footage and/or Office Square Footage of such building(s) is different than that used to determine the Maximum Development Special Tax, then the Administrator shall once again apply Steps 1 through 3 in this Section C.2a to recalculate the Maximum Development Special Tax for Leasehold Interests in the Parcel based on the Market-Rate Residential Square Footage and/or Office Square Footage that was determined when the Permit was issued.

The Administrator shall do a final check of the Market-Rate Residential Square Footage and Office Square Footage within each building when a Certificate of Occupancy is issued. Once again, if the Market-Rate Residential Square Footage and/or Office Square Footage is different than the Market-Rate Residential Square Footage and/or Office Square Footage that was used to determine the Maximum Development Special Tax after the Permit was issued, then the Administrator shall apply Steps 1 through 3 in this Section C.2a to recalculate the Maximum Development Special Tax for Leasehold Interests in the Parcel.

## **2b. Office Special Tax**

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Office Special Taxes shown in Table 2 below and apply the steps set forth in this Section 2b to determine the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates and different Square Footage Categories may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 2</b> <b>Base Office Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Office Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Office Special Tax Tax Zone 2 (FY 2019-20) *</b>
Office Square Footage	\$1.92 per Office Square Foot	\$1.61 per Office Square Foot
Excess Exempt Square Footage	\$1.92 per Excess Exempt Square Foot	\$1.61 per Excess Exempt Square Foot

**\* The Base Office Special Tax shown above for each Tax Zone shall be escalated as set forth in Section D.1.**

*Step 1.* Identify the Office Square Footage and Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.

*Step 2.* Multiply the applicable Base Office Special Tax from Table 2 by the actual and/or expected Office Square Footage included in Leasehold Interests in the Taxable Parcel which, prior to the First Bond Sale, shall be the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel; Step 3 below shall not apply.

After the First Bond Sale, the Administrator shall apply Step 3 to determine the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel.

*Step 3.* Compare the Estimated Base Office Special Tax Revenues from Step 2 to the Expected Maximum Office Special Tax Revenues, and, apply one of the following, as applicable:

- *If the Estimated Base Office Special Tax Revenues are: (i) greater than or equal to the Expected Maximum Office Special Tax Revenues or (ii) less than the Expected Maximum Office Special Tax Revenues, but the Maximum Office Special Tax Revenues, assuming the same Office Square Footage that went into the calculation of the Estimated Base Office Special Tax Revenues, are still sufficient to provide Required Coverage, then the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel shall be determined by multiplying the applicable Base Office Special Taxes by the actual and/or expected Office Square Footage within each building on the Taxable Parcel. The Administrator shall update Attachment 3 to reflect the change in the Expected Maximum Office Special Tax Revenues.*
- *If the Estimated Base Office Special Tax Revenues are less than the Expected Maximum Office Special Tax Revenues, and the Maximum Office Special Tax Revenues, assuming the same Office Square Footage*

*that went into the calculation of the Estimated Base Office Special Tax Revenues, are insufficient to provide Required Coverage, then the Administrator and Review Authority shall coordinate with the Developer and Vertical Developer, and the Review Authority shall determine which of the following shall occur:*

- (i) the Base Office Special Taxes that were applied to Office Square Footage in Step 2 shall be increased proportionately until the amount that can be levied on Leasehold Interests in the Taxable Parcel, combined with the Expected Maximum Office Special Tax Revenues from all other Taxable Parcels in the STD, is sufficient to maintain Required Coverage, *or*
- (ii) if Estimated Base Office Special Tax Revenues are less than the Expected Maximum Office Special Tax Revenues due to Excess Exempt Square Footage, then the Base Office Special Tax for Excess Exempt Square Footage shall be levied against all Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel.

If, pursuant to (i) above, the Base Office Special Taxes are proportionately increased to maintain Required Coverage, the Administrator shall use the adjusted per-square-foot rates to calculate the Maximum Office Special Tax for each building on the Taxable Parcel. The Administrator shall revise Attachment 3 to reflect any changes to the Expected Land Uses (including the addition of Excess Exempt Square Footage) and the Expected Maximum Office Special Tax Revenues.

If, in any Fiscal Year, the Maximum Office Special Tax is determined for Leasehold Interests in any Parcel of Developed Property for which a Permit had not yet been issued, and if, when a Permit is issued for a building(s) on the Parcel, the Office Square Footage of such building(s) is different than that used to determine the Maximum Office Special Tax, then the Administrator shall once again apply Steps 1 through 3 in this Section C.2b to recalculate the Maximum Office Special Tax for Leasehold Interests in the Parcel based on the Office Square Footage that was determined when the Permit was issued.

The Administrator shall do a final check of the Office Square Footage within each building when a Certificate of Occupancy is issued. Once again, if the Office Square Footage is different than the Office Square Footage that was used to determine the Maximum Office Special Tax after the Permit was issued, then the Administrator shall apply Steps 1 through 3 in this Section C.2b to recalculate the Maximum Office Special Tax for Leasehold Interests in the Parcel.

## **2c. Shoreline Special Tax**

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Shoreline Special Taxes shown in Table 3 below and apply the steps set forth in this Section 2c to determine the Maximum Shoreline Special

Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates and different Square Footage Categories may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 3</b> <b>Base Shoreline Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Shoreline Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Shoreline Special Tax Tax Zone 2 (FY 2019-20) *</b>
Office Square Footage	\$1.82 per Office Square Foot	\$1.82 per Office Square Foot
Excess Exempt Square Footage	\$1.82 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$1.82 per Excess Exempt Square Foot if Office Square Footage was reduced	\$1.82 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$1.82 per Excess Exempt Square Foot if Office Square Footage was reduced

**\* The Base Shoreline Special Tax shown above for each Tax Zone shall be escalated as set forth in Section D.1.**

*Step 1.* Identify the Market-Rate Residential Square Footage, Office Square Footage, and/or Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.

*Step 2.* Multiply the applicable Base Shoreline Special Tax from Table 3 by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage included in Leasehold Interests in the Taxable Parcel. Prior to the First Bond Sale, the Maximum Shoreline Special Tax for Leasehold Interests in the Taxable Parcel shall be the sum of the amounts calculated for Market-Rate Residential Square Footage and Office Square Footage, and Step 3 below shall not apply.

After the First Bond Sale, the Administrator shall apply Step 3 to determine the Maximum Shoreline Special Tax for Leasehold Interests in the Taxable Parcel.

*Step 3.* Compare the Estimated Base Shoreline Special Tax Revenues from Step 2 to the Expected Maximum Shoreline Special Tax Revenues, and, apply one of the following, as applicable:

- *If the Estimated Base Shoreline Special Tax Revenues are: (i) greater than or equal to the Expected Maximum Shoreline Special Tax Revenues or (ii) less than the Expected Maximum Shoreline Special Tax Revenues, but the Maximum Shoreline Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Shoreline Special Tax Revenues, are still sufficient to provide Required Coverage, then the Maximum Shoreline Special Tax for Leasehold Interests in the Taxable Parcel shall be determined by multiplying the applicable Base Shoreline Special Taxes by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage within each building on the Taxable Parcel. The Administrator shall update Attachment 3 to reflect the change in the Expected Maximum Shoreline Special Tax Revenues.*
  
- *If the Estimated Base Shoreline Special Tax Revenues are less than the Expected Maximum Shoreline Special Tax Revenues, and the Maximum Shoreline Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Shoreline Special Tax Revenues, are insufficient to provide Required Coverage, then the Administrator and Review Authority shall coordinate with the Developer and Vertical Developer, and the Review Authority shall determine which of the following shall occur:*
  - (i) *the Base Shoreline Special Taxes that were applied to Market-Rate Residential Square Footage and/or Office Square Footage in Step 2 shall be increased proportionately until the amount that can be levied on Leasehold Interests in the Taxable Parcel, combined with the Expected Maximum Shoreline Special Tax Revenues from all other Taxable Parcels in the STD, is sufficient to maintain Required Coverage, **or***
  - (ii) *if Estimated Base Shoreline Special Tax Revenues are less than the Expected Maximum Shoreline Special Tax Revenues due to Excess Exempt Square Footage, then the Base Shoreline Special Tax for Excess Exempt Square Footage shall be levied against all Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel.*

If, pursuant to (i) above, the Base Shoreline Special Taxes are proportionately increased to maintain Required Coverage, the Administrator shall use the adjusted per-square-foot rates to calculate the Maximum Shoreline Special Tax for each building on the Taxable Parcel. The Administrator shall revise Attachment 3 to reflect any changes to the Expected Land Uses (including the addition of Excess Exempt Square Footage) and the Expected Maximum Shoreline Special Tax Revenues.

If, in any Fiscal Year, the Maximum Shoreline Special Tax is determined for Leasehold Interests in any Parcel of Developed Property for which a Permit had not yet been issued,



and if, when a Permit is issued for a building(s) on the Parcel, the Market-Rate Residential Square Footage and/or Office Square Footage of such building(s) is different than that used to determine the Maximum Shoreline Special Tax, then the Administrator shall once again apply Steps 1 through 3 in this Section C.2c to recalculate the Maximum Shoreline Special Tax for Leasehold Interests in the Parcel based on the Market-Rate Residential Square Footage and/or Office Square Footage that was determined when the Permit was issued.

The Administrator shall do a final check of the Market-Rate Residential Square Footage and Office Square Footage within each building when a Certificate of Occupancy is issued. Once again, if the Market-Rate Residential Square Footage and/or Office Square Footage is different than the Market-Rate Residential Square Footage and/or Office Square Footage that was used to determine the Maximum Shoreline Special Tax after the Permit was issued, then the Administrator shall apply Steps 1 through 3 in this Section C.2c to recalculate the Maximum Shoreline Special Tax for Leasehold Interests in the Parcel.

## **2d. Contingent Services Special Tax**

In the first Fiscal Year after the Fiscal Year in which the Trigger Event occurs, and in each Fiscal Year thereafter, this Section C.2d shall be applied to determine the Contingent Services Special Tax for each Taxable Parcel in the STD.

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Contingent Services Special Taxes shown in Table 4 below and apply the steps set forth in this Section 2d to determine the Maximum Contingent Services Special Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 4</b> <b>Base Contingent Services Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Contingent Services Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Contingent Services Special Tax Tax Zone 2 (FY 2019-20) *</b>
Market-Rate Residential Square Footage	\$1.40 per Market-Rate Residential Square Foot	\$1.40 per Market-Rate Residential Square Foot
Office Square Footage	\$1.40 per Office Square Foot	\$1.40 per Office Square Foot
Excess Exempt Square Footage	\$1.40 per Excess Exempt Square Foot	\$1.40 per Excess Exempt Square Foot

**\* The Base Contingent Services Special Tax for each Tax Zone shown above shall be escalated as set forth in Section D.2.**

- Step 1.* Identify the Market-Rate Residential Square Footage, Office Square Footage, and/or Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.
- Step 2.* Multiply the applicable Base Contingent Services Special Tax from Table 4 by the actual and/or expected Market-Rate Residential Square Footage, Office Square Footage, and Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel. The Maximum Contingent Services Special Tax for Leasehold Interests in the Taxable Parcel shall be the sum of the amounts calculated for Market-Rate Residential Square Footage, Office Square Footage, and Excess Exempt Square Footage.

If additional structures are anticipated to be built on the Taxable Parcel as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth herein, categorize each building for which a Permit has been issued as Developed Property, and any remaining buildings for which Permits have not yet been issued shall not be subject to a Contingent Services Special Tax until a Permit is issued for such remaining buildings. To determine the Contingent Services Special Tax for any such Taxable Parcel, the Administrator shall take the sum of the Contingent Services Special Taxes determined for each building.

#### **D. CHANGES TO THE MAXIMUM SPECIAL TAXES**

##### **1. *Annual Escalation of Development Special Tax, Office Special Tax, and Shoreline Special Tax***

Beginning July 1, 2020 and each July 1 thereafter, each of the following amounts shall be increased by 2% of the amount in effect in the prior Fiscal Year: the Base Development Special Tax for each Tax Zone; the Base Office Special Tax for each Tax Zone; the Base Shoreline Special Tax for each Tax Zone; the Expected Maximum Development Special Tax Revenues, the Expected Maximum Office Special Tax Revenues, and the Expected Maximum Shoreline Special Tax Revenues in Attachment 3; and the Maximum Development Special Tax, the Maximum Office Special Tax, and the Maximum Shoreline Special Tax assigned to the Leasehold Interests in each Taxable Parcel.

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

Beginning July 1, 2020 and each July 1 thereafter, the Base Contingent Services Special Tax for each Tax Zone and the Maximum Contingent Services Special Tax assigned to the Leasehold Interests in each Taxable Parcel shall be adjusted by the Escalator.

##### **3. *Changes in Square Footage Category on a Parcel of Developed Property***

If any Parcel that had been taxed as Developed Property in a prior Fiscal Year is rezoned or otherwise has a Land Use Change, as determined by the Review Authority, the Administrator shall, separately for each of the Special Taxes, multiply the applicable Base Special Tax by the new square footage within each Square Footage Category; if the First Bond Sale has not yet

occurred, this amount shall be the Maximum Special Tax for Leasehold Interests in the Parcel. If the First Bond Sale has taken place, the Administrator shall apply the remainder of this Section D.3.

If the Maximum Special Tax that would apply to Leasehold Interests in the Parcel after the Land Use Change is greater than the Maximum Special Tax that applied to Leasehold Interests in the Parcel prior to the Land Use Change, the Administrator shall increase the Maximum Special Tax for the Parcel to the amount calculated for each new Square Footage Category. If the Maximum Special Tax after the Land Use Change is less than the Maximum Special Tax that applied prior to the Land Use Change, there will be no change to the Maximum Special Tax for Leasehold Interests in the Parcel. Under no circumstances shall the Maximum Special Tax on Leasehold Interests in any Parcel of Developed Property be reduced, regardless of changes in Square Footage 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.

#### ***4. Changes to Planning Parcels and Expected Land Uses***

If, at any time prior to the First Bond Sale, the Developer or a Vertical Developer makes changes to the boundaries of the Planning Parcels or the Expected Land Uses within one or more Planning Parcels, as determined by the Review Authority, the Administrator shall update the Expected Land Uses and Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues, which will be reflected on an updated Attachment 3. In addition, the Administrator will request updated Attachments 1 and 2 from the Developer. Updated attachments shall be maintained by the Administrator for purposes of applying this RMA, and such updates shall not require recordation of an amended RMA.

If, after the First Bond Sale, the Developer or a Vertical Developer proposes to make changes to the boundaries of the Planning Parcels or the Expected Land Uses within one or more Planning Parcels, the Administrator shall meet with the Port, Developer, and any affected Vertical Developers to review the proposed changes and evaluate the impact on the Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. If the Administrator determines that such changes will not reduce Required Coverage on Bonds that have been or will be issued, the Port will decide whether to allow the proposed changes and corresponding redistribution of the Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. If such changes are permitted, the Administrator will update Attachment 3 and request updated Attachments 1 and 2 from the Developer. Updated attachments shall be maintained by the Administrator for purposes of applying this RMA, and such updates shall not require recordation of an amended RMA. If the Administrator determines that the proposed changes will reduce Required Coverage on Bonds that have been issued, the Port will not permit the changes.

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

Prior to the First Bond Sale, if the City, Port and Developer determine that assumptions that were factored into estimates of Tax Increment at STD Formation have changed, and the estimated Tax Increment is expected to be lower than the original estimates, the Port and Developer may agree

to a proportional or disproportional reduction in the Base Development Special Tax as set forth in Section 4.5(e) of the Financing Plan. If the parties agree to such a reduction, the Port will direct the Administrator to use the reduced Base Development Special Tax for purposes of levying the taxes pursuant to this RMA, and an amended Notice of Special Tax Lien reflecting the reduction will be recorded against all Taxable Parcels within the STD. The reduction shall be made without a vote of the qualified STD electors.

## **E. ANNEXATIONS**

If, in any Fiscal Year, a property owner within the Future Annexation Area wants to annex property into the STD, the Administrator shall apply the following steps as part of the annexation proceedings:

- Step 1.* Working with Port staff, the Administrator shall determine the Expected Land Uses for the area to be annexed and the Tax Zone into which the property will be placed.
- Step 2.* The Administrator shall prepare or have prepared updated Attachments 1, 2, and 3 to reflect the annexed property and identify the revised Expected Land Uses, Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. After the annexation is complete, the application of this RMA shall be based on the adjusted Expected Land Uses and Maximum Development Special Tax Revenues, Maximum Office Special Tax Revenues, and Maximum Shoreline Special Tax Revenues, as applicable, 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 STD.

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

### **1. *Development Special Tax***

Each Fiscal Year, the Administrator shall determine the Development Special Tax Requirement for the Fiscal Year, and the Development Special Tax shall be levied according to the steps outlined below:

- Step 1.* The Administrator shall determine the Development Special Tax to be levied on Leasehold Interests in each Taxable Parcel of Developed Property, as follows:

**Step 1a.** Calculate the Maximum Development Special Tax for each Leasehold Interest in each Parcel of Developed Property.

**Step 1b.** In consultation with the City, determine which Parcels of Developed Property are Assessed Parcels.

**Step 1c.** For all Parcels of Developed Property that are not Assessed Parcels, levy the Maximum Development Special Tax on Leasehold Interests in such Parcels. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

**Step 1d.** For all Assessed Parcels:

**Step 1dA.** Determine the amount of the Parcel Increment.

**Step 1dB.** If the total amount of Parcel Increment available is equal to or greater than the total aggregate Maximum Development Special Taxes for all Assessed Parcels, then the levy on each Assessed Parcel shall be zero (\$0).

**Step 1dC.** If the total amount of Parcel Increment available is less than the aggregate Maximum Development Special Taxes for all Assessed Parcels, the Administrator shall apply the appropriate sub-step below:

**Substep 1dC(i).** *If, after coordination with the City and Port, the Administrator is provided with a breakdown of Parcel Increment on a Parcel-by-Parcel basis in time for submission of the Special Tax levy,* the Administrator shall determine the net tax levy on Leasehold Interests in each Assessed Parcel (the “Net Assessed Parcel Tax Levy”) by taking the following steps in the following order of priority: (i) subtract from the Maximum Development Special Tax for each Assessed Parcel the amount of Parcel Increment generated from the applicable Assessed Parcel, and (ii) for each Assessed Parcel whose tax levy was not reduced to \$0 pursuant to item (i) in this paragraph, apply any remaining Parcel Increment that was not applied pursuant to item (i) in this paragraph to each such Assessed Parcel on a pro rata basis (based on the Assessed Parcel’s net remaining tax levy as a percentage of the aggregate net remaining tax levy for all Assessed Parcels for which Parcel Increment was insufficient to pay the full amount of the Assessed Parcel’s Maximum Development Special Tax). The Administrator shall levy on Leasehold Interests in each Assessed Parcel the Net Assessed Parcel Tax Levy for such Assessed Parcel. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

**Substep 1dC(ii).** *If, after coordination with the City and Port, the Administrator determines that a breakdown of Parcel Increment on a Parcel-by-Parcel basis cannot be provided in time for submission of the Special Tax levy,* the Administrator shall determine the net tax levy on the Leasehold Interest in each Assessed Parcel (the “Net Assessed Parcel Tax Levy”) by subtracting from the Maximum Development Special Tax

for each Assessed Parcel a pro rata share of the Parcel Increment, with such pro rata share determined based on each Assessed Parcel's Maximum Development Special Tax as a percentage of the aggregate Maximum Development Special Tax for all Assessed Parcels in the STD. The Administrator shall levy on the Leasehold Interest in each Assessed Parcel the Net Assessed Parcel Tax Levy for such Assessed Parcel. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

The Review Authority shall make the final determination regarding available Parcel Increment, the Maximum Development Special Tax that applies to a Parcel based on the Leasehold Interests in the Parcel, and the application of Parcel Increment pursuant to Substeps 1dC(i). and 1dC(ii) above.

- Step 2.* After the First Bond Sale, if additional revenue is needed after Step 1 in order to meet the Development Special Tax Requirement after Capitalized Interest has been applied to reduce the Development Special Tax Requirement, the Development Special Tax shall be levied Proportionately on Leasehold Interests in each Taxable Parcel of Undeveloped Property, in an amount up to 100% of the Maximum Development Special Tax for Leasehold Interests in each Taxable Parcel of Undeveloped Property for such Fiscal Year.

## **2. *Office Special Tax***

Each Fiscal Year, the Administrator shall determine the Office Special Tax Requirement for the Fiscal Year, and the Office Special Tax shall be levied according to the steps outlined below:

- Step 1.* Levy the Maximum Office Special Tax on Leasehold Interests in each Taxable Parcel of Developed Property. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.
- Step 2.* After the First Bond Sale, if additional revenue is needed after Step 1 in order to meet the Office Special Tax Requirement after Capitalized Interest has been applied to reduce the Office Special Tax Requirement, the Office Special Tax shall be levied Proportionately on Leasehold Interests in each Taxable Parcel of Undeveloped Property, in an amount up to 100% of the Maximum Office Special Tax for Leasehold Interests in each Taxable Parcel of Undeveloped Property for such Fiscal Year.

## **3. *Shoreline Special Tax***

Each Fiscal Year, the Administrator shall determine the Shoreline Special Tax Requirement for the Fiscal Year, and the Shoreline Special Tax shall be levied according to the steps outlined below:

- Step 1.* Levy the Maximum Shoreline Special Tax on Leasehold Interests in each Taxable Parcel of Developed Property. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.
- Step 2.* After the First Bond Sale, if additional revenue is needed after Step 1 in order to meet the Shoreline Special Tax Requirement after Capitalized Interest has been applied to reduce the Shoreline Special Tax Requirement, the Shoreline Special Tax shall be levied Proportionately on Leasehold Interests in each Taxable Parcel of Undeveloped Property, in an amount up to 100% of the Maximum Shoreline Special Tax for Leasehold Interests in each Taxable Parcel of Undeveloped Property for such Fiscal Year.

#### 4. ***Contingent Services Special Tax***

Each Fiscal Year after the Fiscal Year in which the Trigger Event occurs, the Administrator shall coordinate with the City and the Port to determine the Services Special Tax Requirement for the Fiscal Year. The Contingent Services Special Tax shall then be levied Proportionately on Leasehold Interests in each Taxable Parcel of Developed Property, in an amount up to 100% of the Maximum Contingent Services Special Tax for Leasehold Interests in each Parcel of Developed Property for such Fiscal Year until the amount levied is equal to the Services Special Tax Requirement. The Contingent Services Special Tax may not be levied on Undeveloped Property.

### G. **COLLECTION OF SPECIAL TAXES**

Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes on the regular tax roll, provided, however, that the City may directly bill Special Taxes, 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 as authorized by the CFD Law. The Board of Supervisors has ordered any Special Taxes to be levied on Leasehold Interests to be levied on the secured roll. The Special Tax bill for any Taxable Parcel subject to a Leasehold Interest will be sent to the same party that receives the possessory interest tax bill associated with the Leasehold Interest unless it is sent directly to the Taxpayer.

In calculating the Development Special Tax Requirement, Office Special Tax Requirement, or Shoreline Special Tax Requirement, under no circumstances may the Development Special Tax, Office Special Tax, or Shoreline Special Tax that is levied on a Leasehold Interest in a Taxable Parcel in a Fiscal Year be increased by more than ten percent (10%) of the respective Maximum Development Special Tax, Maximum Office Special Tax, or Maximum Shoreline Special Tax for that Parcel (or such lesser amount required by the CFD Law) as a consequence of delinquency or default in payment of Special Taxes levied on Leasehold Interests in another Parcel(s) in the STD (the “Delinquency Levy”).

The Delinquency Levy, if any, is determined when calculating the Development Special Tax Requirement. Accordingly, when determining the levy of Development Special Taxes on Leasehold Interests in Assessed Parcels pursuant to Step 1 of Section F.1, the Delinquency Levy, if any, has already been applied and, therefore, the Administrator shall not levy any additional

Delinquency Levy on an Assessed Parcel that has its Development Special Tax levy reduced or eliminated by Parcel Increment.

The Development Special Tax shall be levied and collected on Leasehold Interests in each Taxable Parcel until the earlier of: (i) the Fiscal Year in which the Port determines that all Authorized Expenditures that will be funded by the STD have been funded and all Development Special Tax Bonds have been fully repaid; (ii) the Fiscal Year after the Fiscal Year in which Tax Increment is no longer collected within the Sub-Project Area within which the Taxable Parcel is located and all Development Special Tax Bonds have been fully repaid, as determined by the Administrator with direction from the Deputy Director; and (iii) Fiscal Year 2093-94.

The Office Special Tax and the Shoreline Special Tax shall be levied on and collected from Leasehold Interests in each Taxable Parcel for 120 Fiscal Years.

Beginning in the first Fiscal Year after the Fiscal Year in which the Trigger Event occurs, the Contingent Services Special Tax shall be levied and collected in perpetuity.

## **H. EXEMPTIONS**

Notwithstanding any other provision of this RMA, no Special Taxes will be levied on fee simple interests in the STD, including Tax-Exempt Port Parcels.

## **I. INTERPRETATION OF SPECIAL TAX FORMULA**

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

## **J. SPECIAL TAX APPEALS**

Any Taxpayer who wishes to challenge the accuracy of computation of the Special Taxes 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 Taxes 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 Taxes 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 Taxes 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 CFD Law or elsewhere in applicable law.



**ATTACHMENT 1**

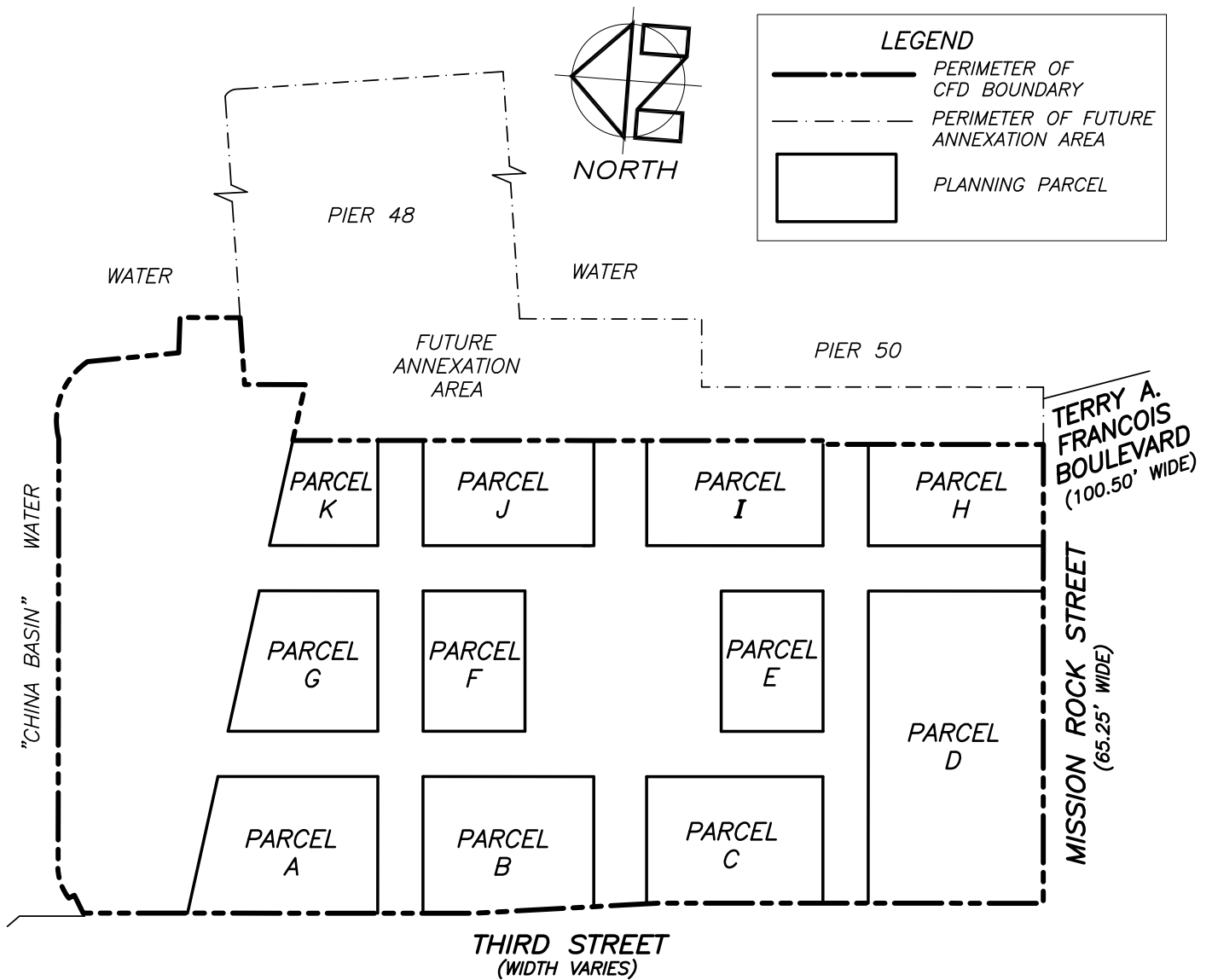
**CITY AND COUNTY OF SAN FRANCISCO  
SPECIAL TAX DISTRICT NO. 2020-1  
(MISSION ROCK FACILITIES AND SERVICES)**

**IDENTIFICATION OF PLANNING PARCELS**

# ATTACHMENT 1

## City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

### IDENTIFICATION OF PLANNING PARCELS



MARTIN M. RON ASSOCIATES, INC.  
Land Surveyors  
859 HARRISON STREET, SUITE 200  
San Francisco, California 94107  
S-9229E \_EXHIBIT-CFD BNDY.dwg  
JANUARY 31, 2020

## **ATTACHMENT 2**

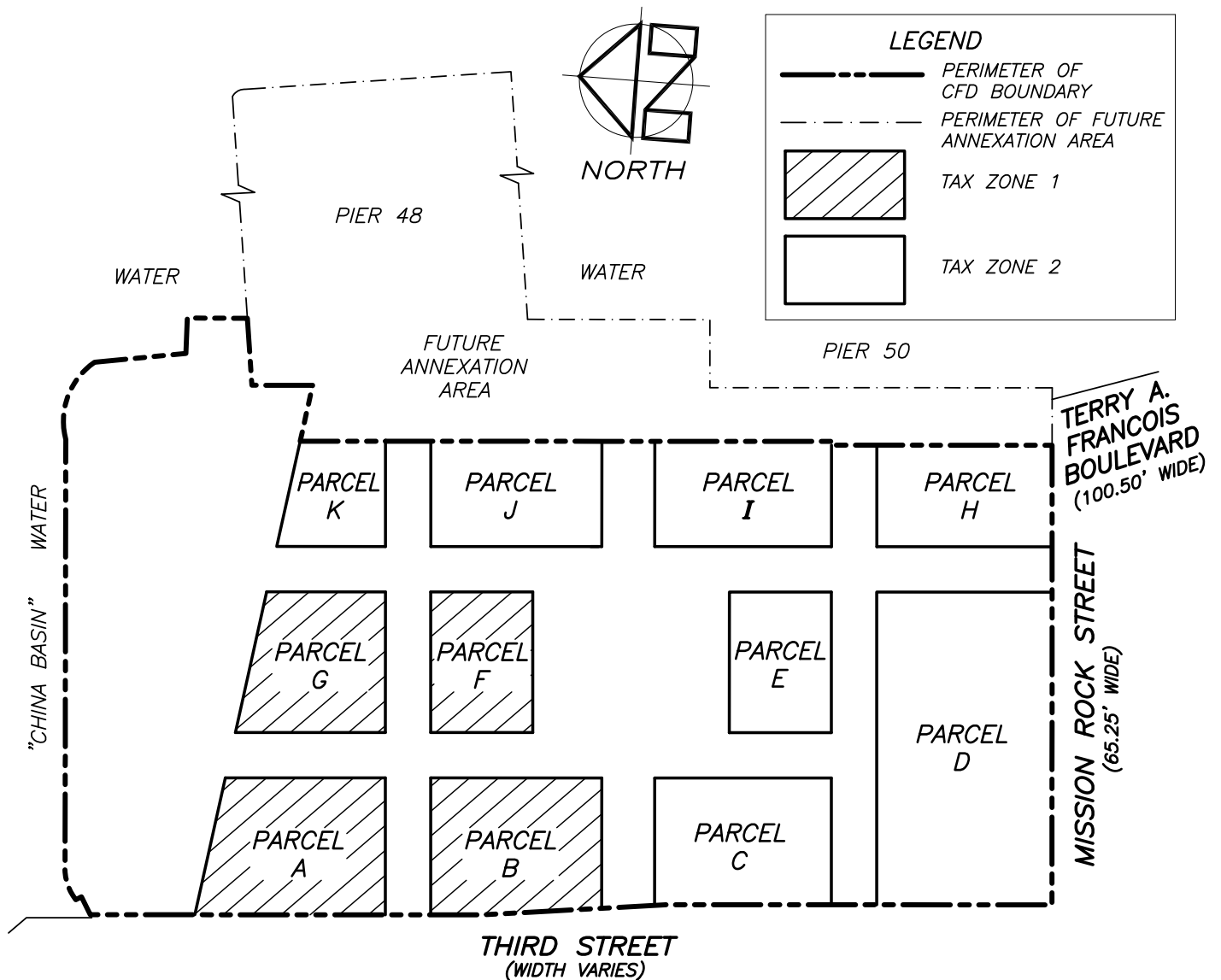
**CITY AND COUNTY OF SAN FRANCISCO  
SPECIAL TAX DISTRICT NO. 2020-1  
(MISSION ROCK FACILITIES AND SERVICES)**

### **IDENTIFICATION OF TAX ZONES**

## ATTACHMENT 2

### City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

#### IDENTIFICATION OF TAX ZONES



MARTIN M. RON ASSOCIATES, INC.  
Land Surveyors  
859 HARRISON STREET, SUITE 200  
San Francisco, California 94107  
S-9229E \_EXHIBIT-CFD BNDY.dwg  
JANUARY 31, 2020

**ATTACHMENT 3**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**SPECIAL TAX DISTRICT NO. 2020-1**  
**(MISSION ROCK FACILITIES AND SERVICES)**

**Expected Land Uses, Expected Maximum Development Special Tax Revenues,  
Expected Maximum Office Special Tax Revenues, and  
Expected Maximum Shoreline Special Tax Revenues**

<b>Planning Parcel</b>	<b>Expected Land Uses</b>	<b>Expected Square Footage</b>	<b>Expected Maximum Development Special Tax Revenues (FY 2019-20)*</b>	<b>Expected Maximum Office Special Tax Revenues (FY 2019-20)*</b>	<b>Expected Maximum Shoreline Special Tax Revenues (FY 2019-20)*</b>
<b>TAX ZONE 1</b>					
Parcel A	Market-Rate Residential Square Footage	146,000	\$1,252,680	\$0	\$0
	Office Square Footage	48,447	\$314,906	\$93,018	\$88,174
Parcel B	Market-Rate Residential Square Footage	0	\$0	\$0	\$0
	Office Square Footage	255,008	\$1,657,552	\$489,615	\$464,115
Parcel G	Market-Rate Residential Square Footage	0	\$0	\$0	\$0
	Office Square Footage	283,323	\$1,841,600	\$543,980	\$515,648
Parcel F	Market-Rate Residential Square Footage	113,000	\$969,540	\$0	\$0
	Office Square Footage	0	\$0	\$0	\$0
<b>TAX ZONE 2</b>					
Parcel C	Market-Rate Residential Square Footage	0	\$0	\$0	\$0
	Office Square Footage	355,000	\$2,307,500	\$571,550	\$646,100
Parcel D	Market-Rate Residential Square Footage	76,800	\$658,944	\$0	\$0
	Office Square Footage	0	\$0	\$0	\$0
Parcel E	Market-Rate Residential Square Footage	0	\$0	\$0	\$0
	Office Square Footage	141,000	\$916,500	\$227,010	\$256,620
Parcel H	Market-Rate Residential Square Footage	96,000	\$823,680	\$0	\$0
	Office Square Footage	49,999	\$324,994	\$80,498	\$90,998
Parcel I	Market-Rate Residential Square Footage	0	\$0	\$0	\$0
	Office Square Footage	152,000	\$988,000	\$244,720	\$276,640
Parcel J	Market-Rate Residential Square Footage	0	\$0	\$0	\$0
	Office Square Footage	152,000	\$988,000	\$244,720	\$276,640
Parcel K	Market-Rate Residential Square Footage	62,400	\$535,392	\$0	\$0
	Office Square Footage	49,999	\$324,994	\$80,498	\$90,998
<b>TOTAL EXPECTED REVENUES (FY 2019-20 \$)</b>			<b>\$13,904,280</b>	<b>\$2,575,611</b>	<b>\$2,705,932</b>

\*Beginning July 1, 2020 and each July 1 thereafter, the Base Development Special Tax, the Base Office Special Tax, and the Base Shoreline Special Tax shall be escalated as set forth in Section D.1.

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## APPENDIX C

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

*The following is a summary of certain provisions of the Fiscal Agent Agreement, the Pledge Agreement, and the Special Fund Administration Agreement. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.*

### FISCAL AGENT AGREEMENT

#### **Certain Definitions.**

“Acquisition Agreement” means that certain Acquisition and Reimbursement Agreement, dated for reference August 15, 2018, by and among City, acting by and through the San Francisco Port Commission, and the Developer.

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

“Administrative Expenses” means costs directly related to the administration of the Special Tax District consisting of: the actual costs of computing the Development Special Taxes and preparing the annual Development Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Development Special Taxes (whether by the City or otherwise); the actual costs of remitting the Development Special Taxes and the IFD Payment Amount to the Fiscal Agent; actual costs of the Special Fund Trustee related to the Development Special Taxes and the Bonds; 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 Special Tax Financing Law and the Fiscal Agent Agreement, including those related to public inquiries regarding the Development 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 Development 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; and costs related to credit enhancement and liquidity support for any Bonds. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the Special Tax District, including costs related to prepayments of Development Special Taxes, recordings related to such prepayments and satisfaction of Development Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Development Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Fund” means the fund designated the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Administrative Expense Fund” established and administered under the Fiscal Agent Agreement.

“Aggregate 2021A/2021B Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any 2021B Related Parity Bonds, between the date of such calculation and the final maturity of such Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Bonds), (b) 125% of average Annual Debt Service on the

2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any 2021B Related Parity Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Bonds), and (c) 10% of the outstanding principal of the 2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any Related 2021B Parity Bonds; provided, however:

(A) that with respect to the calculation of clause (c) of any Bonds the interest on which is excluded from gross income for federal income tax purposes, the issue price of such Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of such Bonds was less than 98% or more than 102% of the original principal amount of such Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount; and

(B) that, with respect to each of the 2021A Reserve Fund and the 2021B Reserve Fund, considered separately, in no event shall the amount calculated hereunder exceed the amount on deposit in such Fund on the date of issuance of the most recent issue of Bonds secured by such Fund.

“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).

“Applicable Spread” means 50 basis points.

“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 Special Tax District.

“Bond” or “Bonds” means the 2021A Bonds, the 2021B Bonds, and the 2021C 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 “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) 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.

“City” means the City and County of San Francisco, 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 Bonds in exchange for the amount representing the purchase price of the 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.

“Dated Date” means the dated date of the Bonds, which is the Closing Date.

“DDA” means the Disposition and Development Agreement, dated August 15, 2018, including a Financing Plan, between the City and County of San Francisco, acting by and through the Port Commission, and the Developer, as amended from time to time.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds under the Fiscal Agent Agreement and the scheduled amount of interest and amortization of principal (including any mandatory sinking fund payments) 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 Seawall Lot 337 Associates, LLC, a Delaware limited liability company, and its successors and assigns.

“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.

“Horizontal Improvements” has the meaning given that term in the DDA, and generally consisting of public capital facilities and infrastructure built or installed at or near the Mission Rock Site.

“Improvement Fund” means a fund established under the Fiscal Agent Agreement for the purpose of holding Bond proceeds to pay Project costs. The Improvement Fund for the 2021A Bonds will be the 2021A Improvement Fund.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Special Tax Financing Law or 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 Special Tax District, or any real property in the Special Tax District; 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.

“IFD” means the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco), an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California.

“IFD Payment Amount” has the meaning given that term in the Pledge Agreement.

“IFD Payment Date” means July 1.

“IFD Law” means Chapter 2.8 of Division 2 of Part 1 of Title 5 of the California Government Code and the acts amendatory thereof and in supplement thereto. Whenever reference is made in the Pledge Agreement to the IFD Law, reference is made to the IFD Law as in force on the date of the execution of the Pledge Agreement, unless the context otherwise requires.

“Infrastructure Financing Plan” means the Infrastructure Financing Plan for the IFD, adopted and approved by the Board of Supervisors of the City and County of San Francisco by Ordinance No. 27-16,

passed on March 1, 2016 and signed by the Mayor on March 11, 2016, as amended with respect to the Sub-Project Areas by Ordinance No. 34-18, passed on February 27, 2018 and signed by the Mayor on March 6, 2018, as heretofore amended and as may hereafter be amended in accordance with the IFD Law.

“Leasehold Interest” has the meaning given that term in the Rate and Method.

“Make-Whole Redemption Price” means the greater of (i) 100 percent of the principal amount of the 2021B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2021B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2021B Bonds are to be redeemed, discounted to the date on which the 2021B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus the Applicable Spread.

“Master Fiscal Agent Agreement” means that certain Fiscal Agent Agreement, dated as of May 1, 2021, by and between the City and Zions Bancorporation, National Association.

“Master Lease” means the interim lease for a portion of the Mission Rock Site that allows Developer to take possession of the Mission Rock Site and construct Horizontal Improvements approved under the DDA and to conduct other uses as provided therein.

“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.

“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 Development Special Taxes, including but not limited to Ordinance No. 79-20 introduced by the Board of Supervisors on May 5, 2020, and adopted by the Board of Supervisors on May 12, 2020, and signed by the Mayor on May 22, 2020.

“Original Purchaser” means the first purchaser of the Bonds from the City.

“Other Special Tax Bonds” means the following:

- (a) bonds issued by or for a community facilities district or special tax district other than the Special Tax District that are outstanding and payable at least partially from special taxes to be levied on parcels of land within the Special Tax District, and
- (b) bonds issued by or for the Special Tax District that are payable from special taxes levied under the Rate and Method other than the Development Special Tax and that do not constitute Bonds under 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 Fiscal Agent Agreement; 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.

“Parcel Lease” has the meaning given that term in the Rate and Method.

“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.

“Pledge Agreement” means that certain Pledge Agreement, dated the date hereof, by and among the IFD, the City and the Zions Bancorporation, National Association, as amended from time to time.

“Port” or “Port Commission” means the San Francisco Port Commission.

“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, initially being at the address set forth in the Fiscal Agent Agreement, 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 Purchaser” means (a) a qualified institutional buyer, as that term is defined in Securities and Exchange Commission Rule 144A promulgated under the Securities Act of 1933, as amended and (b) an “institutional accredited investor,” which consists of accredited investors as defined in subsections (a)(1), (2), (3) and (7) of Securities and Exchange Commission Rule 501 promulgated under the Securities Act of 1933, as amended.

“Qualified Reserve Account Credit Instrument” means, with respect to the 2021A Reserve Fund, 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 2021A 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 2021A Bonds and any 2021A Related Parity Bonds.

“Qualified Reserve Account Credit Instrument” means, with respect to the 2021B Reserve Fund, 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 2021B 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 2021B Bonds and any 2021B Related Parity Bonds.

“Qualified Taxable Parcel” has the meaning given that term in Section 3.06.

“Rate and Method” means the Rate and Method of Apportionment of Special Tax for the Special Tax District 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 Special Tax District, 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.

“Replacement DDA” means a disposition and development agreement executed by the Port Commission to replace the DDA (or a successor to the DDA) that covers substantially the same real property and improvements as the DDA and establishes substantially the same rights and responsibilities as the DDA (or successor to the DDA).

“Replacement Lease” means a lease agreement obtained by the City in replacement of a lease that is subject to the Development Special Taxes, which establishes a Leasehold Interest with a term that ends

on or after the final maturity date of the Bonds and that covers substantially the same real property and improvements as the existing lease.

“Resolution” has the meaning given that term in the recitals of the Fiscal Agent Agreement.

“Resolution of Formation” means Resolution No. 160-20, adopted by the Board of Supervisors on April 14, 2020, forming the Special Tax District, and signed by Mayor London Breed on April 24, 2020.

“Resolution of Necessity” means Resolution No. 161-20 adopted by the Board of Supervisors on April 14, 2020, and signed by the Mayor on April 24, 2020.

“Revenues” means (i) Development Special Tax Revenues and (ii) IFD Payment Amounts; but such term shall not include amounts deposited to the Administrative Expense Fund or any Improvement Fund, or any earnings thereon.

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Special Fund Administration Agreement” means that certain Special Fund Administration Agreement by and among the Port, as agent of the IFD and the CFD and in its proprietary capacity, and the Special Fund Trustee, as amended from time to time.

“Special Fund Trustee” means Zions Bancorporation, National Association, in its capacity under the Special Fund Administration Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place pursuant to the Special Fund Administration Agreement.

“Special Tax District” means the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)” formed under the Resolution of Formation.

“Special Tax District Value” means the estimated 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 the Leasehold Interests in all Taxable Parcels subject to the levy of the Development Special Taxes and not delinquent in the payment of any Development Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an 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 performed 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 Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the Special Tax District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the Special Tax District. 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.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Special Tax Financing Law 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 Development Special Taxes.

“Taxable Parcel” has the meaning given that term in the Rate and Method.

“Taxable Parcel Value” means the estimated 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 the Leasehold Interest in a Taxable Parcel, including with respect to such Leasehold Interest the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an Appraiser selected by the City, or (ii) in the alternative, the assessed value as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the Special Tax District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the Special Tax District. 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.

“Treasury Rate” means, with respect to any redemption date for a particular 2021B Bond, the yield to maturity as of such Valuation Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on the Valuation Date selected by the City (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2021B Bond (taking into account any sinking fund installments for such 2021B Bonds) to be redeemed; provided, however, that if the period from the redemption date to such maturity date (taking into account any sinking fund installments for such 2021B Bonds) is less than one year, the weekly average yield on actual traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Valuation Date” means a Business Day not later than the third Business Day preceding the redemption date but no more than 45 calendar days prior to the redemption date.

“2021A Bonds” means the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A.”

“2021A Costs of Issuance Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, 2021A Costs of Issuance Fund” established and administered under the Fiscal Agent Agreement.

“2021A Improvement Fund” means the fund designated “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Special Tax Bonds, 2021A Improvement Fund,” established under the Fiscal Agent Agreement.



“2021A Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2021A Reserve Fund so that the balance therein is equal to the 2021A Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2021A 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. The 2021C Bonds are 2021A Related Parity Bonds.

“2021A Reserve Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Development Special Tax Bonds, 2021A Reserve Fund” established and administered under the Fiscal Agent Agreement.

“2021A Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2021A Bonds and 2021A Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, (b) 125% of average Annual Debt Service on the 2021A Bonds and 2021A Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, and (c) 10% of the outstanding principal of the 2021A Bonds and 2021A Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2021A Bonds or any 2021A 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 2021A Bonds or any 2021A Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2021A Bonds or any 2021A 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 under the Fiscal Agent Agreement exceed the amount on deposit in the 2021A Reserve Fund on the date of issuance of the 2021A Bonds (if they are the only Bonds covered by the 2021A Reserve Fund) or the most recently issued series of 2021A Related Parity Bonds (if any 2021A Related Parity Bonds are covered by the 2021A Reserve Fund) except in connection with any increase associated with the issuance of 2021A Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2021A Reserve Fund in connection with the issuance of a series of 2021A 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.

“2021B Bonds” means the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (Federally Taxable).”

“2021B Capitalized Interest Account” means the fund designated the “2021B Capitalized Interest Account” which fund is established pursuant to the First Supplement to the Fiscal Agent Agreement.

“2021B Improvement Fund” means the fund designated the “2021B Improvement Fund” which fund is established pursuant to the First Supplement to the Fiscal Agent Agreement.

“2021B Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2021B Reserve Fund so that the balance therein is equal to the 2021B Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2021B 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.

“2021B Reserve Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Development Special Tax Bonds, 2021B Reserve Fund” established and administered under the First Supplement to the Fiscal Agent Agreement.

“2021B Reserve Requirement” means (i) an amount equal to the Aggregate 2021A/2021B Reserve Requirement less (ii) an amount equal to the 2021A Reserve Requirement.

“2021B/C Bonds” means the 2021B Bonds and the 2021C Bonds.

“2021C Bonds” means the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021C.”

“2021C Capitalized Interest Account” means the fund designated the “2021C Capitalized Interest Account” which fund is established pursuant to the First Supplement to the Fiscal Agent Agreement.

“2021C Improvement Fund” means the fund designated the “2021C Improvement Fund” which fund is established pursuant to the First Supplement to the Fiscal Agent Agreement.

#### **Certain Provisions Relating to the Bonds.**

**Interest.** The 2021B/C Bonds shall bear interest at the rates set forth on the inside cover of the Official Statement 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 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 pursuant to the Fiscal Agent Agreement 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.**

**General.** 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.

Additional Transfer Restrictions Applicable to the 2021B/C Bonds. No transfer, sale or other disposition of any 2021B/C Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2021B/C Bond for its own account for investment purposes and not with a view to distributing such 2021B/C Bond. Each transferee of a 2021B/C Bond, or any beneficial interest therein, shall be deemed to have acknowledged, represented, warranted and agreed with and to the City, the Participating Underwriter and the Fiscal Agent that (i) such transferee is a Qualified Purchaser that is purchasing such 2021B/C Bond for its own account for investment purposes and not with a view to distributing such 2021B/C Bond in violation of the Securities Act of 1933 or other applicable securities laws, (ii) the 2021B/C Bonds are payable from Revenues and such other funds described in the Fiscal Agent Agreement, (iii) the 2021B/C Bonds, or any beneficial interest therein, may only be transferred to a Qualified Purchaser and (iv) the City, the Participating Underwriter and the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements. Each 2021B/C Bond shall bear a legend describing or referencing the foregoing restrictions on transferability.

Neither the Participating Underwriter nor any Owner or Beneficial Owner of the 2021B/C Bonds shall deposit the 2021B/C Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Participating Underwriter nor any Owner or Beneficial Owner shall deposit the 2021B/C Bonds in any trust or account under its control the majority of the assets of which constitute the 2021B/C Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers.

Each entity that is or that becomes a Beneficial Owner of a 2021B/C Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the provisions of this Section. The transferor of a 2021B/C Bond agrees to provide notice to any proposed assignee of a beneficial ownership interest in the purchased 2021B/C Bond of the restrictions on transfer described in the First Supplement to the Fiscal Agent Agreement. Any transfer of a 2021B/C Bond to any entity that is not a Qualified Purchaser shall be deemed null and void.

**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 Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the Revenues and all moneys deposited in the Bond Fund (including the Development Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the IFD Payment Amount Fund, the Development Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Development Special Taxes). The 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, in the IFD Law and in the Special Tax Financing Law 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.

The 2021A Bonds and all 2021A Related Parity Bonds (including the 2021C Bonds) shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2021A Reserve Fund. The moneys in the 2021A Reserve Fund (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 2021A Bonds and all 2021A Related Parity Bonds as provided in the Fiscal Agent Agreement and in the IFD Law and the Special Tax Financing Law until all of the 2021A Bonds and all 2021A Related Parity 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.

The 2021B Bonds and all 2021B Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the First Supplement to the Fiscal Agent Agreement) of all moneys deposited in the 2021B Reserve Fund. The moneys in the 2021B Reserve Fund (except as otherwise provided therein) are dedicated to the payment of the principal of, and interest and any premium on, the 2021B Bonds and all 2021B Related Parity Bonds as provided therein and in the IFD Law and the Special Tax Financing Law until all of the 2021B Bonds and all 2021B Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the First Supplement to the Fiscal Agent Agreement.

Amounts in an Improvement Fund (and the accounts therein), the Administrative Expense Fund and the 2021A 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.

The Owners of the 2021A Bonds, the 2021C Bonds and all 2021A Related Parity Bonds will have no interest in or claim to the 2021B Reserve Fund, and the Owners of the 2021B Bonds and any 2021B Related Parity Bonds will have no interest in or claim to the 2021A Reserve Fund.

The 2021B Bonds shall be secured by a pledge of all moneys deposited in the 2021B Capitalized Interest Account.

The 2021C Bonds shall be secured by a pledge of all moneys deposited in the 2021C Capitalized Interest Account.

**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

Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit of the City, the Port Commission, the State of California or any political subdivision thereof, 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 2021A Bonds and the 2021B/C 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 shall be secured by a lien on the Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding thereunder. The City may 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 the Special Tax District.

(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 2021A Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2021A 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 2021A Reserve Fund and that the Owners of the Bonds covered by the 2021A Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2021A 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 2021A 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) Special Tax District Value. The Special Tax District 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 parcels in the Special Tax District subject to the levy of Development Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds. For purposes of this Section (D):

(y) the applicable aggregate principal amount of Other Special Tax Bonds that are issued by or for the Special Tax District is equal to the entire aggregate outstanding principal amount of such Other Special Tax Bonds, and

(z) the applicable aggregate principal amount of Other Special Tax Bonds that are not issued by or for the Special Tax District is equal to the aggregate outstanding principal amount of such Other Special Tax Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that could be levied for such Other Special Tax Bonds on Leasehold Interests in Taxable Parcels within the Special Tax District, and the denominator of which is the total amount of special taxes that could be levied to pay such Other Special Tax Bonds on all parcels of land against which the special taxes could be levied to pay such Other Special Tax Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on such bonds occurs), based upon information from the most recent available Fiscal Year. For purposes of the calculations in this paragraph, the IFD Payment Amount shall be assumed to be \$0 (regardless of the actual amount of the IFD Payment Amount).

(E) Coverage. An Independent Financial Consultant shall certify that for each Fiscal Year after issuance of the Parity Bonds, beginning in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of the Officer's Certificate required by subsection (F) are expected to first collectively constitute Developed Property under the Rate and Method, the maximum amount of the Development Special Taxes that could be levied on the Leasehold Interests in all of the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses that may be paid from the Development Special Tax 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.

For purposes of this subsection (E), "Qualifying Taxable Parcel" means, as of the date of the Officer's Certificate required by subsection (F), a Taxable Parcel that (i) is subject to a Parcel Lease, (ii) the Leasehold Interest in which is not delinquent in the payment of Development Special Taxes and (iii) the Leasehold Interest in which has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Bonds then Outstanding that is allocable to such Leasehold Interest, plus (x) the portion of the aggregate principal amount of the series of Parity Bonds proposed to be issued that is allocable to such Leasehold Interest, plus (y) the aggregate principal amount of any fixed assessment liens on such Leasehold Interest, plus (z) the portion of the applicable principal amount of any and all Other Special Tax Bonds that is allocable to such Leasehold Interest. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Bonds, Parity Bonds or Other Special Tax Bonds allocable to each Leasehold Interest in a Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Bonds, proposed Parity Bonds or Other Special Tax Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied to pay for the Bonds, proposed Parity Bonds or Other Special Tax Bonds on such Leasehold Interest in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of issuance of the proposed Parity Bonds are expected to first collectively constitute Developed Property under the Rate and Method, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Bonds, Parity Bonds or Other Special Tax Bonds in such fiscal year.

For purposes of the calculations in the two paragraphs above, the IFD Payment Amount shall be assumed to be \$0 (regardless of the actual amount of the IFD Payment Amount).

(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 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 Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

Nothing in the Fiscal Agent Agreement shall affect the issuance of bonds or other debt that is payable from other special taxes than the Development Special Taxes that are levied under the Rate and Method, except as described in "Certain Covenants – Limitation on Other Special Tax Bonds."

### **Certain Funds and Accounts.**

#### **2021A Reserve Fund.**

Establishment of Fund. The 2021A Reserve Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement, which deposit, as of the Closing Date, is equal to the initial 2021A Reserve Requirement with respect to the 2021A Bonds, and deposits shall be made as provided in the Fiscal Agent Agreement. Moneys in the 2021A Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2021A Bonds and any 2021A Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2021A Bonds and any 2021A Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2021A Bonds and any 2021A Related Parity Bonds.

Use of Reserve Fund. Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2021A 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 2021A Bonds and any 2021A Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2021A Bonds and any 2021A Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2021A 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 2021A Bonds and any 2021A 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 2021A Reserve Fund exceeds the 2021A Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2021A Reserve Fund to (i) the Improvement Fund(s) for the 2021A Bonds and any Outstanding 2021A Related Parity Bonds on a pro rata basis as directed by the City, to be used to pay for Project costs and (ii) after such Improvement Funds are no longer open, the Bond Fund, to be used to pay interest on the 2021A Bonds and any 2021A Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2021A Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with the Fiscal Agent Agreement, 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 2021A Reserve Fund shall be used for rebate unless the amount in the 2021A Reserve Fund following such withdrawal equals the 2021A Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2021A Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2021A Bonds and all Outstanding 2021A 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 2021A 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 2021A Related Parity Bonds, as applicable, of all of the Outstanding 2021A Bonds and Outstanding 2021A Related Parity Bonds. In the event that the amount so transferred from the 2021A Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2021A Bonds and Outstanding 2021A Related Parity Bonds, the balance in the 2021A 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 2021A Reserve Fund under the Fiscal Agent Agreement until after: (i) the calculation of any amounts due to the federal government under the Fiscal Agent Agreement and withdrawal of any such amount under the Fiscal Agent Agreement 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 2021A Bonds or any 2021A 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 2021A Related Parity Bonds, any resulting reduction in the 2021A 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 2021A Bonds pursuant to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2021A 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 2021A Reserve Fund shall be invested by the 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 2021A 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 2021A Bonds or any 2021A 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 2021A Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2021A Reserve Fund to the Improvement Funds for the 2021A Bonds and any 2021A Related Parity Bonds as directed by the City to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Fiscal Agent Agreement. 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 2021A Reserve Requirement, to be derived from the first available Revenues. If the 2021A 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 2021A Bonds and any 2021A Related Parity Bonds. If the 2021A 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 2021A Bonds and any 2021A 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 2021A Reserve Fund may be established for such series, and the calculation of the 2021A Reserve Requirement with respect to any 2021A Related Parity Bonds shall exclude the debt service on such issue of 2021A Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2021A Reserve Fund with cash if, at any time that the 2021A 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 upon 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.

#### **2021B Reserve Fund.**

Establishment of 2021B Reserve Fund. The 2021B Reserve Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by the First Supplement to the Fiscal Agent Agreement, which deposit, as of the Closing Date, is equal to the initial 2021B Reserve Requirement with respect to the 2021B Bonds, and deposits shall be made as provided in the First Supplement to the Fiscal Agent Agreement. Moneys in the 2021B Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2021B Bonds and any 2021B Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2021B Bonds and any 2021B Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2021B Bonds and any 2021B Related Parity Bonds.

Use of 2021B Reserve Fund. Except as otherwise provided in the First Supplement to the Fiscal Agent Agreement, all amounts deposited in the 2021B 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 2021B Bonds and any 2021B Related Parity Bonds or, in accordance with the provisions of the First Supplement to the Fiscal Agent Agreement, for the purpose of redeeming 2021B Bonds and any 2021B Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2021B 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 2021B Bonds and any 2021B 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 2021B Reserve Fund exceeds

the 2021B Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2021B Reserve Fund to (i) the Improvement Fund(s) for any Outstanding 2021B Related Parity Bonds on a pro rata basis as directed by the City, to be used to pay for Project costs and (ii) after such Improvement Funds are no longer open, the Bond Fund, to be used to pay interest on the 2021B Bonds and any 2021B Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2021B Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with any required rebate payments related to any 2021B Related Parity Bonds; *provided, however*, that no amounts in the 2021B Reserve Fund shall be used for rebate related to 2021B Related Parity Bonds unless the amount in the 2021B Reserve Fund following such withdrawal equals the 2021B Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2021B Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2021B Bonds and all Outstanding 2021B 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 2021B Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with the First Supplement to the Fiscal Agent Agreement and the provisions of the Supplemental Agreement related to the 2021B Related Parity Bonds, as applicable, of all of the Outstanding 2021B Bonds and Outstanding 2021B Related Parity Bonds. In the event that the amount so transferred from the 2021B Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2021B Bonds and Outstanding 2021B Related Parity Bonds, the balance in the 2021B Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

Notwithstanding the provisions of the First Supplement to the Fiscal Agent Agreement, no amounts shall be transferred from the 2021B Reserve Fund under the First Supplement to the Fiscal Agent Agreement until after the payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2021B Bonds or any 2021B Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to the First Supplement to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2021B Related Parity Bonds, any resulting reduction in the 2021B 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 2021B Bonds pursuant to the First Supplement to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2021B 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 2021B Reserve Fund shall be invested by the Fiscal Agent under the First Supplement to 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 2021B Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) of applicable, 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 2021B Bonds or any 2021B 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 2021B Reserve Fund (upon which calculation the Fiscal Agent may conclusively

rely), the Fiscal Agent shall transfer such funds from the 2021B Reserve Fund to the Improvement Funds for the 2021B Bonds and any 2021B Related Parity Bonds as directed by the City to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section. 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 2021B Reserve Requirement, to be derived from the first available Revenues. If the 2021B 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 2021B Bonds and any 2021B Related Parity Bonds. If the 2021B 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 2021B Bonds and any 2021B 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 2021B Reserve Fund may be established for such series, and the calculation of the 2021B Reserve Requirement with respect to any 2021B Related Parity Bonds shall exclude the debt service on such issue of 2021B Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2021B Reserve Fund with cash if, at any time that the 2021B 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 upon 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 First Supplement to the Fiscal Agent Agreement.

### **Bond Fund.**

Establishment of Bond Fund. The Bond 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 and as otherwise set forth in 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.

There is also created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Development Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in the Fiscal Agent Agreement.

Disbursements. At least 10 Business Days before each Interest Payment 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 (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, 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 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 2021A Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2021A Bonds and any 2021A Related Parity Bonds. Amounts so withdrawn from the 2021A 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 2021A 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 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.

Disbursements from the Development Special Tax Prepayments Account. Moneys in the Development 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 pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Investment. Moneys in the Bond Fund and the Development Special Tax Prepayments Account shall be invested under the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

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 Development 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 Special Tax Financing Law 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 retained therein.

### **Application of Proceeds of Development Special Taxes.**

Establishment of Development Special Taxes Subaccount. The City shall cause the Special Fund Trustee to establish and maintain a Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account under the Special Fund Administration Agreement. The City shall promptly remit, or cause to be promptly remitted, the proceeds of the Development Special Taxes received by the City to the Special Fund Trustee for deposit in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account.

Application of Development Special Tax Proceeds in the Development Special Taxes Subaccount and the Mello-Roos Bonds Account (Development Special Taxes). In each Bond Year, the City shall cause the proceeds of the Development Special Taxes to be distributed in the following order of priority:

(i) promptly upon receipt, the City shall separately identify (or cause to be identified) the proceeds of the Development Special Taxes in an amount not to exceed the amount included in the Development Special Tax levy for such Fiscal Year for Administrative Expenses that may be paid from the Development Special Tax and shall cause such proceeds to be transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement;

(ii) promptly upon receipt, the City shall identify (or cause to be identified) any Development Special Tax Revenues constituting the collection of delinquencies in payment of Development Special Taxes and shall cause such Development Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund to pay any past due Debt Service on the Bonds; (b) second, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in the 2021A Reserve Fund to the extent needed to increase the amount then on deposit in the 2021A Reserve Fund to the then 2021A Reserve Requirement and transferred for deposit in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

(iii) promptly upon receipt, the City shall identify (or cause to be identified) any proceeds of Development Special Tax Prepayments and shall cause such Development Special Tax Prepayments to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Development Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement that portion of any Development Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds); and (b) second, transferred by the Special Trust Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit in the Development Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement;

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City shall cause proceeds of the Development Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the IFD Payment Amount Fund, the Improvement Fund(s) as

directed by the City, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds, a capitalized interest account for any Parity Bonds, and the Development Special Tax Prepayments Account of 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 and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City shall cause proceeds of the Development Special Taxes, after taking into account any anticipated transfers from the IFD Payment Amount Fund, to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, and (b) for deposit in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds, taking into account amounts then on deposit in the 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 IFD Payment Amount Fund and the Development Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts shall be applied to the 2021A Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

(vi) on each September 1, after the transfers described in preceding subparagraphs, the City shall cause the Special Fund Trustee to transfer from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account, any amount required to pay Administrative Expenses that may be paid from the Development Special Tax that cannot be paid from amounts then on deposit in the CFD Administrative Costs Account or the Administrative Expense Fund.

On each October 1, beginning on October 1, 2021, the City shall cause all of the moneys remaining in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to be transferred to the Development Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee.

The City has caused to be established under the Special Fund Administration Agreement the Mello-Roos Bonds Account (Development Special Taxes) for the purpose of facilitating a more orderly transfer of Development of Special Taxes to the Fiscal Agent when required under the Fiscal Agent Agreement, and the City may provide in the Special Fund Administration Agreement for the transfer of Development Special Taxes from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Mello-Roos Bonds Account (Development Special Taxes). Therefore, notwithstanding the foregoing, if at any time during any Bond Year the City has caused to be set aside Development Special Taxes in the Mello-Roos Bonds Account (Development Special Taxes) in an amount sufficient to satisfy the payments described in clauses (iv) and (v) above in such Bond Year, taking into account amounts then held by the Trustee then in the IFD Payment Amount Fund, then it may apply Development Special Taxes in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for the purposes described in clauses (vi) and transfer any remaining Development Special Taxes to the Development Special Taxes Subaccount of the CFD Remainder Account.

#### **Application of IFD Payment Amount.**

Establishment of IFD Payment Amount Fund. The City shall cause the Fiscal Agent to establish and maintain an IFD Payment Amount Fund, and shall cause the Fiscal Agent to deposit the IFD Payment Amount into such Fund upon receipt.

Under the Pledge Agreement, the IFD has agreed, on each IFD Payment Date, to transfer Pledged Tax Increment in the amount of the IFD Payment Amount to the Fiscal Agent for deposit in the IFD Payment Amount Fund. Amounts received on each such IFD Payment Date will be used to pay principal of and interest on the Bonds in the immediately succeeding Bond Year and, to the extent available, to make deposits into the 2021A Reserve Fund or the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds in such Bond Year.

Application of Funds in the IFD Payment Amount Fund. Subject to the Fiscal Agent Agreement, and as directed in an Officer's Certificate, the moneys in the IFD Payment Amount Fund shall be distributed in the following order of priority:

(i) at least seven (7) Business Days prior to each Interest Payment Date, the Fiscal Agent shall transfer moneys in the IFD Payment Amount Fund to the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Funds for the Bonds, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds, a capitalized interest account for any Parity Bonds, and the Development 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 and any past due principal or interest on the Bonds; and

(ii) at least seven (7) Business Days prior to each Interest Payment Date without preference or priority, the Fiscal Agent shall transfer moneys in the IFD Payment Amount Fund (a) to the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds, taking into account amounts then on deposit in the 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 IFD Payment Amount Fund and any Development Special Taxes available for that purpose are not sufficient for the purposes of this subparagraph, such amounts shall be applied to the 2021A Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

On each October 1, beginning on October 1, 2021, the Fiscal Agent shall transfer all of the moneys remaining in the IFD Payment Amount Fund to the Special Fund Trustee for deposit in the IFD Remainder Account of the Tax Increment Fund established and held by the Special Fund Trustee under the Special Fund Administration 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 directed in an Officer's Certificate. 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 in the Fiscal Agent Agreement.

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, in substantially the form of Exhibit D thereto, stating the amount to be withdrawn and that such amount is to be used to pay an Administrative Expense, a Cost of Issuance or any other lawful expense.

## **2021A Improvement Fund.**

Establishment of 2021A Improvement Fund. The 2021A 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 the Fiscal Agent Agreement.

Moneys in the 2021A Improvement Fund shall be disbursed, except as otherwise provided in the Fiscal Agent Agreement, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the 2021A Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached thereto 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 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. At such time as there are no moneys in the 2021A Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2021A Improvement Fund, such Fund may be closed as set forth below.

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 2021A 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 2021A 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 2021A Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2021A Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2021A Improvement Fund shall be closed. Moneys transferred from the 2021A 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.

## **2021B Improvement Fund.**

Establishment of 2021B Improvement Fund. The 2021B 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 the First Supplement to the Fiscal Agent Agreement.

Moneys in the 2021B Improvement Fund shall be disbursed, except as otherwise provided in the First Supplement to the Fiscal Agent Agreement, for the payment or reimbursement of costs of the Project.



Procedure for Disbursement. Disbursements from the 2021B Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit H attached thereto 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 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.

Investment. Moneys in the 2021B Improvement Fund shall be invested in accordance with the First Supplement to the Fiscal Agent Agreement. Interest earnings and profits from such investment shall be retained in the 2021B Improvement Fund to be used for the purpose of such fund.

Closing of Fund. At such time as there are no moneys in the 2021B Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2021B Improvement Fund, such Fund may be closed as set forth below.

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 2021B 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 2021B 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 2021B Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2021B Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2021B Improvement Fund shall be closed. Moneys transferred from the 2021B 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.

### **2021C Improvement Fund.**

Establishment of 2021C Improvement Fund. The 2021C 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 the First Supplement to the Fiscal Agent Agreement.

Moneys in the 2021C Improvement Fund shall be disbursed, except as otherwise provided in the First Supplement to the Fiscal Agent Agreement, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the 2021C Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit I attached thereto 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 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.

Investment. Moneys in the 2021C Improvement Fund shall be invested in accordance with the First Supplement to the Fiscal Agent Agreement. Interest earnings and profits from such investment shall be retained in the 2021C Improvement Fund to be used for the purpose of such fund.

Closing of Fund. At such time as there are no moneys in the 2021C Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2021C Improvement Fund, such Fund may be closed as set forth below.

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 2021C 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 2021C 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 2021C Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2021C Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2021C Improvement Fund shall be closed. Moneys transferred from the 2021C 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 Development Special Tax Revenues.** The City shall comply with all requirements of the Special Tax Financing Law so as to assure the timely collection of Development Special Tax Revenues, including without limitation, the enforcement of delinquent Development Special Taxes as set forth in the Fiscal Agent Agreement.

Processing. On or within five (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 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2021A Reserve Fund is less than the 2021A 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 2021A

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 Development 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 Development 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 Development Special Tax amounts for the parcels within the Special Tax District for inclusion on the next secured 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 Development Special Taxes on the next secured real property tax roll.

The Board of Supervisors approved the levy of the Development Special Taxes on the secured roll pursuant to Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and approved by the Mayor on May 15, 2020, and the Board of Supervisors further agreed in the Supplemental Resolution to continue such levy on the secured roll as long as the Bonds are outstanding.

Computation. The Finance Director shall fix and levy the amount of Development Special Taxes within the Special Tax District required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and the Special Fund Administration Agreement expected to be remitted to the Fiscal Agent pursuant to the Pledge Agreement: (i) the principal of and interest on any outstanding Bonds of the Special Tax District becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2021A Reserve Fund and any other reserve account for Parity Bonds that are not 2021A Related Parity Bonds to the extent such replenishment has not been included in the computation of the Development Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses that may be paid from the Development Special Tax, 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 Development Special Taxes.

Nothing in the Fiscal Agent Agreement is intended to limit the amount of Development Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA or the RMA.

Collection. Except as set forth in the Ordinance, Development 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.** As authorized under the Special Tax Financing Law, the City covenants 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

Development 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 May 1 of each Fiscal Year, the Finance Director shall compare the amount of Development Special Taxes theretofore levied in the Special Tax District to the amount of Development Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Development Special Tax in the Special Tax District is delinquent in the payment of one or more installments of Development Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the Special Tax District 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 2021A Reserve Fund is at least equal to the 2021A Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds is at least equal to the required amount.

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 shall be an Administrative Expense under the Fiscal Agent Agreement.

**Collection of IFD Payment Amount; Compliance with IFD Law.** The City shall cause the Fiscal Agent to enforce the provisions of the Pledge Agreement as required to ensure the payment by the IFD of the IFD Payment Amount.

The City shall use the proceeds of the Bonds so as to ensure that the IFD Payment Amount may be used under the IFD Law for the purposes set forth in the Fiscal Agent Agreement. The covenant set forth in the first sentence of this paragraph is of a special and unique kind and character, and there would not be an adequate remedy at law for a breach of such covenant. Therefore, the City agrees that the covenant may be enforced by an action for specific performance and such other equitable relief as is provided by the laws of the State of California. In pursuing specific performance of such covenant, the party seeking to enforce such covenant shall be entitled to petition the court for injunctive relief, including, but not limited to, an order of the court restraining any use of the proceeds of the Bonds that is inconsistent with such covenant.

#### **Books and Records.**

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 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.

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 under the Fiscal Agent Agreement. 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 2021C Bonds are not so used as to cause the 2021C 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 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 2021C 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 2021C Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2021C Bonds, and shall take such actions as are necessary to ensure compliance with the Fiscal Agent Agreement, such as increasing the portion of the Development Special Tax levy for Administrative Expenses as appropriate to have funds available to satisfy any rebate liability under the Fiscal Agent Agreement. If necessary to satisfy its obligations under the Fiscal Agent Agreement, the City may use:

- (A) Amounts in the 2021A Reserve Fund if the amount on deposit in the 2021A Reserve Fund, following the proposed transfer, is at least equal to the 2021A Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2021A Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Development Special Taxes available for that purpose;
- (C) Amounts on deposit in the Administrative Expense Fund; and
- (D) 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), (B) and (C).

**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 2021C 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 2021C Bonds would have caused the 2021C Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

**Yield of the 2021C Bonds.** In determining the yield of the 2021C Bonds to comply with the First Supplement to 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 Development Special Taxes and use of prepayments for redemption of the 2021C Bonds, without regard to whether or not prepayments are received or 2021C Bonds redeemed.

**Maintenance of Tax-Exemption.** The City shall take all actions necessary to assure the exclusion of interest on the 2021C Bonds from the gross income of the Owners of the 2021C 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 2021C Bonds.

**Limits on Special Tax Waivers and Bond Tenders.** The City covenants not to exercise its rights under the Special Tax Financing Law to waive delinquency and redemption penalties related to the Development Special Taxes or to declare a Development 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 Development 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 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 Development Special Taxes, unless it expressly agrees to take the property subject to the lien for Development Special Taxes imposed by the City and that the Development 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 Special Tax Financing Law 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 shall, 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 Development 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, after the reduction is approved, on the basis of the parcels of land and improvements existing in the Special Tax District as of the July 1 preceding the reduction, the City will meet the coverage requirement set forth in subsection (E) of the Parity Bonds test, (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 or any Parity Bonds.

**Limitation on Principal Amount of Parity Bonds.** The Board of Supervisors established a limit on the principal amount of bonds and other debt that may be issued by the City for the Special Tax District. The City shall ensure that the issuance of Parity Bonds under a Supplemental Agreement shall not cause the Special Tax District to exceed such limit.

**Covenant Regarding Termination of Leasehold Interests in Taxable Parcels.** The City shall inhibit the San Francisco Port Commission from terminating any Leasehold Interest in a Taxable Parcel except by entering a Replacement Lease and, in connection with a Replacement Lease, the City shall cause the Port Commission to require either the tenant under the terminated lease or the tenant under the Replacement Lease to pay any scheduled Development Special Taxes then due together with interest to the payment date at the interest rate borne by the Bonds (the Port Commission may waive any interest in excess of the interest due on the Bonds and any penalties). It will not be a violation of the Fiscal Agent Agreement by either the City or the Port if the City initiates judicial foreclosure of a Leasehold Interest in a Taxable Parcel pursuant to the Fiscal Agent Agreement.

**Limitation on Other Special Tax Bonds.** In connection with the issuance by the City of any Other Special Tax Bonds, the City shall comply with the value to burden tests set forth in subsection (D) of the conditions for the issuance of Parity Bonds set forth in the Fiscal Agreement.

**Covenant Regarding Termination of the DDA.** If the Horizontal Improvements have not been completed and neither the Port nor the City has assumed the obligation to construct the Horizontal Improvements, the City shall inhibit the Port Commission from terminating the DDA solely as a result of a delinquency by the Developer in the payment of Development Special Taxes or other taxes or assessments levied or assessed on the Leasehold Interest conveyed under the Master Lease, unless the Port Commission will concurrently enter into a Replacement DDA and, if applicable, Replacement Lease.

**Special Fund Administration Agreement.** The City shall cause the Port, in its capacity as agent of the CFD, to maintain the Special Fund Administration Agreement, to comply with the terms thereof and to enforce the provisions thereof.

**Continuing Disclosure Covenant in Parcel Leases.** The City shall cause the Port to require lessees under Parcel Leases executed after the effective date hereof to provide continuing disclosure if and to the extent required by the underwriter of any Bonds.

#### **Investment of Moneys in Funds.**

**General.** Moneys in any fund or account created or established by the Fiscal Agent Agreement 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 Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds under the Fiscal Agent Agreement in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with the Fiscal Agent Agreement.

**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 2021A 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 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 Fiscal Agent Agreement 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 the Fiscal Agent Agreement, 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 pursuant to the foregoing provisions of the Fiscal Agent Agreement 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 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 Development 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 Special Tax Financing Law, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment hereof.

**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 in the Fiscal Agent Agreement provided.

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 as 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 specifically 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 2021A Reserve Fund or any reserve account for any Parity Bonds are that not 2021A Related Parity Bonds hereof, 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 and the 2021A Reserve Fund or the reserve account for any Parity Bonds that are not 2021 Related Parity Bonds (to the extent held in cash or invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all 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 Bonds shall not have been surrendered for payment, the pledge of the Development 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 such 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 Development 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 Special Tax Financing Law and the Resolution of Formation.

## **PLEDGE AGREEMENT**

### **Certain Definitions**

“Allocated Tax Increment” means the portion of Gross Tax Increment from Project Area I that the City has agreed to allocate to the IFD for use in Project Area I by approving Appendix I of the Pledge Agreement.

“Assessed Parcel” has the meaning given that term in the Rate and Method.

“Base Year” for the Sub-Project Areas is defined in Appendix I of the Infrastructure Financing Plan as Fiscal Year 2017-18.

“Bond Plan Limit” means the limitation on the principal amount of bonds issued by the IFDs with respect to the Sub-Project Areas set forth in resolution No. 37-18 adopted by the Board of Supervisors on February 13, 2018 and signed by the Mayor on February 23, 2018.

“Gross Tax Increment” is, for each of the Sub-Project Areas, 100% of the revenue produced by the application of the 1% ad valorem tax rate to the Incremental Assessed Property Value of property within each Sub-Project Area.

“IFD Payment Amount” means, as of the IFD Payment Date, an amount equal to the lesser of (A) the Potential Development Special Tax Levy on all Current Parcels for the current Fiscal Year and (B) the amount of Pledged Tax Increment available to pay the IFD Payment Amount pursuant to Section 4.

“IFD Payment Date” means July 1.

“Incremental Assessed Property Value” is, in any year, for each Sub-Project Area, the difference between the assessed value of the property within such Sub-Project Area for that fiscal year and the assessed value of the property within such Sub-Project Area in the Base Year, to the extent that the difference is a positive number.

“Pledged Tax Increment” means, for each IFD Payment Date, the Allocated Tax Increment received by the IFD as of such date that is attributable to the levy of the 1% ad valorem tax rate during the preceding Fiscal Year, but excluding the Waterfront Set-Aside except to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law for its payment obligations under the Pledge Agreement based on the use of proceeds of the Special Tax District Bonds.

“Potential Development Special Tax Levy” has the meaning given that term in the Financing Plan.

“Special Tax District Bonds” means the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds”, issued and

outstanding under the Fiscal Agent Agreement, including the 2021A Special Tax District Bonds and any Parity Bonds.

“Special Tax Financing Law” means the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time.

“Sub-Project Area I-1” means Sub-Project Area I-1 (Mission Rock Site).

“Sub-Project Area I-2” means Sub-Project Area I-2 (Mission Rock Site).

“Sub-Project Area I-3” means Sub-Project Area I-3 (Mission Rock Site).

“Sub-Project Area I-4” means Sub-Project Area I-4 (Mission Rock Site).

“Sub-Project Area I-5” means Sub-Project Area I-5 (Mission Rock Site).

“Sub-Project Area I-6” means Sub-Project Area I-6 (Mission Rock Site).

“Sub-Project Area I-7” means Sub-Project Area I-7 (Mission Rock Site).

“Sub-Project Area I-8” means Sub-Project Area I-8 (Mission Rock Site).

“Sub-Project Area I-9” means Sub-Project Area I-9 (Mission Rock Site).

“Sub-Project Area I-10” means Sub-Project Area I-10 (Mission Rock Site).

“Sub-Project Area I-11” means Sub-Project Area I-11 (Mission Rock Site).

“Sub-Project Area I-12” means Sub-Project Area I-12 (Mission Rock Site).

“Sub-Project Area I-13” means Sub-Project Area I-13 (Mission Rock Site).

“Sub-Project Areas” has the meaning given that term in the recitals of the Pledge Agreement.

“Tax Increment Plan Limit” means the limitation, if any, contained in the Infrastructure Financing Plan on the number of dollars of taxes which may be divided and allocated to the IFD with respect to the Sub-Project Areas pursuant to the Infrastructure Financing Plan and the IFD Law.

“Waterfront Set-Aside” means a minimum of 20% of Allocated Tax Increment from Project Area I, which under IFD Law must be spent for shoreline restoration, removal of bay fill, and creation of waterfront public access to or environmental remediation of the San Francisco waterfront.

“Waterfront Set-Aside Account” means the Waterfront Set-Aside Account established in the Tax Increment Fund.

“2021A Special Tax District Bonds” means the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A, issued and outstanding under the Fiscal Agent Agreement.

**Pledge of Pledged Tax Increment.** The IFD pledges and creates a lien on the Pledged Tax Increment, including such Pledged Tax Increment on deposit in the Project Account, the Waterfront

Set-Aside Account and the Mello-Roos Bonds Account (Tax Increment), for the benefit of the Fiscal Agent as security for the IFD's payment obligations under the Pledge Agreement (which pledge and lien shall attach and be binding and effective without the need for any physical delivery, recordation, filing, or further act). Such pledge shall be a first and exclusive pledge of the Pledged Tax Increment, subject to other permitted uses set forth in the Pledge Agreement. The pledge of Pledged Tax Increment under the Pledge Agreement shall be senior to any other pledge of Allocated Tax Increment.

The IFD and the City agree that the Pledged Tax Increment paid to the Fiscal Agent under the Pledge Agreement shall be used to pay debt service on the Special Tax District Bonds, replenish any debt service reserve fund for the Special Tax District Bonds and pay Horizontal Development Costs that are eligible to be paid with Pledged Tax Increment pursuant to the IFD Law, the Infrastructure Financing Plan and the Financing Plan.

**Collection of Allocated Tax Increment; Special Fund.** The IFD shall establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the "Tax Increment Fund." The IFD shall establish the following accounts (among others) within the Tax Increment Fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as separate restricted accounts: the "Waterfront Set-Aside Account" and the "Project Account."

Promptly upon receipt thereof, the IFD shall deposit 80% of the Allocated Tax Increment received in any Bond Year in the Project Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel) and 20% of such Allocated Tax Increment in the Waterfront Set-Aside Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel). The IFD may establish separate accounts within the Tax Increment Fund, and separate sub-accounts within the Project Account and the Waterfront Set-Aside Account in its discretion.

Amounts deposited to and held by the IFD in the Tax Increment Fund and the accounts therein shall be at all times separately accounted for by the IFD from all other funds or accounts, and the Allocated Tax Increment shall be used and applied solely as set forth in the Pledge Agreement.

The IFD shall establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the "Bonds Fund." The IFD shall establish the following account (among others) within the Bond Fund as a separate restricted account: the "Mello-Roos Bonds Account (Tax Increment)."

During each Fiscal Year, the IFD may transfer funds from the Project Account or the Waterfront Set-Aside Account to the Mello-Roos Bonds Account (Tax Increment) in an amount equal to the IFD Payment Amount due on the following IFD Payment Date.

The obligations of the IFD with respect to Allocated Tax Increment set forth in the Pledge Agreement shall not apply to any Allocated Tax Increment applied by the Treasurer-Tax Collector to pay its costs of collecting the Allocated Tax Increment.

**Payment of Allocated Tax Increment.** On each IFD Payment Date (or such earlier date determined by the IFD), the IFD shall transfer (or cause to be transferred) Pledged Tax Increment from the accounts in the Tax Increment Fund and the Mello-Roos Bonds Account (Tax Increment) to the Fiscal Agent for deposit into the IFD Payment Amount Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, in an amount equal to the IFD Payment Amount. Allocated Tax Increment that is

not Pledged Tax Increment cannot be used to pay the IFD Payment Amount because of the limitations on the authorized uses of Waterfront Set-Aside.

On the Business Day following each IFD Payment Date, the remaining Pledged Tax Increment shall be released from the pledge and lien created by the Pledge Agreement and shall be used by the IFD for authorized purposes under the Infrastructure Financing Plan.

In addition, if at any time during any Fiscal Year the IFD has set aside Pledged Tax Increment in the Mello-Roos Bonds Account (Tax Increment) that is attributable to the levy of the 1% ad valorem tax rate during such Fiscal Year in an amount sufficient to satisfy the IFD Payment Amount on the immediately succeeding IFD Payment Date, then any remaining Allocated Tax Increment shall be released from the pledge and lien created by the Pledge Agreement and shall be used by the IFD for authorized purposes under the Infrastructure Financing Plan.

**Issuance of Subordinate Debt.** Subject to any limitations set forth in the Financing Plan, the IFD may issue additional bonds or incur other loans, advances or indebtedness payable from Allocated Tax Increment on a subordinate basis to its obligations under this Pledge Agreement (“Subordinate Debt”) in such principal amount as shall be determined by the IFD. The IFD may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) Unless otherwise agreed by the City and the Developer, the conditions for the issuance of Subordinate Debt set forth in the Financing Plan have been satisfied.

(b) If, and to the extent, such Subordinate Debt is payable from Allocated Tax Increment within the Tax Increment Plan Limit, then the aggregate amount of the IFD Payment Amount and the principal of and interest to accrue on Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Allocated Tax Increment permitted under the Tax Increment Plan Limit to be allocated and paid to the IFD following the issuance of such Subordinate Debt.

(c) The IFD shall deliver to the Trustee a Written Certificate of the IFD certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in paragraphs (a) and (b) above have been satisfied.

**Coverage Covenant; Plan Limit.**

(a) The IFD shall manage its fiscal affairs in a manner which ensures that it will have sufficient Allocated Tax Increment available under the Tax Increment Plan Limit in the amounts and at the times required to enable the IFD to meet its payment obligations under the Pledge Agreement and the Financing Plan.

(b) The IFD shall not issue any bonds or take any action that would cause it to exceed the Bond Plan Limit. Board of Supervisors Resolution No. 37-18 provides that the Bond Plan Limit does not apply to the Special Tax District Bonds or any “debt” as defined in the IFD Law other than bonds, including the Pledge Agreement.

**Tax Covenants.** The following covenants shall apply to any Special Tax District Bonds to the extent the City and the IFD intended for the interest on such Special Tax District Bonds to be excluded from the gross income of the Owners of such Special Tax District Bonds for federal income tax purposes.

(a) Private Activity Bond Limitation. The City and the IFD will assure that the proceeds of the Special Tax Bonds are not so used as to cause the Special Tax District Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The City and the IFD will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Special Tax District Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The City and the IFD will take any and all actions necessary to assure compliance with section 148(f) of the 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 Special Tax District Bonds.

(d) No Arbitrage. The City and the IFD will not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Special Tax 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 Special Tax District Bonds would have caused the Special Tax District Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The City and the IFD will take all actions necessary to assure the exclusion of interest on the Special Tax Bonds from the gross income of the Owners of the Special Tax District Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Special Tax Bonds.

(f) Record Retention. The City and the IFD will retain their records of all accounting and monitoring that they carry out with respect to the Special Tax District Bonds for at least 3 years after the Special Tax District Bonds mature or are redeemed (whichever is earlier); however, if the Special Tax District Bonds are redeemed and refunded, the City and the IFD will retain their records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Special Tax District Bonds.

(g) Compliance with Tax Certificate. The City and the IFD will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Special Tax District Bonds. The covenants of this Section will survive payment in full or defeasance of the Special Tax District Bonds.

**Special Fund Administration Agreement.** The IFD shall cause the Port, in its capacity as the IFD Agent, to maintain the Special Fund Administration Agreement, comply with the terms thereof and enforce the provisions thereof.

**Compliance with IFD Law.** The City shall use the proceeds of the Special Tax District Bonds so as to ensure that the IFD Payment Amount may be used under the IFD Law for the purposes set forth in the Fiscal Agent Agreement. The covenant set forth in the first sentence of this Section is of a special and unique kind and character, and there would not be an adequate remedy at law for a breach of such covenant. Therefore, the City agrees that the covenant may be enforced by an action for specific performance and such other equitable relief as is provided by the laws of the State of California. In pursuing specific performance of such covenant, the party seeking to enforce such covenant shall be entitled to petition the court for injunctive relief, including, but not limited to, an order of the court restraining any use of the proceeds of the Bonds that is inconsistent with such covenant.

**Term.** The term of the Pledge Agreement shall commence on the date of issuance of the first series of the Special Tax District Bonds, and shall end on the earlier of the date no Special Tax District Bonds are



outstanding or the last day on which the IFD may repay indebtedness or receive property taxes under the Infrastructure Financing Plan.

**Amendment.** The Pledge Agreement may be amended only with the prior written consent of the parties thereto and if the City shall have received an opinion of nationally recognized bond counsel that such amendment does not adversely affect the tax-exempt nature of interest on the Special Tax District Bonds.

## **SPECIAL FUND ADMINISTRATION AGREEMENT**

### **Certain Definitions.**

Unless the context otherwise clearly requires, the capitalized terms used in the Special Fund Administration Agreement have the meanings given them in the Special Fund Administration Agreement or if not defined in the Special Fund Administration Agreement, the meanings given such terms in Part B to the Appendix of Transaction Documents for the Mission Rock Project (the “Appendix”).

“Authorized Officer” means the Executive Director of the Port, the Deputy Director of Finance and Administration of the Port, and/or the Finance Director.

“Bond Year” means the period beginning on September 2 of any year and ending on the following September 1.

“CFD Administrative Costs” means Facilities CFD Administrative Costs and Services CFD Administrative Costs.

“Debt Service” means “debt service” as defined in the Appendix.

“Finance Director” means the Director of the Controller’s 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.

“Tax Increment Bonds” means Tax Allocation Bonds and any other Debt obligation of the IFD with respect to the IFD Sub-Project Areas, not including Mello-Roos Bonds, secured by a pledge (or otherwise payable from a contribution) of Allocated Tax Increment. For the avoidance of doubt, Tax Increment Bonds includes any such debt obligations incurred pursuant to a Pledge Agreement.

“Tax Increment Bonds Debt Service Requirement” means the Debt Service coming due on Tax Increment Bonds in a Bond Year before the next expected Receipt Date of Allocated Tax Increment.

### **Effective Date; Termination of Agreement.**

- (a) The Special Fund Administration Agreement shall become effective on May 1, 2021, and shall terminate on the date determined in accordance with the Special Fund Administration Agreement.
- (b) The Special Fund Administration Agreement shall terminate on the date of the latest of the following to occur:
  - i. When all of the Allocated Tax Increment and Mello-Roos Taxes have been disbursed in accordance with the CFD Law, IFD Law, and Appendix I of the Special Fund Administration Agreement.

- ii. The date specified in the CFD Resolution of Formation as the last date on which Shoreline Special Taxes may be levied within the CFD.
- iii. The date specified in the CFD Resolution of Formation as the last date on which Contingent Services Special Taxes may be levied in the CFD.
- iv. When all Tax Increment Bonds and Mello-Roos Bonds and other Debt of the IFD with respect to the Sub-Project Areas have been paid in full or defeased and the proceeds thereof have been expended.
- v. Upon receipt of written direction of the Port to the Special Fund Trustee to close the funds and accounts described in the Special Fund Administration Agreement and to distribute any remaining funds therein to the Port to be used for any lawful purpose of the Port consistent with applicable law and the DDA.

**Conflicts with Indentures or Pledge Agreements.** In the event of any conflict between the Special Fund Administration Agreement and the provisions of any Indenture or Pledge Agreement, the provisions of the Indenture or Pledge Agreement shall govern.

**Establishment of Special Funds and Accounts.** The Special Fund Trustee shall, establish, maintain and hold in trust a separate account designated as the “Special Fund Trust Account” (the “Special Fund Trust Account”).

Funds and Accounts Related to Special Taxes. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Special Tax Fund” (the “Special Tax Fund”). Within the Special Tax Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts and subaccounts therein, among others:

- (a) the “Facilities Special Taxes Account,”
  - i. the “Development Special Taxes Subaccount,”
- (b) the “CFD Remainder Account,”
  - i. the “Development Special Taxes Subaccount,”

The Special Tax Fund, and the accounts and subaccounts therein, shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement. The source of funds in Special Tax Fund accounts shall be the Special Taxes collected by the Treasurer/Tax Collector and distributed to the CFD by the Controller.

Fund and Accounts Related to Allocated Tax Increment. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Tax Increment Fund” (the “Tax Increment Fund”), which shall constitute the special fund required by Section 53396(b) of the IFD Law with respect to the Sub-Project Areas. Within the Tax Increment Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts and subaccounts therein:

- (i) the “Project Account,”
- (ii) the “Waterfront Set-Aside Account,” and

(iii) the “IFD Remainder Account.”

The Tax Increment Fund and the accounts therein shall be held by the Special Fund Trustee for the benefit of the IFD and shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement. The source of funds in the Tax Increment Fund shall be the Allocated Tax Increment collected by the Treasurer/Tax Collector and distributed to the IFD by the Controller.

Fund and Accounts Related to Bonds. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Bonds Fund” (the “Bonds Fund”). Within the Bonds Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts therein, among others:

- (i) the “Mello-Roos Bonds Account (Development Special Taxes),” which will be funded from Development Special Taxes,
- (ii) the “Mello-Roos Bonds Account (Tax Increment),” which will be funded from Allocated Tax Increment, and

The Bonds Fund and the accounts therein shall be held by the Special Fund Trustee for the benefit of the CFD and IFD, as applicable, and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement.

The purpose of the Bonds Fund and the accounts therein is to allow an amount equal to the Debt Service that will be paid from the related funds to be set aside during the course of a Bond Year in a manner that meets any obligations under an Indenture or Pledge Agreement so that the remaining funds are available to pay for other costs authorized under the Financing Plan, RMA and Appendix I, as applicable.

Administrative Costs Fund. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund within the Special Fund Trust Account, designated as the “Administrative Costs Fund” (the “Administrative Costs Fund”). Within the Administrative Costs Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts therein:

- (i) the “CFD Administrative Costs Account,” and
- (ii) the “IFD Administrative Costs Account.”

The CFD Administrative Costs Account shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance the Special Fund Administration Agreement.

The IFD Administrative Costs Account shall be held by the Special Fund Trustee for the benefit of the IFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance the Special Fund Administration Agreement.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the DRP Fund.

**Deposits and Distributions of Development Special Taxes.**

Promptly upon receipt, the Port shall cause the Special Fund Trustee to deposit Development Special Taxes in the related accounts and subaccounts in the Special Tax Fund as directed by the Port in a written certificate executed by an Authorized Officer. The Parties acknowledge and agree that the

Development Special Taxes may be deposited directly by the San Francisco Controller, at the times and in the amounts specified by the Port in a written certificate executed by an Authorized Officer and delivered to the Special Fund Trustee.

The Port shall direct the Special Fund Trustee in a written certificate to distribute any moneys in such subaccounts and accounts in accordance with the Special Fund Administration Agreement, the DDA, Financing Plan, CFD Resolution of Formation and Indentures.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Remainder Account.

#### **Deposits in and Distributions from the Tax Increment Fund.**

The Port shall cause the Special Fund Trustee to deposit Annual Allocated Tax Increment in the applicable accounts of the Tax Increment Fund, as directed by the Port in a written certificate executed by an Authorized Officer. The Parties acknowledge and agree that the Annual Allocated Tax Increment may be deposited directly by the San Francisco Controller, at the times and in the amounts specified by the Port in a written certificate executed by an Authorized Officer.

The Port shall direct the Special Fund Trustee in a written requisition of the Port executed by an Authorized Officer in substantially the form of Exhibit F to distribute any moneys in the accounts in the Tax Increment Fund in accordance with the Special Fund Administration Agreement, the DDA, Financing Plan, IFD Financing Plan, Indenture and any Pledge Agreement.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Tax Increment Fund.

#### **Deposits in and Distributions from the Mello-Roos Bonds Account (Development Special Taxes).**

- (a) No later than the times and in the amounts required to comply with any applicable Indenture, the Port will direct the Special Fund Trustee to transfer Development Special Taxes from the Development Special Taxes Subaccount to the Mello-Roos Bonds Account (Development Special Taxes) in a written certificate executed by an Authorized Officer.
- (b) At the written direction of the Port, amounts in the Mello-Roos Bonds Account (Development Special Taxes) of the Bond Fund shall be transferred by the Special Fund Trustee from time to time, to pay debt service on Mello-Roos Bonds secured in whole or in part by a pledge of Development Special Taxes or as otherwise required under the Indenture relating to such Mello-Roos Bonds.
- (c) At any time during each Bond Year, the Port may, and in any event the Port shall on each July 15,
  - (i) calculate the Mello-Roos Bonds Debt Service Requirement with respect to Mello-Roos Bonds secured in whole or in part by a pledge of Development Special Taxes as of the immediately preceding June 30, and (ii) deliver to the Special Fund Trustee a certificate of the Port (the “Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes)”) which:
    - (i) states the amounts then on deposit in the debt service accounts established under the applicable Indenture that are available to pay the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds,

- (ii) states the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds as of such date,
  - (iii) either (A) confirms that the amount on deposit in the Mello-Roos Bonds Account (Development Special Taxes) is equal to the amount described in the following clause (v) below or (B) directs the Special Fund Trustee to transfer from the Development Special Taxes Subaccount to the Mello-Roos Bonds Account (Development Special Taxes) any shortfall required for the amount on deposit in the Mello-Roos Bonds Account (Development Special Taxes) to be equal to the amount described in clause (v) below,
  - (iv) states the amounts as of such date, if any, to be transferred to such debt service accounts pursuant to the Year-End Mello-Roos Bond Debt Certificate (Tax Increment) for such Bond Year, the Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 1 Special Taxes) and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes),
  - (v) directs the Special Fund Trustee to transfer from the Mello-Roos Bonds Account (Development Special Taxes) to the appropriate debt service accounts established under the applicable Indenture an amount that, when added to any amounts to be transferred to such accounts pursuant to the Year-End Mello-Roos Bond Debt Certificate (Tax Increment) for such Bond Year, the Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 1 Special Taxes), and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes) as of such date, equals the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds, and
  - (vi) directs the Special Fund Trustee, after making all the transfers required to be made in accordance with the Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes), on the first business day following the end of each Bond Year, to transfer the remaining amounts in the Mello-Roos Bonds Account (Development Special Taxes) to the CFD Administrative Costs Account, the CFD Remainder Account or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed).
- (d) Upon compliance with the conditions stated in the preceding subsection (c), the Port may direct the Special Fund Trustee to transfer all remaining amounts in the Development Special Taxes Subaccount to the CFD Administrative Costs Account, the CFD Remainder Account, or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed), as set forth in a written requisition of the Port executed by an Authorized Officer in substantially the form of Exhibit J.
- (e) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Mello-Roos Bonds Account (Development Special Taxes).

**Deposits in and Distributions from the Mello-Roos Bonds Account (Tax Increment).**

- (a) No later than the times and in the amounts required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds, the Port will direct the Special Fund Trustee to transfer Annual Allocated Tax Increment from the accounts in the Tax Increment Fund to the

Mello-Roos Bonds Account (Tax Increment) in a written certificate executed by an Authorized Officer. For the avoidance of doubt, the Port intends for the amounts deposited in the Mello-Roos Bonds Account (Tax Increment) that are attributable to the levy of the 1% ad valorem tax rate during a City Fiscal Year to be used to pay the debt service on such Mello-Roos Bonds during the following Bond Year.

- (b) At the written direction of the Port, amounts in the Mello-Roos Bonds Account (Tax Increment) of the Bonds Fund shall be transferred by the Special Fund Trustee from time to time, to pay debt service on Mello-Roos Bonds secured in whole or in part by a pledge of Allocated Tax Increment, to replenish debt service reserve accounts for such Mello-Roos Bonds, or as otherwise required under the Indenture or the Pledge Agreement relating to such Mello-Roos Bonds.
- (c) At any time during each City Fiscal Year, the Port may, and in any event the Port shall on each July 15, (i) calculate the amounts to be paid from Allocated Tax Increment that is attributable to the levy of the 1% ad valorem tax rate during such City Fiscal Year required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds and (ii) deliver to the Special Fund Trustee a certificate of the Port (the “Year-End Mello-Roos Bonds Debt Certificate (Tax Increment)”) which:
  - (i) either (A) confirms that the amount on deposit in the Mello-Roos Bonds Account (Tax Increment) is equal to the amount to be paid from Allocated Tax Increment that is attributable to the levy of the 1% ad valorem tax rate during such City Fiscal Year required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds or (B) directs the Special Fund Trustee to transfer from the Tax Increment Fund to the Mello-Roos Bonds Account (Tax Increment) any shortfall required for the amount on deposit in the Mello-Roos Bonds Account (Tax Increment) to be equal to the amounts to be paid from Allocated Tax Increment required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds,
  - (ii) directs the Special Fund Trustee to transfer from the Mello-Roos Bonds Account (Tax Increment) the amounts to be paid from Allocated Tax Increment that is attributable to the levy of the 1% ad valorem tax rate during such City Fiscal Year required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds and specifying the appropriate fund or account into which it should be deposited, and
  - (iii) directs the Special Fund Trustee to transfer the remaining Allocated Tax Increment levied in such City Fiscal Year to the Tax Increment Bonds Account, the IFD Administrative Costs Account, the IFD Remainder Account or such other account identified by the Port.
- (d) Upon compliance with the conditions stated in the preceding subsection (c), Allocated Tax Increment levied in such City Fiscal Year shall be available for any purpose identified by the Port in a written certificate executed by an Authorized Officer.
- (e) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Mello-Roos Bonds Account (Tax Increment).

**Deposits in and Distributions from the CFD Administrative Costs Account.**

- (a) The Special Fund Trustee shall deposit funds from time to time in the CFD Administrative Costs Account as directed by the Port in a written certificate executed by an Authorized Officer.
- (b) The Special Fund Trustee shall withdraw and apply moneys in the CFD Administrative Costs Account in accordance with a written requisition of the Port executed by an Authorized Officer in substantially the form of Exhibit H.
- (c) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Administrative Costs Account.

**Deposits in and Distributions from the IFD Administrative Costs Account.**

- (a) The Special Fund Trustee shall deposit funds from time to time in the IFD Administrative Costs Account as directed by the Port in a written certificate executed by an Authorized Officer.
- (b) The Special Fund Trustee shall withdraw and apply moneys in the IFD Administrative Costs Account in accordance with a written requisition of the Port executed by an Authorized Officer in substantially the form of Exhibit I.
- (c) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the IFD Administrative Costs Account.

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**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

\_\_\_\_\_, 2021

Board of Supervisors  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**OPINION:**     \$54,280,000 City and County of San Francisco Special Tax District  
                     No. 2020-1 (Mission Rock Facilities and Services)  
                     Development Special Tax Bonds, Series 2021B (Federally Taxable)

                     \$10,000,000 City and County of San Francisco Special Tax District  
                     No. 2020-1 (Mission Rock Facilities and Services)  
                     Development Special Tax Bonds, Series 2021C

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, for and on behalf of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”), of the (i) \$54,280,000 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (Federally Taxable) (the “2021B Bonds”) and (ii) \$10,000,000 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021C (the “2021C Bonds,” and together with the 2021B Bonds, the “Bonds”), dated as of the date first written above. In such capacity, we have examined such law and such certified proceedings, opinions, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 et seq. of the California Government Code) (the “Act”); (ii) resolutions of the Board of Supervisors of the City (the “Board of Supervisors”) adopted on May 5, 2020 and December 8, 2020, as supplemented by Resolution No. 224-21 of the Board of Supervisors adopted on May 11, 2021 and signed by the Mayor on May 21, 2021 (together, the “CFD Resolution”); and (iii) a Fiscal Agent Agreement dated as of May 1, 2021 (the “Master Fiscal Agent Agreement”), between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”) as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of October 1, 2021 (the “First Supplement,” and together with the Master Fiscal Agent Agreement, the “Fiscal Agent Agreement”). Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Under the Fiscal Agent Agreement, as security for the payment of principal, premium (if any) and interest on the Bonds when due, the City has pledged Revenues, consisting primarily of Development Special Tax Revenues and the IFD Payment Amount. The IFD Payment Amount is payable to the Fiscal Agent by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) pursuant to a Pledge Agreement, dated as of May 1, 2021 (the “Pledge Agreement”), by and among the Fiscal Agent, the City on behalf of the District, and the IFD. The Board of Supervisors, as the legislative body of the IFD, approved the execution and delivery of the Pledge Agreement pursuant to resolutions of the Board of Supervisors, as legislative body of the IFD, adopted on February 13, 2018 and December 8, 2020 (together, the “IFD Resolution”).

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, representations of the IFD contained in the Pledge 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 CFD 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 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 Revenues and other funds provided therefor in the Fiscal Agent Agreement.
5. The IFD is an infrastructure financing district and a legally constituted governmental entity established, duly organized and existing under the laws of the State of California, with the power to adopt the IFD Resolution, enter into the Pledge Agreement and perform the agreements on its part contained therein.
6. The Pledge Agreement has been duly authorized, executed and delivered by the City, on behalf of the District, and the IFD, and the Pledge Agreement constitutes a valid and binding obligation of the IFD, enforceable against the IFD.
7. The Pledge Agreement creates a valid lien on the Pledged Tax Increment for the security of the IFD’s payment obligation under the Pledge Agreement.
8. The interest on the 2021C 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 2021C 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 2021C Bonds.

9. 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, the Fiscal Agent Agreement and the Pledge 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. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, covenants and opinions referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

*Jones Hall,*  
A Professional Law Corporation

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## **APPENDIX E-1**

### **FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE**

#### **CONTINUING DISCLOSURE CERTIFICATE**

#### **CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2020-1 (MISSION ROCK FACILITIES AND SERVICES)**

#### **DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021B (FEDERALLY TAXABLE)**

#### **DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021C**

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 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) in connection with the issuance of the above-captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by the Mayor on May 18, 2020, as supplemented by Resolution No. 224-21, which was adopted by the Board of Supervisors on May 11, 2021, and approved by the Mayor on May 21, 2021 (collectively, the “Resolution”) and a Fiscal Agent Agreement, dated as of May 1, 2021, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (together, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates 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 Underwriter 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 the original underwriter or purchaser 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 2020-21 Fiscal Year (which is due not later than March 31, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Development 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 Development Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

(b) (1) the principal amount of the outstanding Bonds as of September 2 preceding the date of the Annual Report and total debt service of the outstanding Bonds that was due in the Bond Year preceding the date of the Annual Report, and (2) the debt service of the outstanding Bonds by series and in total that was due or is scheduled to be due in the then-current Bond Year, and in each Bond Year thereafter through the final maturity date of the outstanding Bonds.

(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) (1) the balance in the 2021A Reserve Fund and any reserve for any 2021A Related Parity Bonds and the then-current reserve requirement amount for the Bonds and any 2021A Related Parity Bonds as of June 30 preceding the date of the Annual Report and (2) the balance in the 2021B Reserve Fund and any reserve for any 2021B Related Parity Bonds and the then-current reserve requirement amount for the Bonds and any 2021B Related Parity Bonds as of June 30 preceding the date of the Annual Report.

(e) the balance in the IFD Payment Account Fund as of June 30 preceding the date of the Annual Report.

(f) for the fiscal year for which the Annual Report is being issued, identify planning parcels for which a Parcel Lease was fully executed and will be subject to special taxes.

(g) a completed table for the then current fiscal year, as follows, and footnote any parcel which has met the definition of "Assessed Parcel" under the Rate and Method:

Planning Parcel	Market Rate Residential Square Footage	Office Square Footage	Assessed Value	Current FY Development Special Tax Levy	Tax Increment Applied to Reduce Special Tax Levy <sup>(1)</sup>	Current FY Maximum Development Special Tax Revenue	Allocated Bond Debt	Average VTL
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<sup>(1)</sup> Application of Parcel Increment, as such term is defined in the Rate and Method.

(h) for the most recently concluded fiscal year, provide:

- the Development Special Tax levied,
- the Development Special Tax collections,
- the number of parcels delinquent in payment of the Development Special Tax, and
- the amount of total delinquency and delinquency as a percentage of total Development Special Tax.

(i) for any delinquent parcels, provide the status of the City's actions to pursue foreclosure proceedings upon delinquent properties pursuant to the Fiscal Agreement,

(j) any changes to the Rate and Method since the filing of the prior Annual Report.

(k) to the extent not otherwise provided pursuant to the preceding items (a)-(j), 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.

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**SECTION 11. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: November 10, 2021

CITY AND COUNTY OF SAN FRANCISCO

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Anna Van Degna  
Director of the Office of Public Finance

Approved as to form:

DAVID CHIU  
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: City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Development Special Tax Bonds, Series 2021B (Federally Taxable)

City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Development Special Tax Bonds, Series 2021C

Date of Issuance: November 10, 2021

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 November 10, 2021. 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: \_\_\_\_\_

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## APPENDIX E-2

### FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

#### DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

##### CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2020-1 (MISSION ROCK FACILITIES AND SERVICES)

##### DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021B (FEDERALLY TAXABLE)

##### DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021C

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of November 10, 2021, is executed and delivered by Seawall Lot 337 Associates, 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 Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “**District**”), with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (Federally Taxable) and the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021C (collectively, the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2021, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (together, 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 Development Special Taxes levied on Leasehold Interests in the District, and the Developer is the master developer of property in the District.

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” means with respect to the Developer (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to an evaluation of the Bonds. For purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of the Developer, unless such power is solely

the result of an official position with the Developer. For purposes of this Disclosure Certificate, the following entities shall be considered Affiliates of the Developer: (i) Mission Rock Horizontal Sub (Phase I), L.L.C.; (ii) Mission Rock Parcel A Owner L.L.C.; (iii) Mission Rock Parcel B Owner L.L.C.; (iv) Mission Rock Parcel F Owner L.L.C.; (v) Mission Rock Parcel G Owner L.L.C; and (vi) if the Developer exercises its option to vertically develop a Parcel, the entity created by the Developer to lease the Parcel.

“Affordable Unit” shall mean a residential housing unit in a residential or mixed-use building for which a deed restriction has been recorded that (i) limits the rental rates on the residential housing unit or (ii) in any other way is intended to restrict the current or future value of the residential housing unit, as determined by the Port.

“Assumption Agreement” shall mean, in connection with the transfer of a Parcel to a transferee, 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 Parcel transferred.

“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 Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Market-Rate Unit” shall means an individual residential housing unit in a residential or mixed-use building that is not an Affordable Unit.

“MSRB” means the Municipal Securities Rulemaking Board.

“Office Square Footage” shall mean, within any building on a Parcel, the gross square footage used for office space. For purposes of this definition, any square footage used for any of the following shall not be considered Office Square Footage: (i) square footage that is or is expected to be part of a hotel operation, including square footage of hotel rooms, restaurants, meeting and convention facilities, gift shops, spas, offices, and



other related uses; and (ii) any square footage in the building used for retail or residential uses (including both Market-Rate Units and Affordable Units).

“Official Statement” shall mean the Official Statement, dated October 21, 2021, relating to the Bonds.

“Parcel” shall mean Blocks A, B, C, D1, E, F, G, H, I, J, and K within the District.

“Participating Underwriter” shall mean the original underwriter of the Bonds, being Stifel, Nicolaus & Company, Incorporated.

“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 the District that is under lease to the Developer or any Affiliate; provided that the term “Property” shall not include any Parcel for which the Developer has terminated its obligations under this Disclosure Certificate with respect to such Parcel pursuant to Section 6 herein.

“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.

“Site Permit” shall mean the first permit or addendum to a permit obtained from the City that allows for vertical construction on a Parcel.

“State” shall mean the State of California.

### **SECTION 3. Provision of Annual 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, 2022, 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) 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 Agent is other than the Developer), the City, and the Participating Underwriter 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 regarding the Property in the Official Statement under the caption "THE MISSION ROCK PROJECT" (other than under the captions "--Expected Land Use and Expected Maximum Special Tax Revenues," "--Property Values," "--Projected Development Special Tax Levy, Assessed Values and Value-to-Lien Ratios," "--Delinquency History," and "--Direct and Overlapping Debt" for which no updates are required).

2. An update to the following table with respect to the Property since the Official Statement or the most recent Semiannual Report.

Block	Date Final Map Recorded	Date of Execution of Vertical Lease	Date Site Permit Received	Date TCO Received	Percentage of Leased Office Space	Occupancy Rate for Market Rate Residential Units
A B F G C D1 E H I J K						

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer that materially adversely affects the horizontal development of the Property or the time for construction of any public or private horizontal improvements to the property to be made by the Developer (the “**Developer Horizontal Improvements**”).

4. Any vertical lease of a development parcel in the District to a Person that is unaffiliated with the Developer as a result of the Developer declining the option in the DDA to develop that development parcel, including a description of the property leased and the identity of the Person that so leased 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.
2. Damage to or destruction of any of the Developer Horizontal 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 Horizontal 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 on any loan or guaranty of the Developer (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan or guaranty that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Developer Horizontal Improvements.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any 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.

7. The filing of any lawsuit against the Developer or any Affiliate which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Horizontal Improvements, or litigation which if decided against the Developer or any Affiliate, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(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 Underwriter, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriter, 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) as to a Parcel with a building that does not have any Market-Rate Units but is developed primarily with Office Square Footage, the date that the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage; or

(c) as to a Parcel with a building that does not have any Office Square Footage but is developed primarily with Market-Rate Units, the date that the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(d) as to a Parcel with a building that has both Office Square Footage and Market-Rate Units, the date that both (i) the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage and (ii) the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(e) as to a Parcel for which the Developer declines to exercise its option to vertically develop that Parcel under the DDA, the date that the Developer declines the option to vertically develop that Parcel under the DDA; or

(f) for the Disclosure Certificate as a whole, the date that the Developer has terminated its continuing disclosure requirements with respect to all of the Parcels.

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 Underwriter, 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 Underwriter, 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 Underwriter 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. No person shall have any right to commence any action against the Developer seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate.

**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 Underwriter, 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 Developer's Transferees.** For any Parcel that has an executed Vertical Lease with an Affiliate of the Developer, if the Developer transfers the Parcel to another Person that is not an Affiliate of the Developer, then the Developer shall, in connection with the transfer of such a Parcel to another Person that is not an Affiliate of the Developer, cause such transferee to enter into an Assumption Agreement with respect to the Parcel leased; provided that such transferee's obligations under such Assumption Agreement shall terminate upon the same conditions as set forth in Section 6 herein but with respect to the Parcel leased. In clarification of the foregoing, the Developer shall not have any obligation to require a transferee execute an Assumption Agreement (i) for any Parcel that is leased by an Affiliate, (ii) any Parcel for which the reporting obligation was terminated pursuant to Section 6 herein, and (iii) for any Parcel that does not have an executed Vertical Lease with an Affiliate of the Developer, when that Parcel is leased to a Person that is not an Affiliate of the Developer (because the Developer will have the right to terminate its obligations with respect to any Parcel for which it declines the option to vertically develop the Parcel).

**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:	Seawall Lot 337 Associates, LLC c/o Tishman Speyer Development, L.L.C. One Bush Street, Suite 500 San Francisco, California 94104 Attn: Regional Director Email: cshannon@tishmanspeyer.com
With copy to	San Francisco Giants 24 Willie Mays Plaza San Francisco, CA 94107 Attn: General Counsel Email: jbair@sfgiants
Participating Underwriter:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35 <sup>th</sup> Floor San Francisco, CA 94104 Attention: Municipal Bond Division Email: egallagher@stifel.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  
Bridget.katz@sfgov.org  
Luke.brewer@sfgov.org  
nate.cruz@sfport.com

**SECTION 16. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriter 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.

Seawall Lot 337 Associates, LLC,  
a Delaware limited liability company

By: Mission Rock Partners, LLC,  
a Delaware limited liability company,  
its sole member

By: TSCE 2007 Mission Rock, L.L.C.,  
a Delaware limited liability company,  
its administrative member

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



## 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 2021B/C Bonds. The 2021B/C 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 each of the 2021B/C 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 2021B/C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021B/C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021B/C 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 2021B/C 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 2021B/C Bonds, except in the event that use of the book-entry system for the 2021B/C Bonds is discontinued.

To facilitate subsequent transfers, all 2021B/C 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 2021B/C 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 2021B/C Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021B/C 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 2021B/C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021B/C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021B/C Bond documents. For example, Beneficial Owners of 2021B/C Bonds may wish to ascertain that the nominee holding the 2021B/C 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 2021B/C 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 2021B/C 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 2021B/C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021B/C 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 2021B/C 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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**Appraisal of Real Property**

**City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services),  
Second Series**

Development Site

Terry A. Francois Blvd.

San Francisco, San Francisco County, California 94158

**Prepared For:**

City and County of San Francisco

**Effective Date of the Appraisal:**

August 1, 2021

**Report Format:**

Appraisal Report – Standard Format

**IRR - San Francisco**

File Number: 192-2021-0364





**City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services),  
Second Series**

Terry A. Francois Blvd.  
San Francisco, California





October 7, 2021

Ms. Anna Van Degna  
Public Finance Director, Controller's Office  
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 Special Tax District No. 2020-1 (Mission  
                          Rock Facilities and Services), Second Series  
                          Terry A. Francois Blvd.  
                          San Francisco, San Francisco County, California 94158  
                          IRR - San Francisco File No. 192-2021-0364

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, by ownership, of the leasehold interest in the properties within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), subject to the lien of the special taxes securing the Special Tax Bonds, 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 Special Tax District No. 2020-1 in the marketing of the Special Tax Bonds of the Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Second Series ("Bonds"), and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject comprises 11 of the 12 blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, and is located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, which is entitled for the development of 1,400,000 square feet of office space, 222,175 square feet of retail

space, and 1,118 for-rent multifamily residential units; 40% of the residential units will be affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

Please note, the twelfth block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. However, the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds; therefore, Block D2 is 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.

As a result of the analyses herein, the market value, by ownership, of the appraised properties, subject to a hypothetical condition, as of August 1, 2021 is presented in the table below.

<b>Value Conclusions</b>				
<b>Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership</b>				
<b>Ownership</b>	<b>Tax Zone / Phase</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value Conclusion</b>
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$76,670,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$90,570,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$47,150,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$173,840,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	August 1, 2021	\$6,240,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$394,470,000</b>





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#### **Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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#### **COVID-19 MARKET CONDITIONS STATUS:**

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, created substantial uncertainty in the worldwide financial markets. At the beginning of the pandemic, through the third quarter of 2020, transaction volume slowed significantly and market data was scarce. After an initial lull in activity, restrictions were eased which resulted in increased sales and leasing activity. On June 15, 2021, the phased re-opening plan in California was disbanded, capacity limits were removed, and the mask mandate was mostly eliminated. In subsequent weeks, variants of the virus emerged, which prompted cities and counties to reinstate some restrictions. On August 2, 2021, San Francisco and six Bay Area counties re-instituted the mask mandate for all indoor public settings, as cases rose due to the Delta variant.

During the peak of the pandemic, there was an interruption in collections in nearly all commercial sectors. Survey respondents in many markets suggest this was short-lived, and defaults have declined substantially. However, the San Francisco Budget and Legislative Analyst's office reports average unpaid commercial rent in San Francisco ranged from \$15.6 to \$29.1 million per month between January 2021 and August 2021. While significant, these figures do reflect a decrease in unpaid commercial rent compared to April 2020 through December 2020, when unpaid rent averaged \$19.1 to \$44.9 million per month.

Furthermore, the national unemployment rate reached a peak at 14.8% in April 2020 but has since decreased to 5.4% as of July 2021. Sales and leasing activity are now beginning to reach pre-pandemic levels in some markets, and this trend has continued even as case counts have increased.

Ms. Anna Van Degna  
City and County of San Francisco  
October 7, 2021  
Page 4

If the current surge in coronavirus cases leads to renewed shutdowns, the forecasts and projections contained herein may change. Any lingering market impacts will be discussed and supported in the appraisal. Our valuation is based on the best information available as of the effective date of value.

Respectfully submitted,

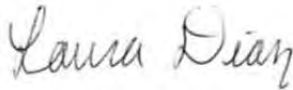
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## Summary of Salient Facts and Conclusions

Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Second Series
Address	Terry A. Francois Blvd. San Francisco, San Francisco County, California 94158
Property Type	Development Site - Proposed Mixed Use Project
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)
Tax ID	8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001
Land Area	7.91 acres; 344,560 SF
Zoning Designation	MR-MU, Mission Rock Mixed Use
Highest and Best Use	Mixed use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	August 1, 2021
Date of the Report	October 7, 2021
Property Interest Appraised	Leasehold

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 the City and County of San Francisco and its 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. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

## General Information

### Identification of Appraised Property

The subject property represents the taxable land areas within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The subject comprises 11 of the 12 blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, and is located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, which is entitled for the development of 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units; 40% of the residential units will be affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

The twelfth block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. Because the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds, Block D2 is excluded from this appraisal.

#### Property Identification

Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Second Series
Address	Terry A. Francois Blvd. San Francisco, California 94158
Tax ID	8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)

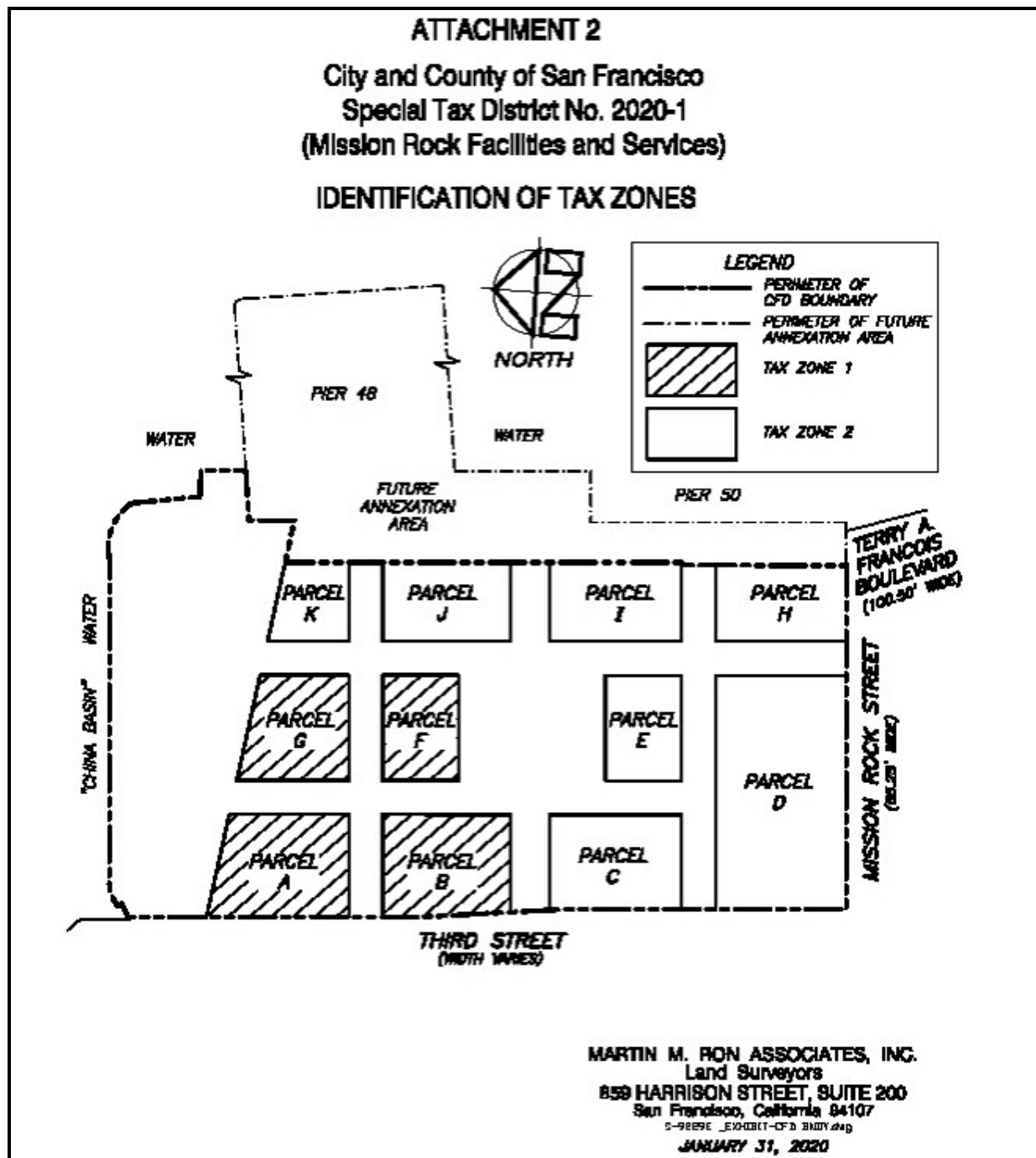
A summary of the subject blocks and associated acreage is provided on the following page. The project is divided into two tax zones and will be developed over four phases, with Phase 1a coinciding with Tax Zone 1 (Phase 1b comprises China Basin Park, which is not taxable) and Phases 2, 3, and 4 comprising Tax Zone 2. The subject blocks are part of a larger 28-acre site, which includes Pier 48 as well as various proposed parks and opens spaces.

**Block Overview**

Block	Phase	Tax Zone	Acreage	Square Feet	Use^
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
<b>Total Taxable Land Area</b>			<b>7.91</b>	<b>344,560</b>	
D2*	2	2	1.62	70,567	Parking

*\*Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.*

*^Retail land uses are not subject to the lien of the special tax securing the Bonds .*



## Sale History

The underlying land supporting the subject property, and the larger 28-acre site of which the subject is a part, is owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission ("Port"). The Port has entered into a 30-year ground lease agreement with the master developer, known as Seawall Lot 337 Associates, LLC, which is the leasehold owner in the subject property. The ground lease permits the master developer to construct horizontal improvements within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The ground lease is terminated when the Port has issued the final certificate of occupancy for the project and accepted the final audit.

The ground leasehold interests in the four developable Blocks comprising Phase 1a of the Mission Rock Project, Block A, Block B, Block F and Block G, have each been conveyed from the Port and the master developer, Seawall Lot 337 Associates, LLC, under the Disposition and Development Agreement (DDA) pertaining to the (master) ground lease to the vertical developers pursuant to the Vertical Disposition and Development Agreement (VDDA). Under such agreement, each vertical developer is obligated to prepay the proportionate share of the (master) ground lease. Blocks A, B and F executed the parcel lease for vertical development in October 2020; whereas, Block G executed the parcel lease for vertical development in June 2020. The prepaid ground lease cost for Block A was \$11,300,000, Block B was \$4,000,000, Block F was \$23,700,000 and Block G was \$4,000,000. The determination of transfer price was through an independent appraisal of each Block, with a negotiation between the master developer, Seawall Lot 337 Associates, LLC, and buyer (vertical developers). Given the unique nature of each Block's determined transfer price (at the time of sale), coupled with the significant development costs incurred and impact fees paid to date, prior transfers of the Block 1a parcels are not considered applicable to the estimates of current market value, subject to the hypothetical condition cited herein.

## 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, beyond that described herein as part of the Disposition and Development Agreement and Vertical Disposition and Development Agreement referenced above.

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the leasehold interest in the taxable properties subject to the lien of the special taxes securing the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Second Series, as of the effective date of the appraisal, August 1, 2021. The date of the report is October 7, 2021. 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[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of Property Rights Appraised

Leasehold interest is defined as, “The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.”

Lease is defined as: “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.”

*(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 and intended user are the City and County of San Francisco and the associated Finance Team. The appraisal is not intended for any other use or user. No party or parties other than the City and County of San Francisco and the associated finance team may use or rely on the information, opinions, and conclusions contained in this report; however, this appraisal report may be included in the offering document provided in connection with the issuance and sale of the Bonds.

## 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 previously appraised the property that is the subject of this report for the current client. We have provided no other 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 the agreement to perform 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. 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 online resource.

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 boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), subject to the Lien of the Special Tax securing the Bonds, Second Series, the market value by ownership of the taxable components comprising Special Tax District No. 2020-1 was estimated using multiple approaches to value.

The valuation begins with employing extraction analyses to estimate of the market value of the land for each of the subject blocks. This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each block and deducts these costs from the market value as if stabilized to arrive at the value of the underlying land. Direct capitalization analyses are utilized to determine the market value of the proposed vertical (leasehold) improvements as if stabilized. As a test of reasonableness, we also consider improved office and multifamily sales, as well as commercial and multifamily residential land sales.

After the market value of the various land use components comprising the subject property is determined, the subdivision development method to value is employed to estimate the market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2) of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Second Series. 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 are considered.

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 serve 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 land components comprising the subject property to vertical

(office and multifamily residential) developers are utilized, the results of which provided an estimate of market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2).

As the four Blocks comprising Phase 1a (Tax Zone 1) are held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks are considered on a proportionate share per Block.

### **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, Kevin Ziegenmeyer, MAI, and Laura Diaz conducted an inspection of the subject property on August 2, 2021.

# Economic Analysis

## Area Analysis - San Francisco

### Introduction

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 area 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 7.7 million residents and has shown an average annual growth of 0.1% over the past five years. San Francisco County has also had an average growth of 0.1% per year. 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	2016	2017	2018	2019	2020	2021	%/Yr
Alameda	1,631,230	1,644,303	1,651,760	1,659,608	1,663,114	1,656,591	0.3%
Contra Costa	1,127,634	1,137,577	1,143,188	1,147,623	1,149,853	1,153,854	0.5%
Marin	263,130	262,695	262,179	261,478	260,388	257,774	-0.4%
Napa	141,530	141,320	140,340	139,608	139,000	137,637	-0.6%
<b>San Francisco</b>	<b>871,613</b>	<b>878,697</b>	<b>885,716</b>	<b>886,885</b>	<b>889,783</b>	<b>875,010</b>	<b>0.1%</b>
San Mateo	767,099	769,401	770,927	771,160	771,061	765,245	0.0%
Santa Clara	1,928,438	1,937,008	1,943,579	1,944,733	1,945,166	1,934,171	0.1%
Solano	430,315	435,186	436,813	438,205	439,211	438,527	0.4%
Sonoma	502,338	503,405	500,485	495,919	491,354	484,207	-0.7%
<b>Total</b>	<b>7,663,327</b>	<b>7,709,592</b>	<b>7,734,987</b>	<b>7,745,219</b>	<b>7,748,930</b>	<b>7,703,016</b>	<b>0.1%</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 over the past five years.

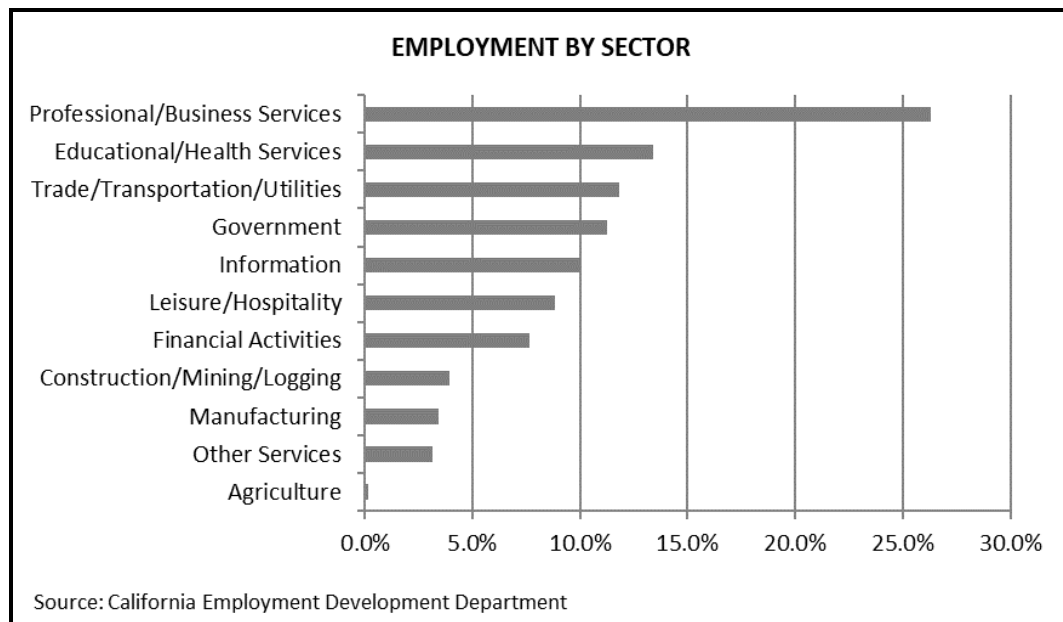
<b>Employment Trends</b>						
	2015	2016	2017	2018	2019	2020
Labor Force	541,400	555,300	563,400	568,700	579,600	556,100
Employment	521,700	537,000	546,800	555,000	566,600	512,500
Job Growth	16,200	15,300	9,800	18,000	19,800	(42,500)
Unemployment Rate	3.6%	3.3%	2.9%	2.4%	2.2%	7.8%
Source: California 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 shifted as a result of the COVID-19 crisis. Stay at home mandates and the closure of non-essential businesses significantly impacted employment.

The average annual unemployment rate in San Francisco County was 2.2% in 2019 and remained in the 2.2% to 2.8% range during the first quarter of 2020, spiking to 13.0% in April 2020. The average unemployment rate in 2020 was 7.8%. The California Employment Development Department reported an unemployment rate of 5.4% in San Francisco County in June 2021, compared to 8.0% for California and 6.1% for the nation.

As of June 2021, it was reported jobs increased by 52,100 jobs (5.0%) in the San Francisco Metro (San Francisco and San Mateo Counties) year-over-year as many of the jobs lost after the coronavirus outbreak were restored once restrictions eased and businesses reopened. The greatest job gain was in the Leisure/Hospitality sector with 24,400 jobs added back, followed by the Professional/Business Services sector with 11,200 jobs added back.

The following chart indicates the percentage of total employment for each sector within the city/county as of June 2021.



San Francisco's largest employment sector is Professional and Business Services, accounting for roughly 26.3% 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 11% - 13% of the total. The following table shows the largest employers in the city/county as of 2019.

<b>Largest Employers</b>			
	Employer	Industry	Employees
1	City and County of San Francisco	Government	36,910
2	University of California San Francisco	Education	34,690
3	San Francisco Unified School District	Education	10,257
4	Salesforce	Technology	9,100
5	Wells Fargo & Co.	Financial Activities	7,296
6	Kaiser Permanente	Healthcare	6,659
7	United Airlines	Airline Carrier	6,153
8	Sutter Health	Healthcare	6,134
9	Uber Technologies, Inc.	Transportation	5,500
10	Gap, Inc.	Retail	4,500

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2020

## 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. The aforementioned San Francisco International Airport lies about 12 miles south of the city.

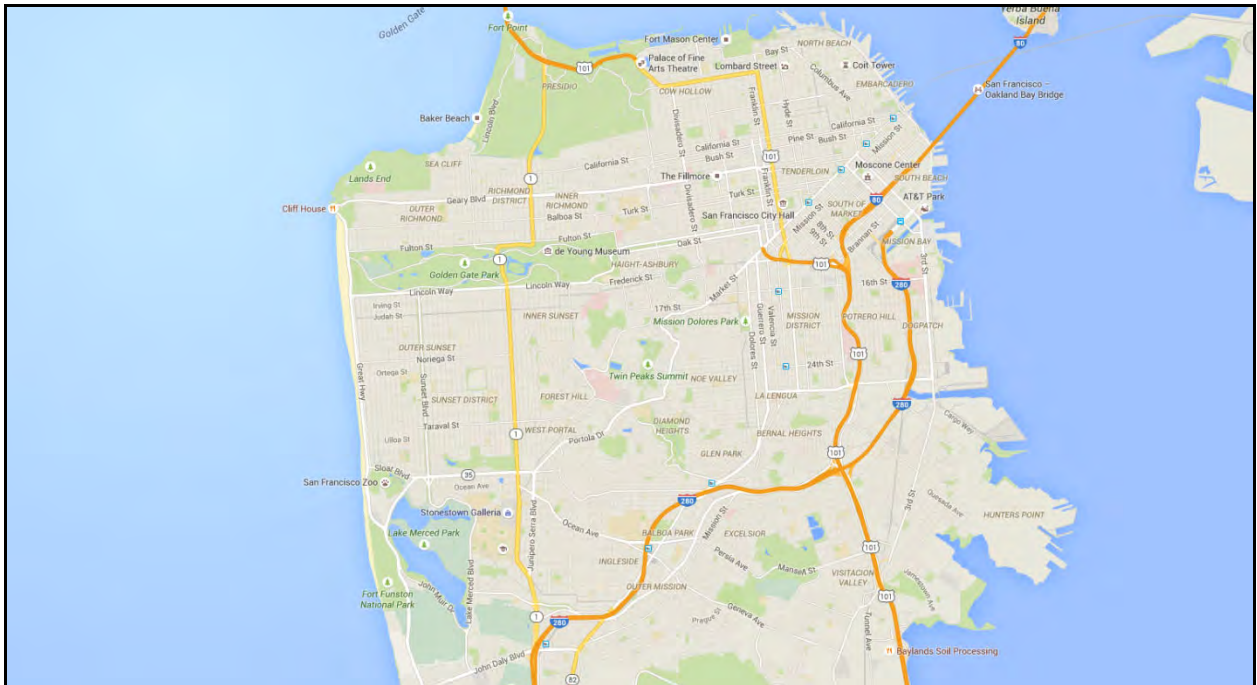


## Household Income

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 \$112,449 in 2019 dollars (most recent data available). This is significantly higher than the state of California's median income of \$75,235. 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.

### 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. Professional sports teams in the Bay Area include the San Francisco Giants (baseball), Oakland A's (baseball), Golden State Warriors (basketball), San Francisco 49ers (football), San Jose Sharks (hockey) and San Jose Earthquakes (soccer).

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; the Asian Art Museum; 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. In recent years, the region experienced strong employment and economic conditions, and favorable conditions in most real estate sectors. However, employment conditions declined sharply in April 2020 following stay-at-home mandates and business closures in response to the COVID-19 pandemic. Market and economic conditions have since improved, with continued improvement anticipated following a full reopening of the California economy. On June 15, 2021, the governor terminated the previous executive orders and actions that had been put in place as part of the pandemic response, with only limited restrictions remaining to facilitate ongoing recovery. The historical stability of the local economy bodes well for the long-term outlook for the region



## Surrounding Area Analysis

### Boundaries

The subject is located in the Mission Bay neighborhood of San Francisco. The approximate boundaries of the Mission Bay district are described as follows:

<b>North</b>	Townsend Street
<b>South</b>	Mariposa Street
<b>East</b>	San Francisco Bay
<b>West</b>	Interstate 280

A map identifying the location of the property follows this section. The subject property specifically is located within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The boundaries of the district are provided below.

<b>North</b>	McCovey Cove
<b>South</b>	Mission Rock Street
<b>East</b>	Terry A. Francois Boulevard
<b>West</b>	3 <sup>rd</sup> Street

### Access and Linkages

The subject's neighborhood has adequate street and freeway access. 3<sup>rd</sup> and 4<sup>th</sup> Streets are north/south arterials connecting the subject's neighborhood to Market Street, the Civic Center, and Union Square. Brannan and Bryant Streets function as major northeast/southwest thoroughfares running through the South of Market (SoMa) area, south of I-80. Folsom and Harrison Streets run in a similar direction north of the subject neighborhood, but north of I-80. Just north of Mission Bay, San Francisco's Embarcadero provides north/south access along the San Francisco Bay waterfront.

Interstate 80 (the Oakland-San Francisco Bay Bridge), which provides access to Oakland and the East Bay, is accessible from Bryant Street at 2<sup>nd</sup> Street, 4<sup>th</sup>/5<sup>th</sup> Streets, and 7<sup>th</sup> Street, just outside the subject neighborhood. Primary interstate access to the subject's immediate neighborhood is provided by I-280/ U.S. Highway 101 from Mariposa Street, several blocks south of the subject. Highway 101 runs north/south through the city, before connecting San Francisco to Marin County to the north and San Mateo and Santa Clara counties to the south. Interstate 280 forms the southern boundary of Bernal Heights before intersecting with Highway 101 and continuing northward to Interstate 80.

The subject is located approximately two miles east of the Civic Center Station and just under two miles south of the Montgomery Street Station, where both Bay Area Rapid Transit (BART) and MUNI are available. MUNI, which provides bus, light rail, cable car, and electric street car services throughout San Francisco, also offers multiple bus stops within a quarter mile of the subject property. In addition, the Caltrain station at 4<sup>th</sup> Street is approximately half a mile north of the subject property, along King Street. Caltrain provides commuter rail service between San Francisco and Gilroy in the South Bay. The subject is approximately one and a half miles southeast from the new Salesforce



Transit Center, a \$6 billion project intended to serve as the primary bus terminal (completed in Phase 1) and future rail terminal for the Bay area.

The local market perceives public transportation as average to good compared to other areas in the region. While automobile use is prevalent, the primary mode of transportation in San Francisco is bus and train service. In fact, the City's current development policy discourages excess parking at new developments in an effort to promote public transportation and bicycle use.

The San Francisco International Airport is located approximately 12 miles south of the subject property; travel time is about 20-40 minutes, depending on traffic conditions and mode of transportation. The Oakland International Airport is located approximately 18 miles east of the subject property. The San Francisco Financial District, the economic and cultural center of the region, is approximately two miles from the property.

The following map depicts public transit options in the subject neighborhood, including planned transit improvements.



## Demand Generators

Primary employers in the Financial District are located within approximately two miles of the property and represent significant concentrations in the utilities, retail, financial services, healthcare and technology industries. The nearby 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. In addition, the 43-acre UC San Francisco medical and research campus, located just southwest of the subject along 3<sup>rd</sup> Street, provides jobs at the campus and surrounding office and retail developments. In addition to its strong employment base, the area is easily accessible to the Financial District and Union Square submarkets, all within 15 minutes driving time. Access to employment centers in other submarkets is a major demand driver.

Oracle Park is located just north of McCovey Cove from the subject property, within walking distance. The subject property enjoys views of the baseball stadium and the San Francisco Bay. The new Chase Center, completed in 2019 and home to the Golden State Warriors, is located approximately half a mile south of the subject property between 3<sup>rd</sup> Street and Terry A. Francois Boulevard. These demand generators support the demographic profile described in the following section.

## Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics				
2021 Estimates	.5-Mile Radius	1.0-Mile Radius	1.5-Mile Radius	San Francisco County
Population 2010	9,944	29,962	66,046	805,235
Population 2021	16,008	47,354	92,018	888,361
Population 2026	16,998	50,364	97,400	919,486
Compound % Change 2010-2021	4.4%	4.2%	3.1%	0.9%
Compound % Change 2021-2026	1.2%	1.2%	1.1%	0.7%
Households 2010	5,054	15,515	33,923	345,811
Households 2021	8,229	25,137	48,445	387,190
Households 2026	8,722	26,747	51,422	402,008
Compound % Change 2010-2021	4.5%	4.5%	3.3%	1.0%
Compound % Change 2021-2026	1.2%	1.2%	1.2%	0.8%
Median Household Income 2021	\$196,574	\$193,404	\$136,508	\$125,036
Average Household Size	1.8	1.7	1.7	2.2
College Graduate %	72%	72%	63%	59%
Median Age	35	37	40	39
Owner Occupied %	34%	36%	27%	35%
Renter Occupied %	66%	64%	73%	65%
Median Owner Occupied Housing Value	\$1,312,126	\$1,431,775	\$1,425,621	\$1,399,513
Median Year Structure Built	2006	2006	2001	1943
Average Travel Time to Work in Minutes	37	36	34	37
Source: Envionics Analytics				

As shown above, the current population within a 1.0-mile radius of the subject is 47,354, and the average household size is 1.7. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years, with a projected average annual increase of 0.7%. Compared to City and County of San Francisco overall, the population within a 1.0-mile radius is projected to grow at a faster rate.

Median household income is \$193,404, which is higher than the household income for the City and County of San Francisco. Residents within a 1.0-mile radius have a considerably higher level of educational attainment than those of the City and County of San Francisco, while median owner-occupied home values are also higher.

### Land Use

The area is urban in character and in the redevelopment phase of its life cycle. Land uses immediately surrounding the subject reflect a mix of residential and commercial properties, along with some public open spaces. Typical ages of building improvements range from new to greater than 50 years. As noted in the previous demographics table, the median year built for structures within a five-minute drive time is 2007, significantly newer than the median age for structures in San Francisco overall. New development in the past five years has included multiple multifamily residential and mixed-use projects, as well as construction of new hospital and research/development improvements at and around UCSF.

Other land use characteristics are summarized as follows:

Surrounding Area Land Uses	
Character of Area	Urban
Predominant Housing Age (Both Ownership and Rental)	New to 15 years
Predominant Quality and Condition	Average to above average
Approximate Percent Developed	80%
Percent Developed by Land use	50% Multifamily; 0% Single Family; 50% Commercial
Infrastructure/Planning	Average
Prospective Change in Land Use	On-going; redevelopment of subject
Prevailing Direction of Growth	Infill



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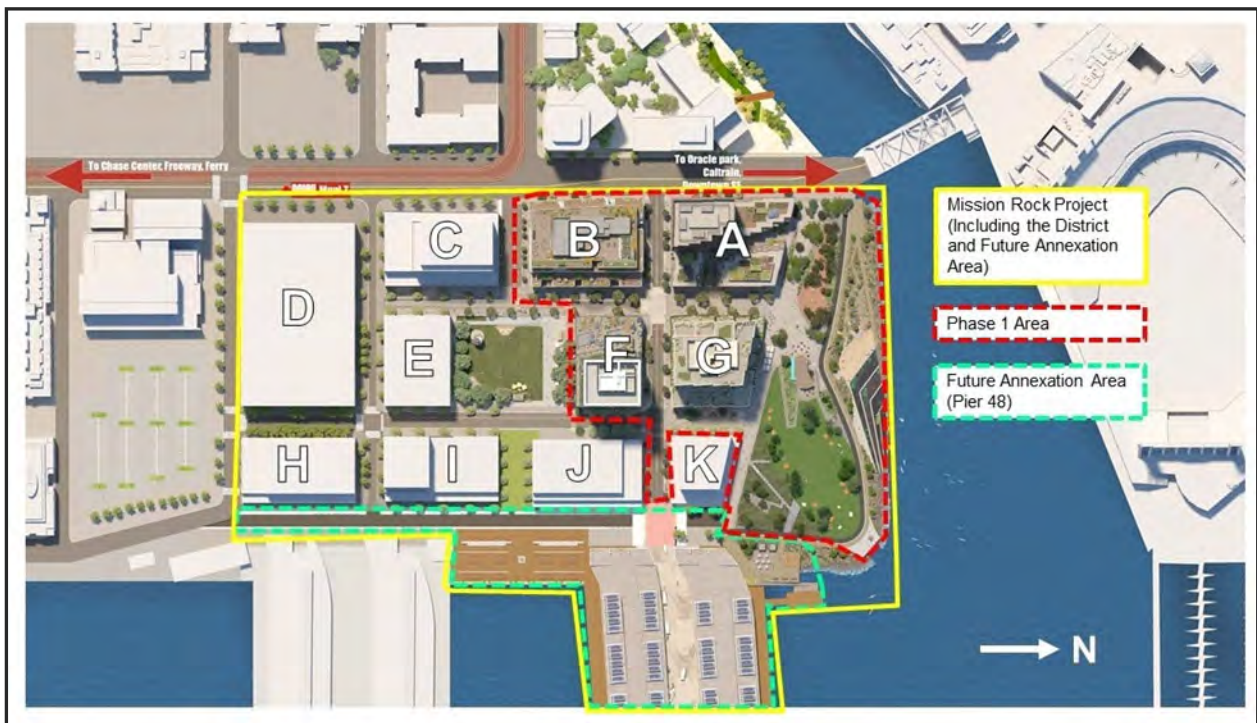
**Subject's Immediate Surroundings**

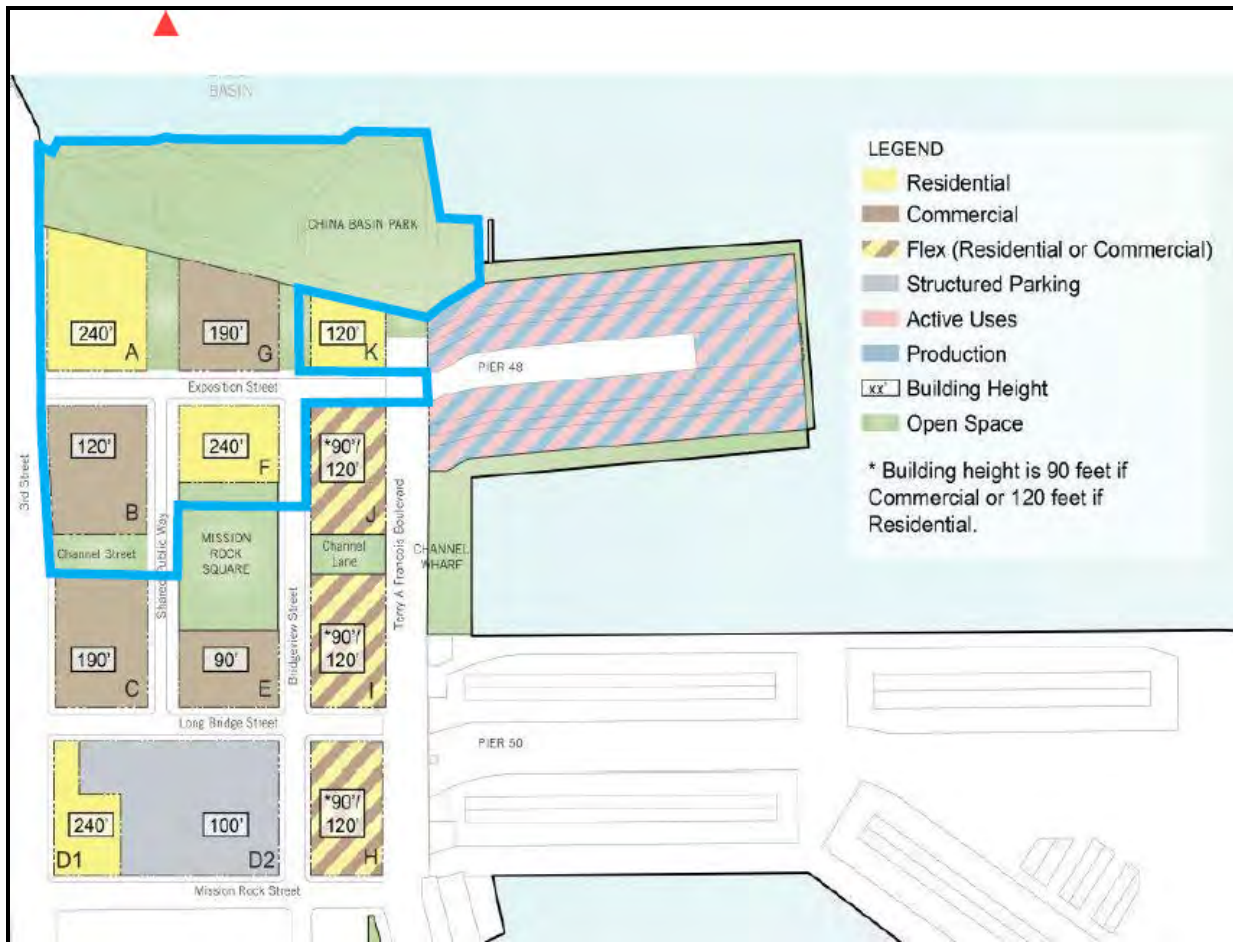
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North	McCovey Cove and Oracle Park
South	Multifamily residential, retail/office use, police station
East	Pier 48, Pier 50, San Francisco Bay
West	Multifamily residential, retail/office use

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The following maps depict proposed land uses within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), as well as the boundary of Phase 1a.





Phase 1a (and 1b, comprises China Basin Park) of the project is outlined in blue in the above table and in red in the previous table. Blocks H, I, and J, which are designated as flex in the rendering above, will include residential use on Block H and office use on Blocks I and J. Block D2 will include a parking garage which is intended to serve the entire project with up to 3,000 parking spaces available for rent. Though the parking garage will also be used for San Francisco Giants games/events, the parking allocation for the subject's residential buildings will be at least 0.50 spaces per market rate unit, in compliance with the subject's Covenants, Conditions, and Restrictions. The project will also include several parks, open spaces, and paseos. A summary of parks and open space within the Special Tax District boundary is provided in the following table.

Parks & Open Space		
Name	Acreage	Square Feet
China Basin Park	4.27	186,001
Channel Street	0.27	11,761
Channel Lane	0.22	9,583
Mission Rock Square	1.11	48,352
	5.87	255,697
*Excludes Channel Wharf (0.48 acres) & Pier 48 (8.02 acres), which will be annexed later.		

The following graphic is a conceptual plan for the China Basin Park adjacent to McCovey Cove.



## Outlook and Conclusions

The area is in the redevelopment stage of its life cycle. In addition to the subject proposal, the neighborhood has seen significant development in the past five to ten years, including multifamily (for rent and for sale) projects, new office, biomedical, and research and development improvements, hospital development, and sports arena construction. Prior to the current COVID-19 environment, property values were increasing in the area. While the ongoing COVID-19 pandemic is having a negative impact on commercial property values, it is anticipated property values will stabilize and recover over the next several years.



## Surrounding Area Map



## Multifamily Market Analysis

The subject is located within the San Francisco apartment market area, defined as the city/county limits, as highlighted in the map below.



The San Francisco Bay Area multifamily market experienced strong demand during the last expansion cycle as tech companies expanded rapidly in the region. The significant improvement in the economy over the past several years, particularly in terms of job growth and unemployment rates, coupled with high single-family home prices and a lack of single-family home construction in the region, led to a surge in new multifamily construction. Prior to the pandemic, demand kept pace with development, resulting in vacancy rates throughout most of the areas in or below the 5% range. However, market conditions declined significantly following the coronavirus outbreak and containment mandates and, although improvement is beginning, activity remains subdued.

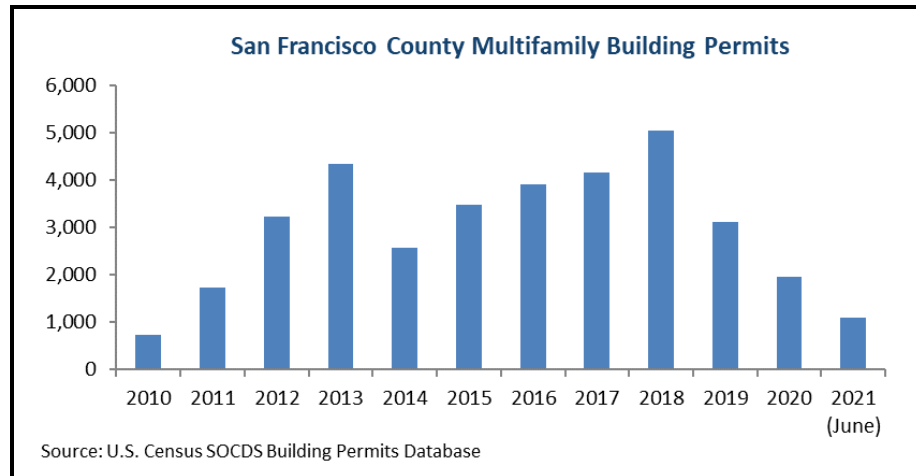
The following excerpt is from a market report published by Costar regarding the state of the market.

*“Many renters abandoned San Francisco during the pandemic. Job losses were devastating, and without access to the restaurants, nightlife, shops, museums, and parks that create the city’s desirable live/work/play environment, its high cost of living was no longer warranted for some renters. Most residents who left relocated short distances, to cheaper, less dense, suburban cities within the Bay Area, and often only for a temporary basis. Renters are moving back rapidly now as San Francisco emerges from pandemic restrictions, nearly matching the pace at which they left last year. Graduates in STEM education fields are being drawn back to San Francisco’s concentration of leading tech companies, startup culture, and vibrant city life. Apartment vacancies have declined since the onset of 2021, and occupancy gains accelerated in the second quarter. However, many apartments remain available to backfill and another surge of COVID has forced major employers to delay return-to-office plans. The trajectory of the market in the short term will largely depend on how many San Francisco expats choose not to return and how quickly the draws of a large city can attract newcomers coming out of the pandemic. Asking rents have quickly reclaimed lost ground as occupancy rebounds from historic lows, although the latest Delta variant-driven COVID surge upended those positive market trends most recently, at least temporarily. Rents have hovered since mid-July after*

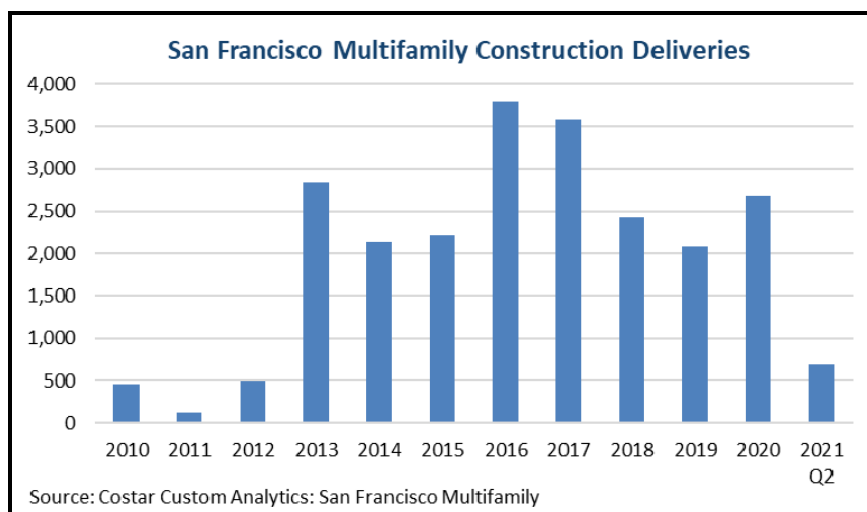
*climbing a brisk 10% since the beginning of the year. Roughly 65% of last year's downturn has already been recovered. Substantial concessions are evaporating as well, and fewer communities are offering them. Landlords have quickly hedged losses."*

## New Construction

The following chart indicates the number of multifamily building permits issued over the past decade in San Francisco County according to US Census Bureau data. It is noted these figures include for-rent apartments and for-sale condominiums within projects with five or more units.



Permit activity for multifamily projects was low during the recession years, with increases beginning in 2011/2012 as developers began responding to improving market conditions. In recent years, the majority of new developments have been concentrated in the South of Market (SoMa), Mission Bay/China Basin/Potrero Hill and Haight-Ashbury/Castro/Noe Valley/Mission District submarkets. The following illustrates new construction deliveries over the past ten years.



Among the more significant residential projects recently completed is The Avery, a luxury high-rise project located two blocks from the new Salesforce Transit Center, completed at the end of 2019. This project is 56 stories tall, with 548 residential units and 17,000 square feet of ground floor retail. Included in the residential tower are 118 luxury condos on the upper floors and 280 luxury and 150 affordable on the middle to lower floors at Avery 450. The Landing, a 263-unit project in the Potrero Hill neighborhood was completed in the third quarter 2019 and 500 Folsom was completed in the fourth quarter 2019, offering 545 units in the South of Market submarket. Mason on Mariposa at 1601 Mariposa Street, a 299-unit, four-story project in the Potrero Hill neighborhood, The Madelon, a 272-unit project at 2000 Bryant Street in the Mission District, and 200 units in Common City Gardens at 333 12<sup>th</sup> Street, were completed during the first half of 2020. In the second half of 2020, 1550 Mission Street, a redevelopment of the former Goodwill Store, delivered 550 units and 50 Jones Street delivered 303 units in the Mid-Market neighborhood. Most recently, 502 units were delivered with completion of Trinity Place at 1177 Market Street and Hanover Soma West Apartments delivered 372 units at 1140 Harrison Street, both in the South of Market submarket.

While new construction in the pipeline remains elevated, the past 12-month period has shown a decline in total units completed compared to the peak 2016 and 2017 levels. As construction costs have continued to increase, developers have been re-evaluating the feasibility of new development and there have been fewer new projects breaking ground since mid-2018. Some of the significant apartment projects under construction are summarized as follows:

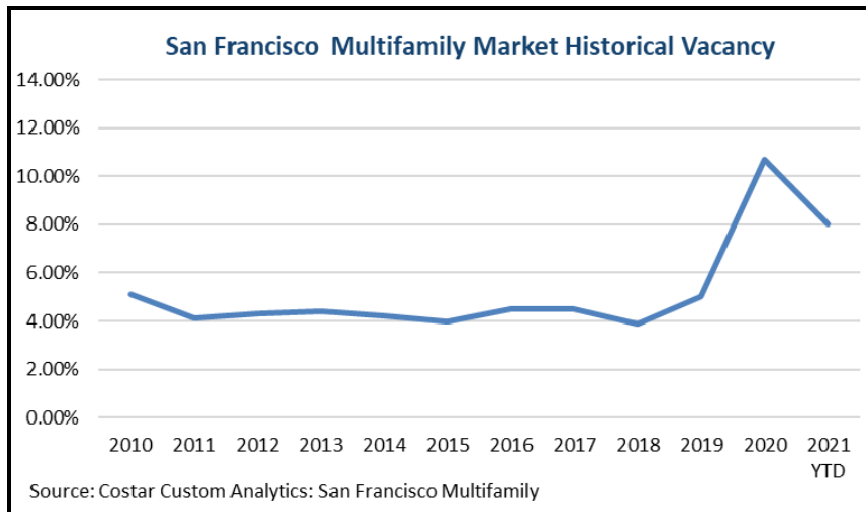
#### **San Francisco Multifamily Projects Under Construction**

Project	Number of Units	Submarket	Anticipated Completion
Astella / 955 Bryant Street	185	Mission Bay	Q3 2021
Chorus / 30 Otis Street	416	Haight-Ashbury	Q3 2021
The Tenderloin / 361 Turk Street	146	Civic Center	Q3 2021
830 Eddy Street	137	Civic Center	Q3 2021
1740-1770 Market Street	100	Haight-Ashbury	Q3 2021
1028 Market Street	186	Mid-Market	Q4 2021
1051 3rd Street	283	Mission Bay	Q4 2022
1298 Howard Street	129	South of Market	Q4 2022

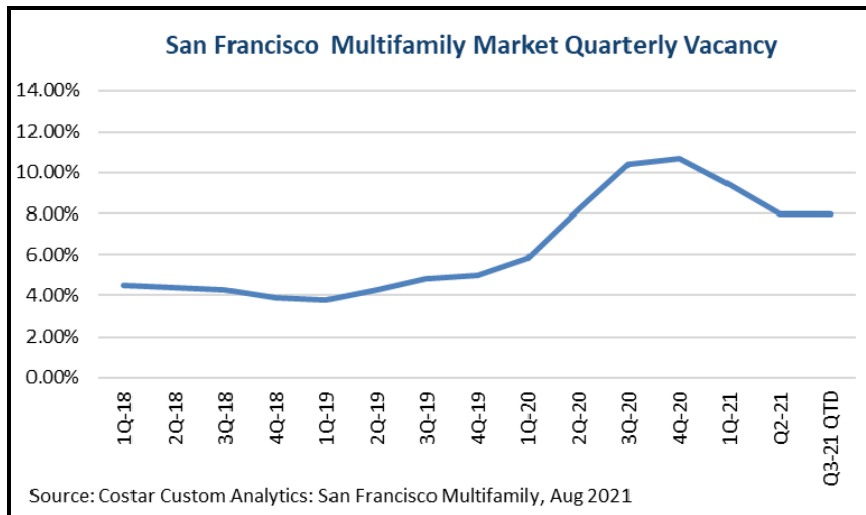
Source: CoStar, Kidder Mathews Real Estate Market Review Report

## **Vacancy**

Historically speaking, the apartment market in San Francisco has typically maintained relatively low vacancy and over the last decade, the region's average vacancy rate has remained generally under 5%, with a significant increase in 2020 to 10.7%, as indicated in the following table.



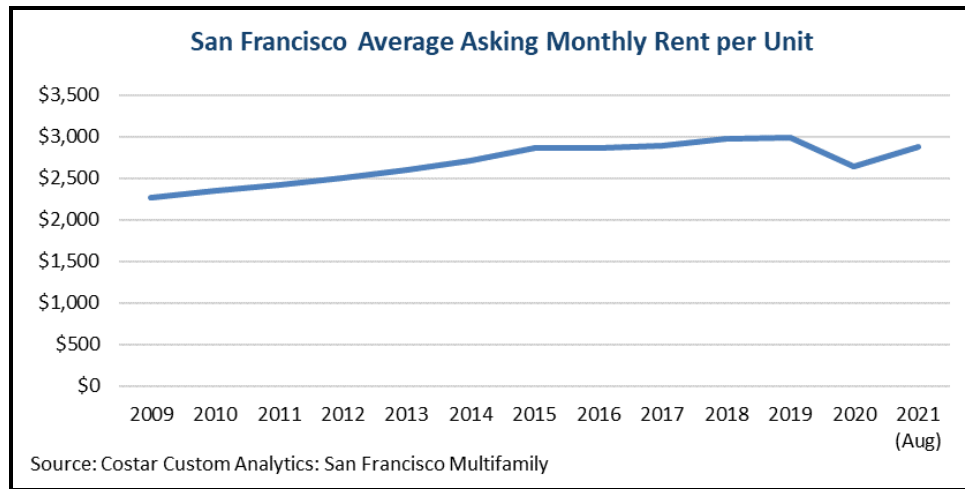
Over the past few years, the rate has ranged from 3.9% to 5.0% during 2017 through 2019 and began increasing in the first quarter of 2020, with a reported rate of 5.8%. The rate further increased each subsequent quarter in 2020, following the coronavirus outbreak, as illustrated below. As of the second quarter 2021, the overall average vacancy was reported at 8.0%, a 140-basis point decrease over the first quarter 2021 and a 20-basis point decrease year-over-year. The rate remained stable into the third quarter, with an average rate of 8.0% reported as of mid-August 2021. The average vacancy rate, by quarter, over the past three years is presented in the following table.



## Rental Rates

The following chart highlights trends in the average asking monthly rental rate for multifamily units in the San Francisco market area, as reported by Costar. Guarded reliance should be placed on reported average asking rental rates due to the number of variables impacting these figures.





According to this report, the average asking monthly rental rate as of the second quarter 2021 was \$2,850, an increase from \$2,718 in the first quarter 2021 and a decrease of 0.7% year-over-year. As of mid-August 2021, the average asking rate had further increased to \$2,883 per unit. Rental rate growth had been moderating over the past four years and declined significantly following the pandemic stay-at-home orders. In addition, rent concessions have increased substantially. Luxury apartments have been most heavily impacted and have offered the greatest discounts, as they face a slow leasing environment as well as additional competition from newly constructed projects. Rental rates began improving in the first quarter 2021 after five quarters of decline.

### Submarket Data

New construction activity in 2018 was concentrated in the South of Market submarket, where 80% of all new units were delivered. This trend continued through 2019 and 2020, and is expected to continue in 2021, with significant development also occurring in Haight-Ashbury/Castro/Noe Valley/Mission District and Mission Bay/China Basin/Potrero Hill.

Average asking rental rates ranged from \$2,084 per unit/month in the Bayview/Visitacion Valley submarket to \$3,585 per unit/month in the Mission Bay/China Basin/Potrero Hill submarket. Average asking rents increased year-over-year in most submarkets, ranging from 0.6% in Downtown San Francisco to 15.9% in Treasure/Yerba Buena Island; Mission Bay/China Basin/Potrero Hill had an average increase of 9.8% and the South of Market submarket average asking rent increased 8.3%. In terms of vacancy, a rate of 0% was reported for Treasure/Yerba Buena Island, with the next lowest vacancy in the Bayview/Visitacion Valley submarket at 2.0%. The highest overall vacancies were reported in the Sunset/Lakeshore and South of Market submarkets, at 16.6% and 14.1%, respectively. All except the Sunset/Lakeshore submarket had decreases in vacancy year-over-year, ranging from 20 basis points in Richmond/Western to 6.2% in Mission Bay/China Basin/Potrero Hill; Sunset/Lakeshore had an increase in vacancy of 260 basis points.

The following table highlights recent market activity for the submarkets that make up the San Francisco market. The subject is located within the Mission Bay submarket.

<b>San Francisco Multifamily Market Summary</b>					
Submarket	Inventory (Units)	12-Mo Deliveries	Under Construction	Asking Rents	Vacancy
Bayview / Visitacion Valley	5,897	55	169	\$2,084	2.0%
Civic Center / Tenderloin	14,353	148	387	\$2,276	6.8%
Downtown San Francisco	26,889	0	323	\$2,632	8.6%
Haight-Ashbury/Castro/Noe Valley/Mission District	33,618	580	852	\$2,797	5.9%
Marina/Pacific Heights/Presidio	15,440	0	0	\$3,497	6.3%
Mission Bay/China Basin/Potrero Hill	8,998	239	640	\$3,585	6.2%
Richmond/Western Addition	25,892	109	137	\$2,350	6.5%
South of Market	16,265	1,143	385	\$3,500	14.1%
Sunset/Lakeshore	10,538	0	8	\$2,948	16.6%
Treasure/Yerba Buena Island	624	0	105	\$2,892	0.0%
San Francisco Market Total	158,514	2,274	3,006	\$2,883	8.0%

Source: Costar Custom Analytics: San Francisco Multifamily, August 2021

## Sales Activity

The strong market fundamentals and economy in the San Francisco market have historically made it an attractive capital investment market. As rental rates steadily increased following the recession of 2008, capitalization rates decreased and pricing increased, making San Francisco the most expensive multifamily market in the country. Prior to the coronavirus outbreak, capitalization rates held steady in the high 3% to low 4% range and were among the lowest in the country. Properties with value-add potential were in demand as investors looked to renovate and compete with nearby luxury rentals.

The first quarter 2020 showed signs of moderation as rental rate growth diminished and vacancy rates began stabilizing with new inventory added. The subsequent quarters in 2020 showed declining sales volume and average price per unit, as well as a slight increase in the average capitalization rate due to the effects of the pandemic. Sales volume and pricing remained subdued in the first half of 2021. Looking forward, deal volume is expected to continue to be impacted by coronavirus-related policies and the resultant recession, as uncertainty and caution among investors and lenders continues, putting further pressure on sales indicators.

## Conclusion

In recent years, the San Francisco multifamily market thrived, with steady rent increases and very low vacancy rates. New construction activity was strong, and significant projects are still in progress and scheduled for completion over the next one to two years. The market began showing signs of stabilization in the 12-18 months prior to the pandemic. However, the apartment market was heavily impacted by the coronavirus outbreak and subsequent policies created to contain it, resulting in significant vacancy increases and declines in asking rental rates.

After a year of strict lockdowns, the San Francisco economy began to reopen in early 2021 and the market to see signs of improvement. On June 15, 2021, the California economy reopened, with previous actions related to physical distancing, business closures and capacity restrictions terminated. As restaurants, bars and businesses reopened and employees returned to offices, renters began moving back, taking advantage of rent concessions and discounted rental rates in new, luxury projects.

The near-term outlook remains uncertain as the number of renters re-entering the market will be dependent on how long and to what extent employers adopt work from home policies and how quickly the amenities that draw residents to city life are restored.

## Office Market Analysis

The San Francisco office market experienced significant growth over the most recent expansionary cycle, with unemployment reaching the lowest levels in 20 years as a result of a thriving technology sector. Although the year 2020 began with steady demand and tight market conditions, the shift to working remote during the pandemic has had significant negative effects. The aftermath of the outbreak reflected rapidly declining conditions as shelter-in-place mandates impacted office touring and leasing activity, and sublease space increased. Negative net absorption pushed vacancy rates to levels last seen during the Great Recession, which continue into 2021. Significant move-outs, particularly in the Financial District of San Francisco, continue to keep market conditions subdued, despite more active office touring and demand. Overall rental rates have likewise declined, and the outlook is for continued softening in the near term.

An increase in the supply of new office space under construction will contribute to further increase in the overall vacancy as growth plans for tech companies have largely been put on hold and it is expected that new developments will deliver without significant pre-leasing. Vacancy rates are expected to increase initially in the submarkets where new construction is active. Likewise, as new buildings are delivered, there is the risk of an increase in vacancy as second and third generation spaces are left vacant when tenants relocate to more desirable new spaces.

## Employment

The Bay Area has experienced strong job growth in recent years and the San Francisco metropolitan area (San Francisco and San Mateo Counties) was at near full employment, with an unemployment rate of less than 2%. The year 2019 was one of sustained economic growth in the United States, continuing into the first part of 2020, until the coronavirus outbreak and the subsequent policies and mandates enacted in an effort to prevent the spread. Stay-at-home mandates issued on March 19, 2020 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 had a significant impact on employment with approximately 170,000 jobs lost in the metro in April 2020.

On June 15, 2021, the state fully opened its economy, terminating capacity restrictions, physical distancing requirements and leaving only limited restrictions pertaining to ongoing recovery. The California Employment Development Department (EDD), reports a job increase of 5.0% in the San Francisco-Redwood City-South San Francisco Metropolitan Division (San Francisco and San Mateo Counties) year-over-year as of June 2021, with 52,100 jobs gained. The chart to the right illustrates the year-over-year job growth by industry. The highest gains were in Leisure/Hospitality (24,400 jobs gained); Professional/Business Services (11,200 jobs gained) and Educational/Health Services (7,400 jobs gained).



The California Employment Development Department reported an unemployment rate of 2.8% in San Francisco County in March 2020, which increased drastically to 13.0% in April 2020. As of June 2021, the unemployment rate had declined to 5.4%.

### Vacancy and Absorption

Office vacancy in the region was on a steady moderate decline from the period of roughly 2011 to the beginning of 2016, at which point it increased and remained in the mid-7% to mid-8% range until 2018, when it started slowly declining again. The average vacancy steadily declined through 2018 and 2019, with increases beginning in the first quarter 2020. The following chart illustrates recent vacancy trends in the region.



The second quarter 2020 reflected the effects of a full quarter of the restrictions enacted in response to the coronavirus outbreak. Overall vacancy in the second quarter 2020 increased significantly to 9.9%, which was 320 basis points higher than the first quarter 2020. Since then, vacancy has increased each subsequent quarter. The average vacancy rate was 20.1% in the second quarter 2021, which is 230 basis points higher than the first quarter 2021 and 1020 basis points higher than a year ago. Sublease space continues to be a significant source of vacancy, accounting for 45.4% of all vacancy in the market. However, in the second quarter 2021, direct vacant space increased at a greater pace than sublease space.

Reports indicate leasing activity in the market declined to historic lows in the second, third and fourth quarters of 2020 following the coronavirus outbreak, with 425,000 square feet leased in the second quarter, 424,000 square feet in the third quarter, and 295,000 square feet leased in the fourth quarter. Each of these figures is significantly lower than the 1.1 million square feet of leases transacted during the first quarter 2020. The 2020 year-end total of 2.2 million square feet is the lowest on record since the early 1990's. It is noted that Cushman & Wakefield data does not include renewals in leasing statistics.

In the second quarter 2021, gross leasing totaled nearly one million square feet, comprised primarily of small and mid-size tenants. Tenant demand was reported at 4.7 million square feet, with over half in the technology sector. This figure is unchanged from the previous quarter, but below the mid-first quarter 2020 (just prior to the pandemic) demand of 6.6 million square feet.

Prior to the pandemic, annual net absorption was predominantly positive over the preceding decade, with the exception of 2009 and 2017. However, net absorption began to moderate in late 2019, with significant declines after the first quarter 2020. The following chart summarizes net absorption over the past three years.



Net absorption was over 2.2 million square feet the first quarter of 2018, continuing strong throughout 2018 and closing the year with over 4.8 million square feet of positive net absorption. The strong net absorption in 2018 was due to the completion of several large projects, which were mostly pre-leased. Specifically, absorption was positively impacted by the delivery of Salesforce Tower, the tallest building in San Francisco with 61 floors and 1.4 million square feet of rentable area; Salesforce, Accenture and WeWork subsequently moved in and the remainder of the space was pre-leased. Two additional projects were completed in the third quarter 2018 – 510 Townsend and 100 Hooper, pre-leased to Stripe and Adobe, respectively.

The first half of 2019 posted 915,000 square feet of positive net absorption, due in part to the completion of Park Tower, which was pre-leased to Facebook, and The Exchange at 16<sup>th</sup> Street, pre-leased to Dropbox. It should be noted, as a result of the pandemic, Dropbox has elected to list for sublease 660,000 of its 750,000 square feet of space at The Exchange. The third quarter had net absorption of 6,756 square feet and fourth quarter declined to negative levels. The slowdown in activity was due to several factors: some tenants had fulfilled their current space needs; a few larger tenants had put expansions on hold; new construction deliveries had been limited and the shortage of large-block spaces was impacting leasing activity.

Net absorption has been negative each quarter in 2020. The first quarter posted 477,857 square feet of negative net absorption and this declined to negative 2,766,026 square feet in the second quarter, reflecting the effects of the shelter-in-place order. Activity in the market essentially paused as businesses reassessed their operations and implemented work-from-home policies. The third quarter had negative net absorption of 3,626,504 square feet and the fourth quarter had negative 2,486,054 square feet. As restrictions continued to ease in the economy, leasing activity has been improving.

The first quarter 2021 posted negative net absorption of 1,531,996 square feet, an improvement over the previous three quarters, and the second quarter 2021 closed out with negative net absorption of 2,006,244 square feet.

Factors contributing to the negative absorption include tech firms banking vacant space for future growth, tenants leaving the market in search of more affordable alternatives and small and mid-sized tenants vacating their spaces. Many of these smaller businesses were faced with lost income due to the coronavirus shutdown and struggling to maintain operations.

The following table shows current vacancy and absorption data by submarket.

<b>San Francisco Office Market Summary</b>				
Submarket	Total SF (millions)	Vacancy 2Q 2021	Net Absorption 2Q 2021	Net Absorption YTD
North Financial District	26.31	20.6%	(270,991)	(1,319,978)
South Financial District	27.95	17.7%	(1,108,566)	(1,805,190)
Jackson Square	2.04	31.2%	(93,598)	(185,788)
Mid-Market	4.97	20.8%	(76,216)	(169,407)
Mission Bay	2.81	14.9%	(2,212)	1,071,925
North Waterfront	3.36	19.6%	(14,480)	(83,840)
Showplace Square / Potrero Hill	4.10	22.3%	4,543	(291,950)
SOMA	8.06	26.4%	(377,110)	(702,191)
The Presidio	1.03	5.8%	6,500	(25,978)
Third Street Corridor	0.34	6.8%	0	0
Union Square	3.13	23.7%	(82,891)	(131,575)
Van Ness Corridor	0.73	15.4%	8,777	(5,998)
<b>Total</b>	<b>84.82</b>	<b>20.1%</b>	<b>(2,006,244)</b>	<b>(3,649,970)</b>

Source: Cushman & Wakefield Marketbeat Reports

The CBD posted the greatest loss in space in the second quarter 2021, with 1,379,557 square feet lost in total: 270,991 square feet were lost in the North Financial District and 679,063 square feet lost in the South Financial District. Every submarket except Showplace Square/Potrero Hill, The Presidio and Van Ness Corridor had negative net absorption this quarter. Vacancy increased this quarter in most submarkets, ranging from 10 basis points in the Mission Bay submarket to 370 basis points in the South Financial District. The following submarkets had decreases in vacancy: North Waterfront (500 basis point decrease); Showplace Square/Potrero Hill (120 basis point decrease); The Presidio (70 basis point decrease) and Van Ness Corridor (500 basis point decrease). The highest vacancy was reported in the Jackson Square and SOMA submarkets and the lowest in The Presidio and Third Street Corridor.



## Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, which is influenced by the quality and quantity of space available at the time. Guarded reliance should be placed on average asking rates given the number of variables impacting these figures.

According to market research reports, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and have been flat to slightly increasing since then. As of the second quarter of 2021, the region's average asking rate was \$6.10 psf/month (full service), down from \$6.15 psf/month in the first quarter 2021 and from \$6.93 psf/month the previous year. The average asking rate was \$6.26 psf/month in the CBD, and \$6.42 psf/month for Class A properties in the CBD, while the non-CBD submarkets had an overall average asking rate of \$5.83 psf/month and \$6.34 psf/month for Class A space.

## New Construction

The San Francisco office market delivered 3.7 million square feet of new office product in 2018, which is the largest delivered in over 20 years. The highest concentration was in the South Financial District, with 1.8 million square feet delivered. Most of the space delivered pre-leased and, as of the end of the year, all newly constructed space had been leased.

Deliveries in 2019 totaled approximately 1.8 million square feet, based on data in the Kidder Mathews Market Trends report and there were no new construction deliveries during the first quarter 2020. During the second quarter 2020, the 466,000 square foot office tower at 49 South Van Ness was completed in the South of Market submarket, which was preleased to the City of San Francisco as the location of a one-stop permit center, including San Francisco's Public Works, Planning and Building inspection departments, among others. There were no construction deliveries reported in the third and fourth quarters of 2020.

The first quarter of 2021 saw delivery of over one million square feet of space as the Uber headquarter project was completed in Mission Bay near the Chase Center. The second quarter 2021 had no new deliveries.

Reports vary in their estimates of product under construction, ranging from 1.37 to 1.8 million square feet in the pipeline. The South of Market and South Financial District have the largest concentration of development in the pipeline.

One of the largest proposed office projects is 1.25 million square feet at First Street Tower, part of the Oceanwide Center. The Oceanwide Center is a proposed 2.4 million square foot, mixed-use project to include office space, hundreds of residential units and a 169-room hotel. The project was in the early stages of development when it announced plans to halt construction on the residential and hotel components. At the end of 2019, the entire property was listed on the market and a buyer was announced in January 2020. That buyer has since backed out and the owner is seeking a new buyer. As of the fourth quarter 2020, the foundation has been completed but vertical construction has been temporarily suspended.

The next wave of major construction in the market is expected to be in the Central SoMa District, where a 2018 revision to zoning will allow for taller buildings, which will effectively extend the downtown core. Several projects totaling 2.9 million square feet of office space have been awarded Prop M allocations. These include the first phase of 598 Brannan Street, which will include 700,000 square feet of office space; Phase I of the 2.2 million square foot, mixed-use Flower Mart project, and 88 Bluxome Street, a 1.1 million square foot, mixed-use development. The projects had an expected delivery of 2023 at the earliest, but may be further pushed back due to COVID-19-related delays. The Flower Mart project, for example, is now estimating delivery in 2027.

The following highlights significant projects that have been recently completed or are under construction.

<b>Significant New Construction Office Projects</b>			
Project	Submarket	Size (SF)	Status
<b>Recently Completed</b>			
Park Tower / 250 Howard Street (Facebook)	South Financial	751,500	Completed Q1 2019
The Exchange at 16th St / 1800 Owens (Dropbox)	Mission Bay	750,370	Completed Q2 2019
Pacific Medical Buildings / 1100 Van Ness	Van Ness Corridor	234,000	Completed Q2 2019
49 South Van Ness (City of San Francisco)	South of Market	466,000	Completed Q2 2020
1655 and 1715 Third Street (Uber Headquarters)	Mission Bay	593,755	Completed Q1 2021
1455 and 1515 Third Street (Uber Headquarters)	Mission Bay	422,980	Completed Q1 2021
<b>Under Construction</b>			
One De Haro / 1 De Haro Street	Showplace Square	126,537	Under Construction / Delivery Q3 2021
Pier 70 / Bldg 12	Mission Bay	145,000	Under Construction / Delivery Q3 2021
633 Folsom (Asana)	South Financial	268,000	Under Construction / Delivery Q3 2021
5M / 415 Natoma Street	South of Market	640,000	Under Construction / Delivery Q4 2021
Mission Rock / 1051 3rd Street, Bldg B	Mission Bay	300,000	Under Construction / Delivery Q4 2022
Mission Rock / 1051 3rd Street, Bldg G	Mission Bay	300,000	Under Construction / Delivery Q2 2024

Source: CoStar; Cushman & Wakefield; Kidder Mathews Market Trends

As noted, though The Exchange reflects significant recent new construction and was preleased to Dropbox, the tenant has elected to list for sublease 660,000 square feet of space as a result of the pandemic.

## Looking Ahead

Market trends suggest the San Francisco office market had been in an expansion stage in the few years prior to the pandemic. There had been steady job growth, resulting in strong leasing and absorption activity, declining vacancy rates, and significant new office development.

While underlying economic factors were in place for steady market conditions in the regional office market, the COVID-19 pandemic significantly disrupted the economy, bringing an end to what had been the longest economic expansion in U.S. history. Employment conditions declined sharply following mandatory shelter-in-place orders and closure of non-essential businesses and remained impacted as the economy slowly reopened with restrictions in place.

Market participants are optimistic at a recovery in the office market, particularly after executive actions related to preventing the spread of COVID-19 were terminated on June 15, 2021, leaving only limited restrictions related to masking and mega-events. Major employers in the tech industry have begun to release plans for returning to the office. However, demand moving forward will be particularly affected by long-term remote working options after an exodus of residents relocating to more affordable housing markets.



## COVID-19 Impact on Current Valuations

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, created substantial uncertainty in the worldwide financial markets. At the beginning of the pandemic, through the third quarter of 2020, transaction volume slowed significantly and market data was scarce. After an initial lull in activity, restrictions were eased which resulted in increased sales and leasing activity. On June 15, 2021, the phased re-opening plan in California was disbanded, capacity limits were removed, and the mask mandate was mostly eliminated. In subsequent weeks, variants of the virus emerged, which prompted cities and counties to reinstate some restrictions. On August 2, 2021, San Francisco re-instituted the mask mandate for all indoor public settings.

During the peak of the pandemic, there was an interruption in collections in nearly all commercial sectors. Survey respondents in many markets suggest this was short-lived, and defaults have declined substantially. However, the San Francisco Budget and Legislative Analyst's office reports average unpaid commercial rent in San Francisco ranged from \$15.6 to \$29.1 million per month between January 2021 and August 2021. While significant, these figures do reflect a decrease in unpaid commercial rent compared to April 2020 through December 2020, when unpaid rent averaged \$19.1 to \$44.9 million per month.

Furthermore, the national unemployment rate reached a peak at 14.8% in April 2020 but has since decreased to 5.4% as of July 2021. Sales and leasing activity are now reaching pre-pandemic levels in some markets, and this trend has continued even as case counts have increased.

### Impact to Valuation

As part of this appraisal, we considered the impacts of the current COVID-19 environment on the subject's underlying land. As part of our analysis, we conducted interviews regarding the San Francisco market with developers, brokers, and other market participants. Major developers in the local market with projects in the pipeline indicated they generally have not reset their revenue projections for commercial space in light of the COVID-19 pandemic, as they expect market conditions to recover prior to the completion of construction. Though, it is important to note some developers have modified project timelines and disposition periods.

Other market participants noted the primary risk associated with significant development like the subject property involves the timing of recovery and construction, rather than the immediate impact to the office, retail, and multifamily real estate markets.

In the upcoming valuation section, income capitalization approaches are utilized to determine the market value of the subject Blocks as if complete and stabilized; from this, extraction analyses are employed to determine the value of the underlying land. Based on our analysis of the local market and our market participant interviews, and considering the development timeline for construction and delivery of vertical office and multifamily residential product on the subject property, we will utilize rental rates under stable market conditions in developing opinions of market values of the subject Blocks as if stabilized. While post COVID-19 comparable data is utilized when available, an effort was made to reconcile to stabilized market rental rates. The market participants we spoke with consider

the current impact of the pandemic to be temporary and are not adjusting revenue in their modeling practices for proposed projects in San Francisco. In addition, over the past year, the City and County of San Francisco has received interest in other redevelopment properties from multiple developers, who are considering pre-COVID-19 rental rates in their modeling.

However, we consider the impact of the current pandemic in our concluded disposition period (absorption schedule) for the developable master-developer owned Blocks. Further, we have also considered the impact of the current pandemic on the selected internal rate of return.

The following paragraphs further describe the sensitivity of the proposed uses to risk due to the pandemic.

### **Property Type Sensitivity to Risk**

The subject is located within the Mission Bay neighborhood of San Francisco. There are long term investments in the area, including recently constructed housing, bio-medical/life science, office, and hospital space at and around UCSF, as well as the new Chase Center. The following narrative describes the risk associated with each of the subject's primary components:

**Multifamily Use** – low; multifamily rental rates declined significantly in the early stages of the pandemic as vacancies increased. Many renters left San Francisco in search of less expensive housing outside of the Bay Area, as shelter-in-place and stay-at home orders increased the number of employees working from home. However, the San Francisco rental market has been recovering over the past couple of quarters; vacancy rates are declining, and rental rates are again increasing. A survey of comparable properties within the Mission Bay and Dogpatch neighborhoods suggests rental rates are approaching pre-pandemic rates for select unit types in the submarket.

The construction of Phase 1a of the subject project is not expected to be completed for at least 24 months, allowing additional time for the market to continue to recover as renters move back to San Francisco and employees begin returning to the office.

**Office Use** – moderate; overall, the San Francisco office market continues to be heavily impacted by the pandemic. Vacancy rates reached 20% in the second quarter of 2021, and there is a large amount of space available for sublease. However, it is essential to note the degree of impact varies widely among asset classes. Class B and C office properties have been more heavily influenced by the effects of the pandemic than Class A properties. Highly amenitized Class A properties and trophy class assets have fared the best and have, in some cases, been able to secure new leases at little to no discount to pre-pandemic rates.

Based on our market participant interviews throughout the course of the pandemic, most institutional landlords have opted not to sign new office leases at reduced COVID-19 rental rates. These landlords would prefer a short-term vacancy to being locked into long-term leases below pre-COVID-19 market rents.

The recovery of the San Francisco office market will be largely dependent on the return of employees to the office. As of August 17, 2021, 71% of residents within San Francisco are fully vaccinated, and 77% have received at least one vaccine dose. Still, with the recent rise in cases due to the Delta

variant, many major employers continue to be cautious with their re-opening plans. Long term, however, employers are likely to require employees return to the office in some capacity, even if on a hybrid remote/in-person model which necessitates more collaborative spaces.

Despite complications from the COVID-19 pandemic, it remains the San Francisco and Bay Area markets offer a robust pool of tech talent, and a high concentration of technology and bio-technology/life sciences employers. The demand for life sciences and bio-technology space has remained strong throughout the pandemic and has outperformed general office space. Demand for this type of space is expected to continue to strengthen in the near future.

As will be discussed, plans for the subject's Block B have been modified to accommodate life science tenants. Office properties that have the flexibility to adapt to either a life science or general office tenant's needs will have an advantage in the current market over traditional general office space. The following Bay Area market summary is courtesy of Cushman & Wakefield's *Life Sciences on the Rise* report, which describes trends in major life sciences markets in North America.

#### MARKET SUMMARY

- At over 38 msf of lab inventory, San Francisco Bay, a founding region of the biotechnology industry, continues to experience aggressive industry expansion by its occupancy base.
- The San Francisco Bay Area's highly educated workforce, coupled with proximity to elite research institutions such as UCSF, Stanford and UC Berkeley has made the Bay Area one of the most elite and active Life Sciences clusters in the world.
- The world's largest life sciences venture capital and private equity concentration has been key in funding growth companies across the Bay Area.
- Biotechnology and pharmaceuticals represent most of the life sciences leasing activity in the market, though the medical device and health tech sectors are extremely active as well.
- Demand has been driven by companies from early-stage startups through the largest life sciences companies and there is no sign of a slowdown in sight.
- Market demand has created a continually landlord-favorable market with developers responding with 5.2 msf of deliveries over the last six years, 3.0 msf presently under construction and more than 16 msf at various stages of planning, with both the current and planned construction dominated by speculative projects—both ground-up and conversions from office.
- The majority of life sciences product in the Bay Area is located across three major markets: San Francisco proper, the San Francisco Peninsula, and the East Bay.



Source: "Life Sciences on the Rise" North American Report, Cushman & Wakefield, 2021

In addition, Newmark reports in their 4Q 2020 *San Francisco Bay Area Life Science Market* publication that San Francisco's life sciences inventory remains "severely constrained", with an availability rate of only 2.4%. This is forcing biotechnology and life science users to search for space outside of San Francisco, either on the Peninsula or in the East Bay. Newmark states demand for lab and medical space "accelerated through the pandemic" and is expected to continue to do so in the coming years as "vaccine research and drug manufacturing continue to drive the market." When feasible, some users are converting general office space to lab/life sciences space; this is the case with biotechnology company VIR, which subleased 133,896 square feet of office space from Dropbox at 1800 Owens Street (The Exchange) for conversion.

Overall, the subject has several positive factors that make office use/development lower risk than current metrics from the overall San Francisco office market would suggest. First, it is located within walking distance of UCSF, which specializes in medical and biological research. The subject property is in the position to offer flexibility with its non-preleased office space to cater to either life science or general office users, as the market dictates. In addition, the subject will offer highly amenitized, newly constructed, Class A office space within a master planned project with good transportation linkages; truly comparable space remains rare in San Francisco.

**Retail Use**—moderate; with the exception of grocery stores and "essential" retailers, brick and mortar stores and restaurants were heavily impacted by the pandemic, capacity limits, and stay-at-home orders. The subject's retail components are secondary to the office and multifamily residential aspects in terms of square footage. Both the office and multifamily components are expected to help support the proposed retail space.

The above present term COVID-19 risks are expected to be mitigated for the subject property due to timeline of the proposed development. The first of the subject improvements are scheduled to be delivered within two years of the effective appraisal date.

## Property Analysis

### Land Description and Analysis

#### Location

The property is bounded by McCovey Cove to the north, Terry A. Francois Boulevard to the east, Mission Rock Street to the south, and 3<sup>rd</sup> Street to the west.

#### Land Area

The following table summarizes the subject's land area, which includes only the 11 taxable blocks within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

#### Land Area Summary

Tax ID	SF	Acres
8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001	344,560	7.91
<b>Total</b>	<b>344,560</b>	<b>7.91</b>

#### Block Overview

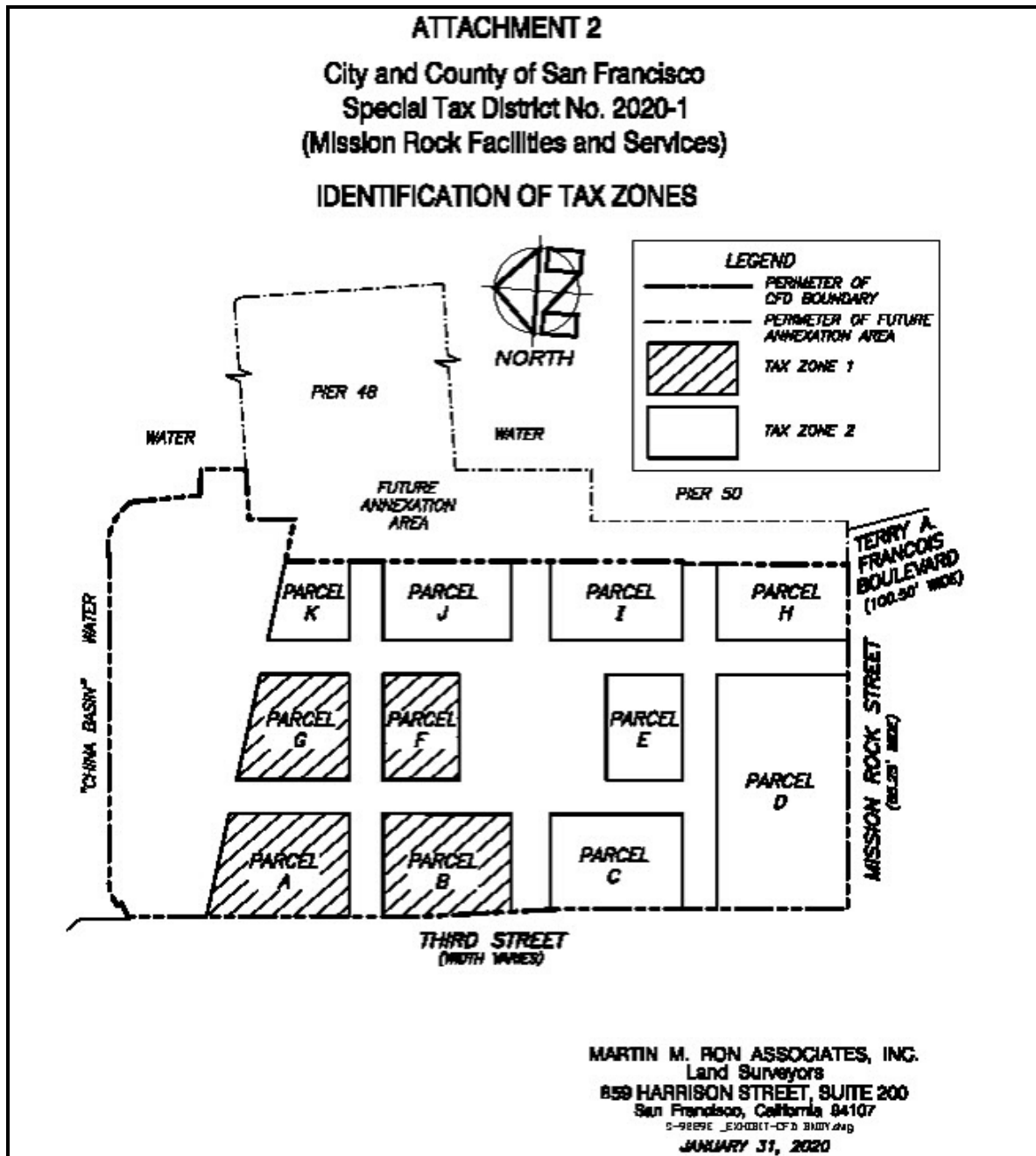
Block	Phase	Tax Zone	Acreage	Square Feet	Use^
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
<b>Total Taxable Land Area</b>			<b>7.91</b>	<b>344,560</b>	
D2*	2	2	1.62	70,567	Parking

*\*Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.*

*^Retail land uses are not subject to the lien of the special tax securing the Bonds.*

## Shape and Dimensions

The overall site is rectangular in shape, as are the majority of the subject blocks. Site utility based on shape and dimensions is average. A map of the Special Tax District boundaries is recreated on the following page.



Note: Parcel D is divided into Block D1, which is projected to include taxable residential units, and Block D2, which is projected to include the parking structure for the Mission Rock Project. Block D2 is not subject to the lien of the special tax securing the Bonds and, therefore, excluded from the appraised properties.



### Topography

The site is generally level and at street grade. The topography does not result in any particular limitations on development.

### Off-site Improvements

In addition to roads and street improvements, infrastructure will include development associated with parks, open spaces, paseos, and utility infrastructure and upgrades.

### On-site Improvements

Horizontal and vertical construction of Phase 1a is underway at the subject. As of the effective appraisal date, \$78,046,371 in horizontal development and MRU costs have been incurred. In addition, vertical construction has commenced on Blocks G, B, A, and F. Block G, which is pre-leased to Visa, reflects the majority of vertical progress and approximately 26% of hard costs have been incurred to date.

### 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

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	0602980119A
Date	March 23, 2021
Zone	X (Shaded)
Description	Within 500-year floodplain
Insurance Required?	No

According to documents provided, the minimum design elevations for the subject improvements will accommodate potential future sea level rise estimates for the San Francisco Bay.

### Environmental Hazards

A Draft Environmental Impact report, dated April 26, 2017, was provided for our review. The following excerpts reflect the conclusions of the Hazards and Hazardous Materials section of the report.

- “The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the management or release of hazardous materials.



- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the disturbance of subsurface hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for the public or environment related to development of hazardous materials site included in a list compile pursuant to Government Code Section 65962.5.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not impair implementation of or physically interfere with an adopted emergency response or evacuation plan.”

This appraisal assumes that the subject property is not adversely affected by environmental hazards.

### **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. However, the subject is located in a liquefaction zone. (California Division of Mines and Geology, Official Map of Alquist-Priolo Earthquake Fault Zones, San Francisco North Quadrangle (2000)).

### **Ground Stability**

The following excerpts reflect the conclusions of the Geology and Soils section of the Draft Environmental Impact Report, dated April 26, 2017.

- “The proposed project, in combination with other development within the city, would not substantially increase the risk of exposure for people or structures to seismic hazards.
- The proposed project, in combination with other development within the city, would not substantially increase soil erosion potential.

- The proposed project, in combination with other development within the city, would not substantially increase soil hazards.
- The proposed project, in combination with other development within the city, could result in impacts to paleontological resources. However, the project's contribution would be less than cumulatively considerable."

This appraisal assumes that the subject's soil bearing capacity is sufficient to support the proposed improvements.

### Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

<b>Streets, Access and Frontage - As Proposed</b>				
Street	Terry A. Francois	Mission Rock Street	3rd Street	Exposition Street
Frontage Feet	1,193	612	1,193	612
Paving	Asphalt	Asphalt	Asphalt	Asphalt
Curbs	Yes	Yes	Yes	Yes
Sidewalks	Yes	Yes	Yes	Yes
Direction of Traffic	North/South	East/West	North/South	East/West
Condition	Good	Good	Good	Good
Traffic Levels	Low	Low	Moderate	Low
Visibility	Good	Good	Good	Good

The following graphic depicts the proposed roadway infrastructure within the boundaries of the Special Tax District.



## Utilities

The availability of utilities, which will be extended to the subject Blocks, is summarized in the following table.

Utilities	
Service	Provider
Potable Water	San Francisco Public Utilities Commission
Non-Potable Water	Mission Rock Utilities (MRU)
Sewer	San Francisco Public Utilities Commission
Electricity	San Francisco Public Utilities Commission
Natural Gas	Pacific Gas & Electric
Thermal Energy (District-Scale)	Mission Rock Utilities
Local Phone	Comcast and AT&T

The Master Developer is required to develop a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) Systems, which will serve the Mission Rock Project, but be owned by Mission Rock Utilities, Inc.

The black water recycling system will be an advanced water recycling facility that will treat the wastewater collected from toilets, showers and sinks to meet the non-potable water needs of buildings in the Mission Rock Project, as well as associated open space.

The thermal district energy system will supply hot and cold water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings in the Mission Rock Project, which will replace the need to have this type of equipment inside each building. The initial system will utilize cooling towers using non-potable water from the black water recycling system, and eventually integrate a bay water energy exchange system for both heating and cooling.

The above-referenced facilities will be located separately in two of the first four buildings being constructed as part of Phase 1a. The bay water energy exchange system is expected to be constructed after the Mission Rock Project is fully built out.

Long-term utility service agreements require each property to be a customer of these utility systems; utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs.

According to the Master Developer, the MRU Systems are anticipated to be 100% debt-financed in phases. For the initial phase of financing, the California Pollution Control Financing Authority issued bond anticipation notes (BANs) in the amount of \$25 million for the benefit of Mission Rock Utilities, which serve as interim financing, and are expected to be refinanced with permanent financing. The Master Developer entered into a note payment agreement to guaranty the repayment of the principal on the bond anticipation notes issued to fund the MRU systems. Permanent financing may take the form of the proceeds of a subsequent series of Bonds, long-term revenue bonds issued by the California Pollution Control Financing Authority, some other form of financing or some combination thereof. The valuation of the appraised property presented herein does not consider the \$25 million in bond anticipation notes; the costs associated with completing the MRU Systems are reflected in the valuation.

## **Zoning**

The subject is zoned MR-MU, Mission Rock Mixed Use, by the City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

### Zoning Summary

Zoning Jurisdiction	City and County of San Francisco
Zoning Designation	MR-MU
Description	Mission Rock Mixed Use
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Mixed use, multifamily residential, commercial, office, retail uses
Category	Zoning Requirement
Minimum Lot Area	None
Maximum Street Frontage (Feet)	30 to 100 ft; varies by block
Maximum Building Height	40 to 240 ft;
Maximum Site Coverage	None
Maximum Floor Area Ratio	None
Parking Requirement	Off-street parking not required; at build out, total parking not to exceed 3,100 spaces

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. The following is an excerpt from the San Francisco zoning code which describes the purpose of the subject special use district.

“A Special Use District entitled the Mission Rock Special Use District (SUD), the boundaries of which are shown on Sectional Map SU08 of the Zoning Maps of the City and County of San Francisco, is hereby established to facilitate the City’s long-term goal of development of a new Mission Rock neighborhood. The purpose of this SUD is to implement the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative approved by City voters on November 3, 2015 (Proposition D), and give effect to the Development Agreement (DA), Disposition and Development Agreement (DDA) and related transactional documents as approved by the Board of Supervisors in ordinances in File Nos. 171313 and 180092, which will provide benefits to the City such as, among other things, development of a mixed-use, transit-oriented community on the waterfront near public transit, major new housing, including a significant amount of affordable housing, increased public access and open spaces, extensive infrastructure improvements, shops, restaurants, cafes, neighborhood-serving retail, community spaces, commercial/office and light industrial/production space, preservation and renovation of historic Pier 48, job creation, responsiveness to climate change and resulting sea level rise, and the generation of revenue to fund public improvements.”

A zoning map is provided on the following page.



Permitted building heights vary by block, and design elements vary by frontage type. The following graphics depict allowable building heights and frontage types.





It should be noted, on-site parking is not required for any of the proposed subject improvements. The subject entitlements allow for up to 3,100 spaces within the Special Tax District boundaries. Block D2, which is excluded from this valuation, will include a parking garage with approximately 3,000 spaces available for rent and will serve the entire Special Tax District. The parking garage will also be available for users of Oracle Park. This type of parking arrangement is common in San Francisco. Multifamily projects often offer on-site parking available for an additional monthly fee, with the expectation that many residents will not require parking. Office projects also offer limited on-site parking, with parking ratios much lower than suburban properties.

### Inclusionary Housing

As a condition of the subject's entitlements, 40% of the residential units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following tables show the subject's restricted units by floorplan for Blocks A and F, along with the maximum allowable 2021 rents for those apartments. This level of detail was not available for the subject's other residential blocks.

#### Block A Restricted Rents - BMR Units

Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	2	\$1,943	3	\$2,642	3	\$3,342	\$21,838	\$2,730
One Bedroom	6	\$2,181	27	\$2,979	19	\$3,779	\$165,320	\$3,179
Two Bedroom	3	\$2,410	21	\$3,310	15	\$4,208	\$139,860	\$3,586
Three Bedroom	0	\$2,647	2	\$3,645	1	\$4,644	\$11,934	\$3,978
	11		53		38		\$338,952	\$3,323

#### Block F Restricted Rents - BMR Units

Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	5	\$1,943	10	\$2,642	1	\$3,342	\$39,477	\$2,467
One Bedroom	6	\$2,181	29	\$2,979	16	\$3,779	\$159,941	\$3,136
Two Bedroom	2	\$2,410	17	\$3,310	9	\$4,208	\$98,962	\$3,534
Three Bedroom	0	\$2,647	1	\$3,645	1	\$4,644	\$8,289	\$4,145
	13		57		27		\$306,669	\$3,162

It should be noted, the subject's below market units are not subject to the special taxes associated with the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Second Series. The construction of the below market units is a developer obligation under the subject's entitlements.

### Assembly Bill 1482

Moving forward, rent growth will be impacted by the recent enactment of rent control laws. On October 8, 2019, Governor Gavin Newsom signed AB 1482 making California the third state to enact a statewide rent control measure impacting residential rental housing. The bill is retroactively effective



as of March 15, 2019 and will extend until January 1, 2030. Some key points of the bill are noted as follows:

- The bill prohibits an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or unit more than 5% plus the percentage change in the cost of living (regional Consumer Price Index from April 1 of the prior year, to April 1 of the current year), or 10%, whichever is lower.
- If the same tenant remains in occupancy of a unit over any 12-month period, the gross rental rate cannot be increased in more than two increments over that 12-month period.
- This law is retroactive to March 15, 2019. If there have been gross rent increases between March 15, 2019 and January 1, 2020 that exceed the limits stated above, the applicable rent shall be the rent on March 15, 2019. It is noted the owner shall not be liable to the tenant for any corresponding rent overpayment.
- There are several exemptions including for property owners that are not a corporation, Trust or LLC (with corporate members). Also, if the property was issued their initial Certificate of Occupancy within last 15 years, it is not subject to the new law.
- After a tenant has continuously and lawfully occupied a residential property for 12 months, the owner of the property cannot terminate the tenancy without just cause, which is required to be stated in the written notice to terminate tenancy.

### Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

### Timeline

Backbone infrastructure work for Phase 1a began in 2020 and is well underway. Phase 4 infrastructure is not scheduled to be complete until 2027. The following table depicts the developer's timeline for horizontal improvements and infrastructure.

<b>Developer's Timeline - Horizontal Improvements</b>				
<b>Phase</b>	<b>Acreage</b>	<b>Blocks</b>	<b>Contstruction</b>	<b>Construction</b>
			<b>Start</b>	<b>Finish</b>
1	3.25	A, B, F, G	Sep-20	Nov-23
2	1.48	C, D	Aug-22	Sep-24
3	0.58	E	Jul-23	Jun-25
4	2.60	H, I, J, K	Dec-24	Oct-27

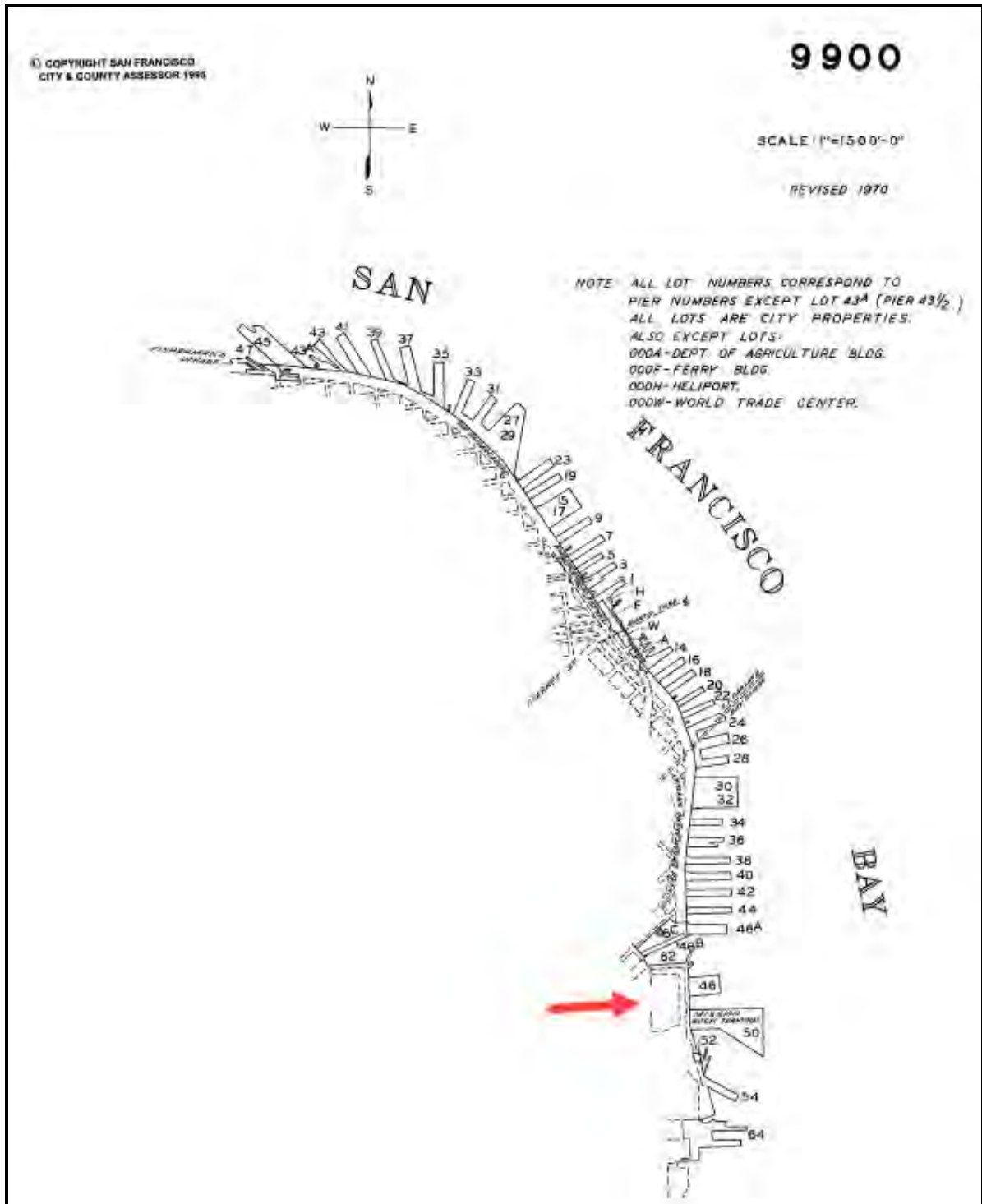
Construction of Phase 1a vertical improvements on Blocks G and A began December 2020 and January 2021, respectively. Vertical construction on Blocks B and F commenced in May 2021 and July 2021, respectively. All four Blocks in Phase 1a are scheduled to be complete and stabilized between July 2023 and January 2025.

**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. Uses permitted under the subject's entitlements include mixed uses, multifamily residential, office, and retail uses. We are not aware of any other particular restrictions on development.

An aerial photograph of the Pearl River area in New York City. The map shows various lots and buildings, with a blue rectangular boundary highlighting a specific area in the center. This highlighted area is labeled 'Pearl River' and '201-4500-1000'. Surrounding this area are numerous other lots, each labeled with a unique identifier (e.g., 8710001, 8710002, 8710003, etc.). The map also shows a large body of water on the right side, likely the Hudson River, and a bridge structure on the left side.

## Plat Map





## Proposed Improvements Description

### Overview

The subject improvements will include a mix of residential, retail, and office uses within 11 blocks. A summary of the proposed improvements is provided in the following tables.

#### Overview of Improvements

Block	Phase	Tax Zone	Rentable		Primary Use	Gross			Rentable		
			Gross SF	SF		Gross Office SF^	Gross Retail SF	Residential SF	Rentable Office SF^	Rentable Retail SF	Residential SF
A	1a	1	393,869	293,202	Residential	85,105	24,332	284,432	58,136	20,931	214,135
B	1a	1	283,700	294,106	Office	265,191	18,509	-	274,005	20,101	-
F	1a	1	315,217	220,161	Residential	-	40,179	275,038	-	44,197	175,964
G	1a	1	307,058	321,355	Office	290,300	16,758	-	302,920	18,435	-
C	2	2	354,826	329,988	Office	324,548	30,278	-	300,013	29,975	-
D1	2	2	240,494	193,552	Residential	-	-	240,494	-	-	193,552
D2*	2	2	9,388	10,327	Parking/Retail	-	9,388	-	-	10,327	-
E	3	2	141,330	131,437	Office	126,880	14,450	-	115,542	15,895	-
H	4	2	200,315	162,256	Residential	-	19,816	180,499	-	21,798	140,458
I	4	2	151,932	141,297	Office	131,953	19,979	-	119,320	21,977	-
J	4	2	151,982	141,344	Office	131,506	20,476	-	118,820	22,524	-
K	4	2	130,469	105,680	Residential	-	8,391	122,078	-	9,230	96,450
<b>Totals</b>			<b>2,680,580</b>	<b>2,344,705</b>		<b>1,355,483</b>	<b>213,168</b>	<b>1,102,541</b>	<b>1,288,756</b>	<b>235,390</b>	<b>820,559</b>

^ Rentable office square footage includes usable outdoor space measured per BOMA standards

Block D2 is referenced in the table above but is excluded from this valuation, and the retail square footage is not included in the overall total for the subject property. Tables depicting additional detail for the subject's office and residential improvements are provided below.

#### Office Overview

Block	Phase	Rentable		Gross		Gross		Acreage	FAR
		Gross SF	SF^	Office SF	Office SF^	Retail SF	Retail SF		
A*	1a	109,437	79,067	85,105	58,136	24,332	20,931	0.96	2.62
B	1a	283,700	294,106	265,191	274,005	18,509	20,101	0.93	7.00
G	1a	307,058	321,355	290,300	302,920	16,758	18,435	0.78	9.04
C	2	354,826	329,988	324,548	300,013	30,278	29,975	0.90	9.05
E	3	141,330	131,437	126,880	115,542	14,450	15,895	0.58	5.59
I	4	151,932	141,297	131,953	119,320	19,979	21,977	0.75	4.65
J	4	151,982	141,344	131,506	118,820	20,476	22,524	0.72	4.85
		<b>1,500,265</b>	<b>1,438,594</b>	<b>1,355,483</b>	<b>1,288,756</b>	<b>144,782</b>	<b>149,838</b>		

\* Gross SF excludes residential component

<b>Residential Overview</b>											
Block	Phase	Rentable		Gross	Rentable	Number of	Market Rate	BMR			
		Gross SF	SF	Residential	Residential SF	Units	Units	Units	% BMR	Acreage	FAR
A*	1	284,432	214,135	284,432	214,135	283	181	102	36%	0.96	6.80
F	1	315,217	220,161	275,038	175,964	254	157	97	38%	0.58	12.48
D1	2	240,494	193,552	240,494	193,552	259	114	145	56%	0.58	9.52
H	4	200,315	162,256	180,499	140,458	192	128	64	33%	0.72	6.39
K	4	130,469	105,680	122,078	96,450	131	92	39	30%	0.41	7.31
						1,119	672	447	40%		

\* Gross SF excludes office/retail component

As previously noted, 40% of the subject's overall residential units reflect inclusionary housing. The allocation of inclusionary housing units for residential Blocks A and F are detailed below.

<b>Apartment Unit Mix - Blocks A &amp; F</b>			
Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	92	32.5%
	Two Bedroom	72	25.4%
	Three Bedroom	8	2.8%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

Further detail regarding average square footage for each layout will be provided in the upcoming *Income Capitalization Approach* sections. A complete interior finish profile was not provided and is assumed to be of a typical quality for the area, which is generally good to excellent overall quality. In addition, the improvements are expected to reflect Class A, steel frame construction within mid to high-rise improvements. For example, based on the schematics provided, the improvements associated with Block A will include 24 stories and the Block F building will offer 23 stories. It should also be noted, Block G (which primarily consists of office space) is preleased to Visa Inc., a national credit tenant. Visa is currently rated Aa3 by Moody's and AA- by Standard & Poor's.

For the reader's reference, renderings and schematics for the subject improvements are shown on the following pages.

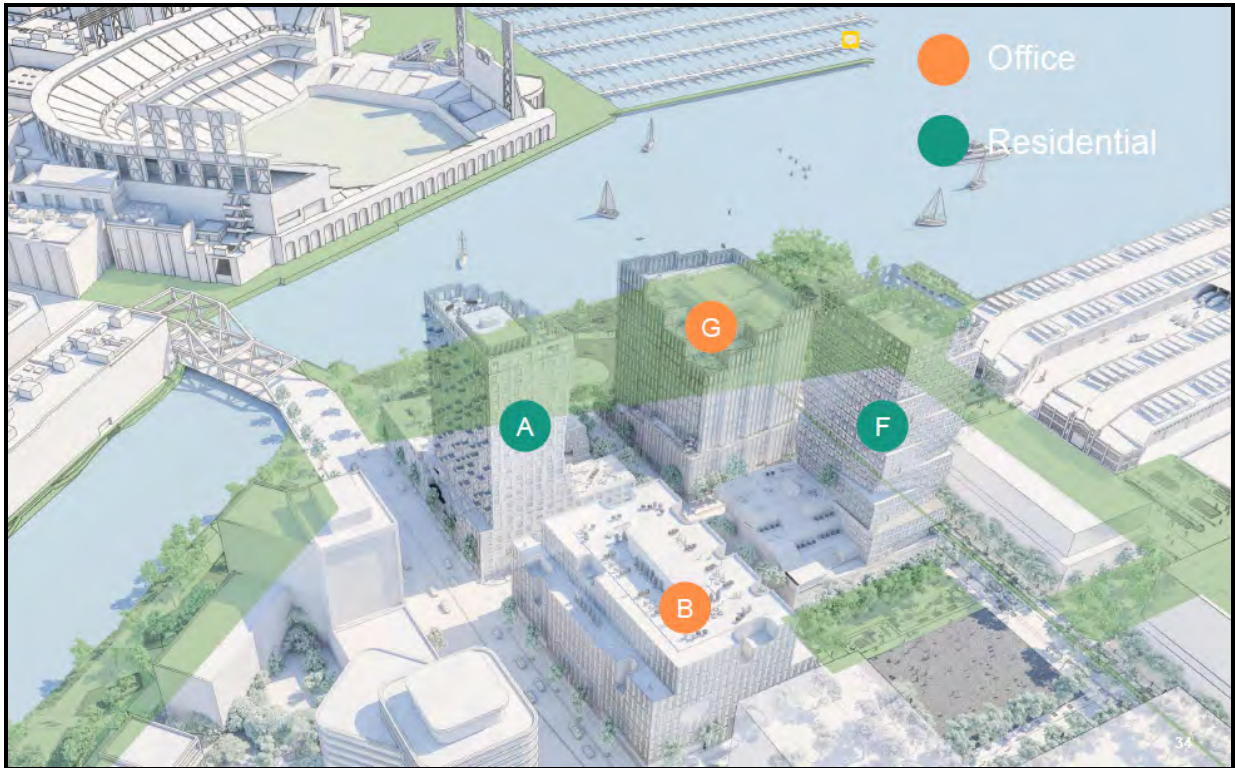


## Proposed Improvements – Phase 1



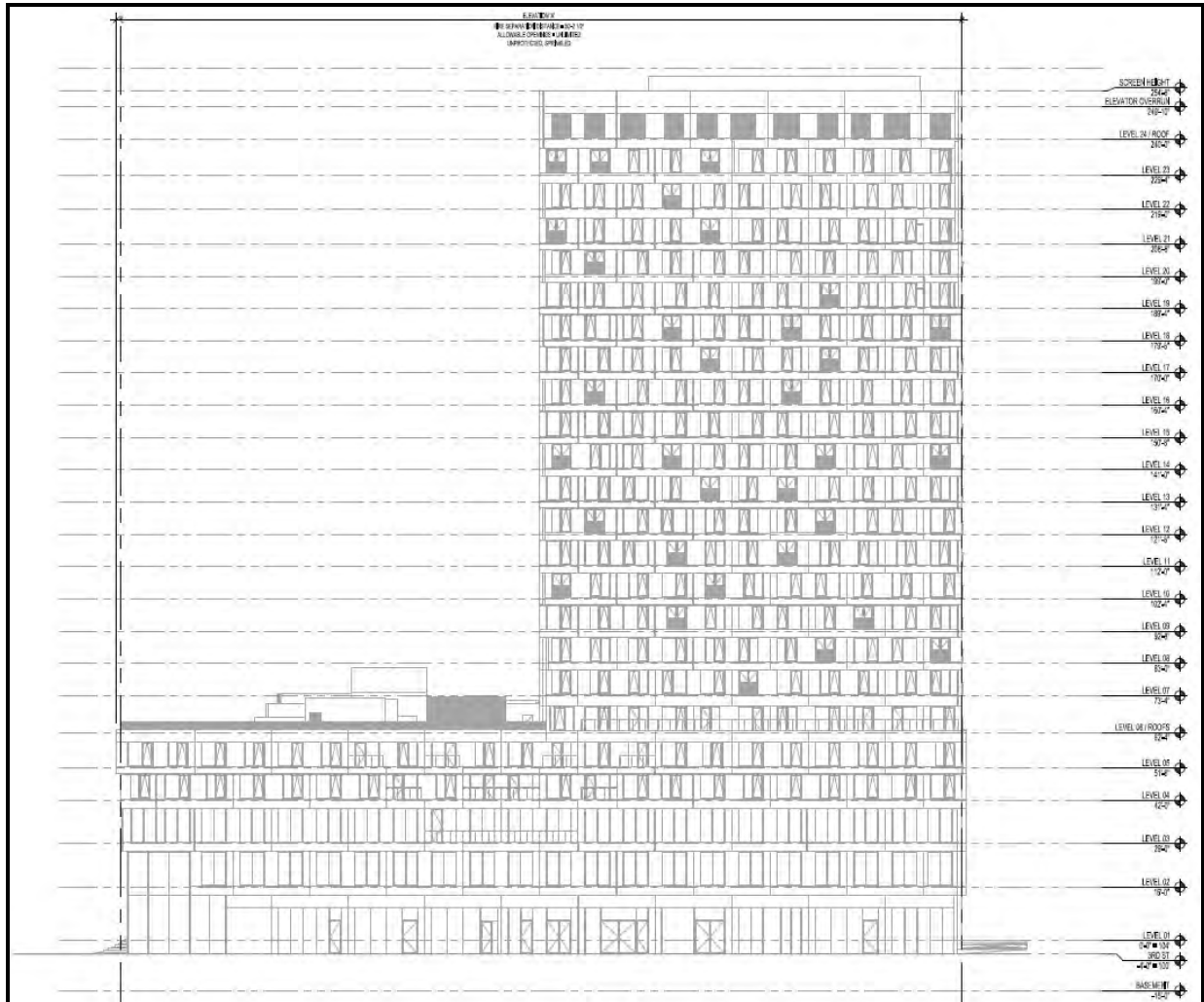


## Proposed Improvements – Phase 1



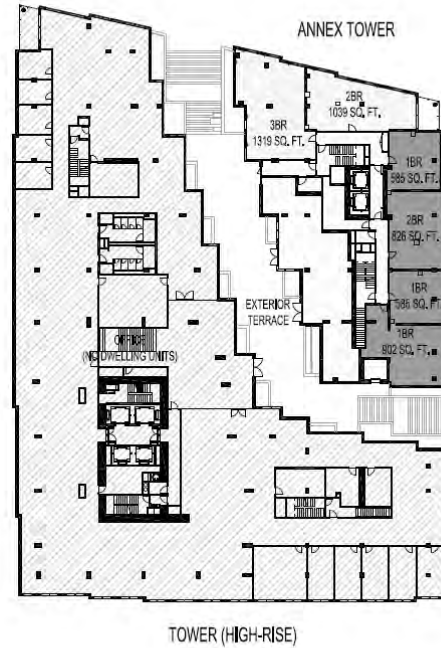
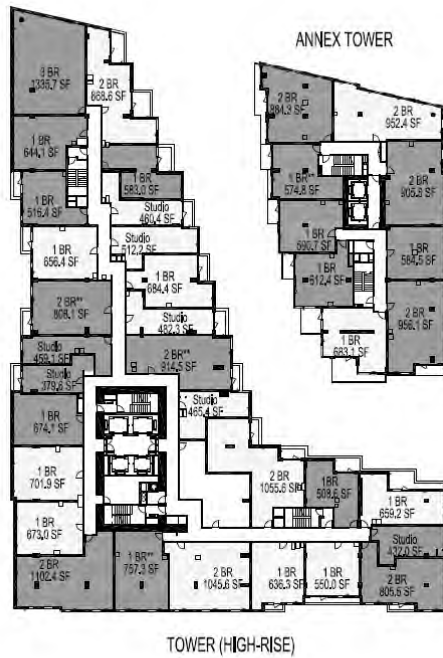
## Block A – Residential Use



**Block A – Residential Use**



## Block A – Residential Use – Sample Floorplans

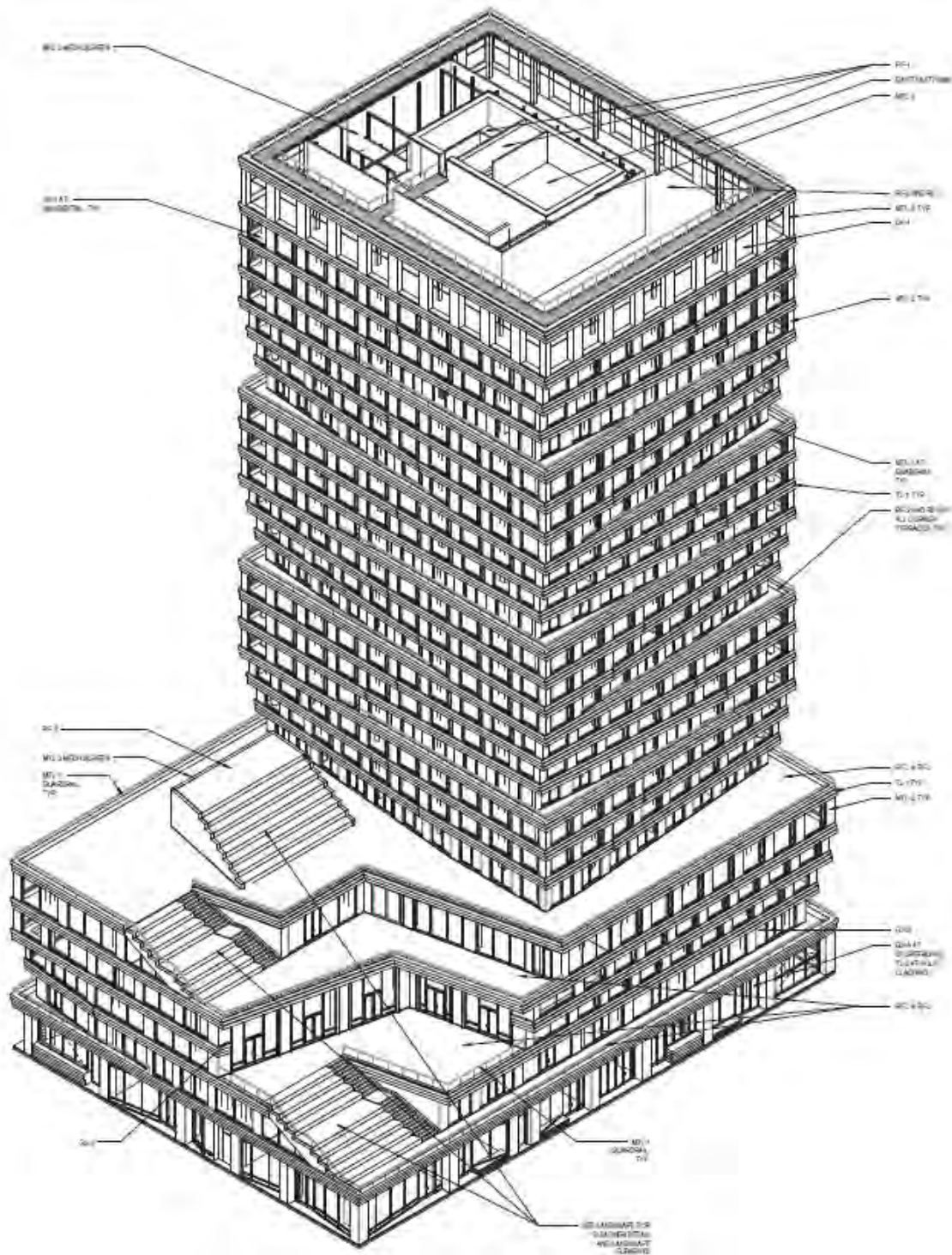


## Block F— Residential Use

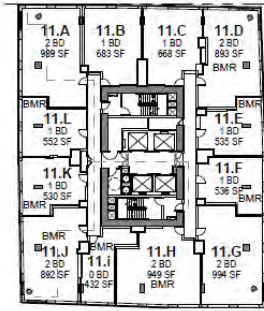




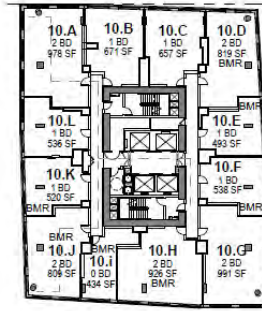
## Block F— Residential Use



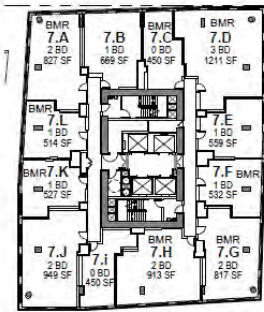
## Block F– Residential Use – Sample Floor Plans



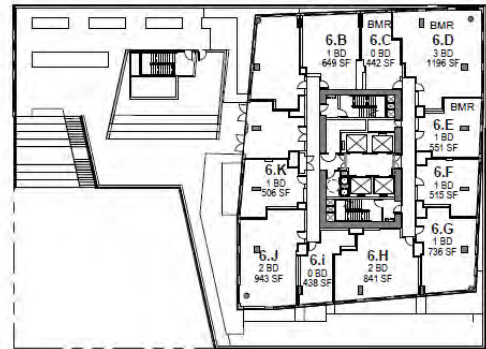
LEVEL 11



LEVEL 10



LEVEL 7



LEVEL 6

## Block B – Office Use





## Block G – Office Use





## 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 1.19846368%. This tax rate does not include the Special District Tax, which is discussed below.

The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate long term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District – City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses.

According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property comprising Phase 1a of the Special Tax District is presented in the following table (for the Fiscal Year 2021-22).



**Aggregate Calculation of Special District Tax (2021/2022) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax
A	1a	0.96	Base Development Tax - Market-Rate Residential	Residential	\$8.93	139,723	\$1,247,028
			Offset by Ad Valorem Tax				(\$1,247,028)
			Base Development Tax - Office Use	Office	\$6.76	85,105	\$575,531
			Offset by Ad Valorem Tax				(\$575,531)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	139,723	\$205,393
			Base Contingent Special Services Tax - Office	Office	\$1.47	85,105	\$125,104
			Base Special Tax - Office Use	Office	\$2.00	85,105	\$170,210
			Shoreline Special Tax - Office Use	Office	\$1.89	85,105	\$160,848
							\$661,556
B	1a	0.93	Base Development Tax - Market-Rate Residential	Residential	\$8.93	-	-
			Base Development Tax - Office Use	Office	\$6.76	265,191	\$1,793,381
			Offset by Ad Valorem Tax				(\$1,793,381)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.47	265,191	\$389,831
			Base Special Tax - Office Use	Office	\$2.00	265,191	\$530,382
			Shoreline Special Tax - Office Use	Office	\$1.89	265,191	\$501,211
F	1a	0.58	Base Development Tax - Market-Rate Residential	Residential	\$8.93	110,548	\$986,641
			Offset by Ad Valorem Tax				(\$986,641)
			Base Development Tax - Office Use	Office	\$6.76	-	-
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	110,548	\$162,506
			Base Contingent Special Services Tax - Office	Office	\$1.47	-	-
			Base Special Tax - Office Use	Office	\$2.00	-	-
			Shoreline Special Tax - Office Use	Office	\$1.89	-	-
G	1a	0.78	Base Development Tax - Market-Rate Residential	Residential	\$8.93	-	-
			Base Development Tax - Office Use	Office	\$6.76	290,300	\$1,963,183
			Offset by Ad Valorem Tax				(\$1,963,183)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.47	290,300	\$426,741
			Base Special Tax - Office Use	Office	\$2.00	290,300	\$580,600
			Shoreline Special Tax - Office Use	Office	\$1.89	290,300	\$548,667
Totals		3.25					\$3,801,493

Please note, the square footages provided in the preceding table sometimes vary from the information provided by the developer. This appraisal relies on documents provided by the developer (entitled MR Parcel Detail v4), which are assumed to be the most accurate and current information available.

In addition, reportedly 65% of the ad valorem taxes may be used to offset the Development Special Tax for Office Use and Development Special Tax for Residential Use (refer to the income capitalization section later in this Appraisal Report for a demonstration of pro forma ad valorem tax calculation).

It's worth noting, the Base Development Tax offset only occurs when the Assessed Value is final, which is consistent with the valuation of the vertical leasehold improvements upon completion of construction and stabilized occupancy presented in the *Valuation* section herein.

## 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 MR-MU, Mission Rock Mixed Use. Permitted uses include mixed use, multifamily residential, commercial, office, retail 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, which encompasses 11 of the 12 developable blocks within the Mission Rock development, is fully entitled for the development of 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units (40% of which will be affordable). 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 mixed 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. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including mixed residential/retail and office/retail uses.

#### Financially Feasible

Based on our analysis of the market, there is currently adequate demand for both multifamily residential and office uses in the subject's market area. Proposition M restricts the amount of office space that may be constructed in San Francisco each year. A total of 950,000 square feet of office development potential becomes available for allocation annually. This restricts the amount of new supply coming into the market; as such, the vast majority of new office projects are preleased prior to construction in San Francisco. As will be demonstrated in the upcoming extraction analyses, the land value for the subject's office blocks is positive, which demonstrates that office development is financially feasible.

The subject's residential blocks include a significant inclusionary housing component which limit the financial feasibility of the proposed improvements. In addition, residential constructions costs continue to rise rapidly and have outpaced rental rate growth in recent years. As such, residential

construction for two of the subject's blocks is not currently financially feasible; in other words, the value of the land becomes negative when construction costs are deducted from the market value of the property as if stabilized.

However, the subject reflects a master planned community entitled for both office (with allocations approved through Prop M) and residential use with ground floor retail. Conversations with the developer indicate the office uses are expected to offset the residential construction. Further discussion of the costs associated with the residential improvements will be provided in the upcoming analysis. However, the overall residual land value of the subject property is positive, meaning the project on the whole is financially feasible.

### **Maximally Productive**

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value mixed residential/retail and office/retail uses. Accordingly, it is our opinion that mixed use, developed to the normal market density level permitted by zoning and the subject entitlements, is the maximally productive use of the property. Although current COVID-19 environment casts uncertainty on the market, particularly for retail use, impacts of the pandemic are presently expected to be short term. The subject improvements will not begin coming online until 2022.

### **Conclusion**

Development of the site for mixed 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 has commenced at the subject property, and vertical construction of Phase 1a improvements is underway. The planned and under construction infrastructure improvements are necessary for future development. The proposed improvements are planned in accordance with the subject entitlements and are consistent with the highest and best use of the subject property as if vacant.

### **Most Probable Buyer**

The subject reflects a complex, interconnected, and multi-use development situated in a dense urban infill location in San Francisco. Given the intricacies of the project and the approved entitlements, coupled with the fact certain land uses (residential) are highly dependent on the financial contributions of the balance (office) of the developable land uses, the highest and best use of the subject is for development by a single developer familiar with the unique aspects of the subject property and location, rather than subdivision and development by multiple developers at this stage. Taking into account the size and characteristics of the property, the probable buyer of the subject property overall is a sophisticated land developer with highly specialized knowledge of the local market.

# 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.

This analysis begins with income capitalization approaches to determine the market value of the subject blocks as if complete and stabilized. Next, extraction analyses are employed to determine the value of the underlying land. Finally, the subdivision development method is used to estimate the market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2). 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 are considered. As the four Blocks comprising Phase 1a (Tax Zone 1) are all under vertical construction and held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks is considered on a proportionate share per Block.

## Income Capitalization Approach – Office Use

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization method, either direct capitalization or discounted cash flow analysis, or both, to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we use only direct capitalization to determine the market value as if stabilized of the proposed improvements for the subject's taxable Blocks. A direct capitalization analysis will be presented for all blocks within Phase 1a, as well as for all proposed office improvements in future phases. A summary of the subject's office improvements is recreated below; the analysis for Block B will be presented first.

### Office Overview

Block	Phase	Gross SF	Rentable SF <sup>^</sup>	Gross Office SF	Rentable Office SF <sup>^</sup>	Gross Retail SF	Rentable Retail SF	Acreage	FAR
A*	1a	109,437	79,067	85,105	58,136	24,332	20,931	0.96	2.62
B	1a	283,700	294,106	265,191	274,005	18,509	20,101	0.93	7.00
G	1a	307,058	321,355	290,300	302,920	16,758	18,435	0.78	9.04
C	2	354,826	329,988	324,548	300,013	30,278	29,975	0.90	9.05
E	3	141,330	131,437	126,880	115,542	14,450	15,895	0.58	5.59
I	4	151,932	141,297	131,953	119,320	19,979	21,977	0.75	4.65
J	4	151,982	141,344	131,506	118,820	20,476	22,524	0.72	4.85
		<b>1,500,265</b>	<b>1,438,594</b>	<b>1,355,483</b>	<b>1,288,756</b>	<b>144,782</b>	<b>149,838</b>		

\* Gross SF excludes residential component

### Market Rent Analysis

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases. Block G is currently the only pre-leased improvement, with Visa planning to occupy 100% of the office space. However, as details of this lease have not been disclosed, the upcoming analysis relies on market rent for all of the subject space.



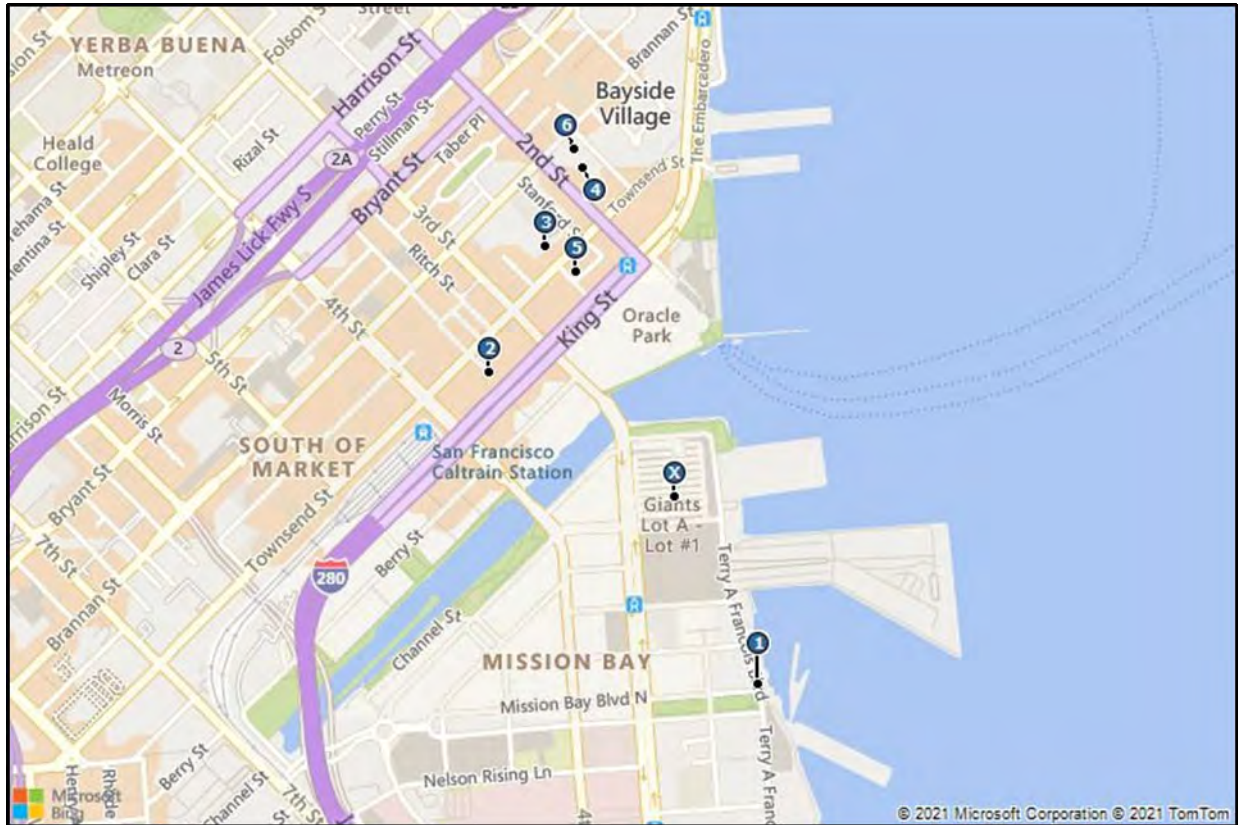
To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, building class, size, and transaction date. Market rent will be estimated for the subject's proposed office and supporting retail space.

### Office Space Rental Analysis

Comparable rentals considered most relevant to analyze the subject's office space are summarized below.

Summary of Comparable Rentals - Office										
No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	TI/SF	Lease Type
1	500 Terry Francois 500 Terry Francois Blvd. San Francisco San Francisco County CA	Yr Blt. 2008 Stories: 6 RA: 280,848 Parking Ratio: 1.0 /1,000	Wix.com	34,459	Apr-21	120	\$84.00	Fixed	\$25.00	Triple Net
<i>Comments: Lease renewal; tenant received three months of free rent and a \$25 psf TI allowance. Starting rent is \$84 psf on a triple net basis. Tenant operating expenses are estimated at \$25 per square foot.</i>										
2	The Beacon 260-298 King St. San Francisco San Francisco County CA	Yr Blt. 2003 Stories: 15 RA: 540,000 Parking Ratio: 1.9 /1,000	Lob.com	24,950	Jul-20	40	\$92.00	Fixed	\$0.00	Modified Gross
<i>Comments: Sublease of ground floor of the Beacon. Sublease was executed in May of 2020 and commenced in July 2020. Rental rate has annual 3% escalations and an industrial gross expense structure.</i>										
3	144 Townsend Street 144 Townsend St. San Francisco San Francisco County CA	Yr Blt. 1922 Stories: 3 RA: 45,000 Parking Ratio: –	User Testing	45,000	Jun-20	63	\$84.00	Fixed	\$0.00	Full Service
<i>Comments: Sublease of entire building, executed post-COVID. The commencement date is unknown. Building was delivered as is with no TI; however, the tenant was given 6 months of half-rent. FF&amp;E was also included.</i>										
4	625 2nd St. 625 2nd St. San Francisco San Francisco County CA	Yr Blt. 1905 Stories: 4 RA: 134,847 Parking Ratio: 0.7 /1,000	GitHub	35,330	May-20	62	\$74.00	Fixed	\$20.00	Modified Gross
<i>Comments: Renewal of office space in a building located at the corner of Brannan St. and 2nd St. in the China Basin area of San Francisco. Tenant is GitHub which was acquired by Microsoft in 2018.</i>										
5	139 Townsend St. 139 Townsend St. San Francisco San Francisco County CA	Yr Blt. 1909 Stories: 5 RA: 58,452 Parking Ratio: 0.1 /1,000	Wilson, Sonsini, Goodrich	19,790	May-20	88	\$90.00	Fixed	\$40.00	Modified Gross
<i>Comments: Renewal of office space in a building located along Townsend St. in the China Basin area of San Francisco.</i>										
6	275 Brannan Street 275 Brannan San Francisco San Francisco County CA	Yr Blt. 1909 Stories: – RA: 54,763 Parking Ratio: –	Github	57,120	Apr-20	108	\$92.50	Fixed	\$20.00	Full Service
<i>Comments: Renewal of Office space in an office building located at the corner of Brannan and Colin P. Kelly Jr. St. in the China Basin area of San Francisco.</i>										

## Comparable Rentals Map – Office Space





Lease 1  
500 Terry Francois Boulevard



Lease 2  
The Beacon



Lease 3  
144 Townsend Street



Lease 4  
625 2nd St.



Lease 5  
139 Townsend St.



Lease 6  
275 Brannan Street

### Rental Analysis Factors

The following elements of comparison are considered in our analysis of the comparable rentals.

<b>Rental Analysis Factors</b>	
Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

The comparables vary in expense structure, with the properties reflecting a mix of triple net, modified gross, and full service leases. Triple net leases are common in the subject's submarket and Visa's lease in Building G also reportedly includes a triple net expense structure. Therefore, we have adjusted comparables to reflect triple net leases, in which the landlord is only responsible for management. A summary of expense responsibilities is presented on the following page.

**Subject Expense Structures**

Space Type Lease Type	Office		Retail	
	Triple Net		Triple Net	
	Owner	Tenant	Owner	Tenant
Real Estate Taxes		x		x
Insurance		x		x
Utilities		x		x
Repairs/Maintenance		x		x
Cleaning/Janitorial		x		x
Grounds		x		x
Security		x		x
General/Administrative Management	x	x	x	x
Base Development Tax - Office		x		NA
Base Contingent Special Services Tax - Office		x		NA
Base Special Tax - Office		x		NA
Shoreline Special Tax - Office		x		NA
Ground Lease		x		x

As will be discussed in further detail later in this report, the subject's office space is subject to various special taxes in relation to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). It is assumed the tenant will reimburse for these expenses. This is also consistent with the Visa lease on Block G. Retail space is not subject to any special taxes. The subject ground lease payments are also assumed to be reimbursed by the tenants. The ground lease and special taxes will be detailed in the expense section of this analysis. However, based on conversations with the developer and market participants, it is our belief the subject's triple net expenses do not vastly exceed its competitors.

**Analysis of Comparable Rentals – Office Space**

The comparable rentals are compared to the subject and adjusted to account for material differences that affect market rental value. The following table summarizes our analysis of each comparable. An effort was made to select comparables commencing after the onset of the pandemic. Comparables 2 and 3, in particular, reflect new subleases executed post COVID-19. Comparables 4, 5, and 6 reflect lease renewals. Although Comparable 1 commenced in April 2021, the lease was executed prior to the onset of the pandemic.



**Rental Analysis Summary - Office**

Property Name; No. Tenant				Overall Comparison to Subject	Comments
1	500 Terry Francois Boulevard Wix.com	Leased SF 34,459	Rent/SF \$84.00	Slightly Inferior	Constructed in 2008. Subject will reflect new construction.
2	The Beacon Lob.com	24,950	\$92.00	Similar	Adjusted downward for modified gross expense structure. Adjusted upward for age/condition.
3	144 Townsend Street User Testing	45,000	\$84.00	Superior	Adjusted downward for full service expense structure. This is offset by the older effective
4	625 2nd St. GitHub	35,330	\$74.00	Inferior	Adjusted downward for modified gross expense structure. This is offset by the significantly older effective age.
5	139 Townsend St. Wilson, Sonsini, Goodrich & Rosati	19,790	\$90.00	Similar	Adjusted downward for modified gross expense structure but upward for effective age. This is also one of the smaller comparables, at under 20,000 SF, which suggests a higher rent.
6	275 Brannan Street Github	57,120	\$92.50	Superior	Adjusted downward for full service expense structure; somewhat offset by significantly older effective age.

Market rent is the rental income that a property would most probably command in the marketplace. A number of comparable office properties within the subject's market area were surveyed in order to determine market rent. The comparable properties presented above are considered the most similar to the subject that we could accurately confirm.

In addition to expense structure, factors considered when adjusting the comparables consisted of lease conditions, market conditions, and differences in physical characteristics. In equating the comparables to the subject, all are considered reasonable indicators of market rent. The subject improvements will reflect highly amenitized new construction, making them superior to many of the comparables with older effective ages. After analysis, the comparables indicate that a rental rate of \$82.00 per square foot per year, triple net, is applicable to the subject's office space. This rental rate is also considered reasonable for the subject's life sciences build out, though the tenant improvement allowance for this space is expected to be higher than general office space.

### Retail Space Rental Analysis

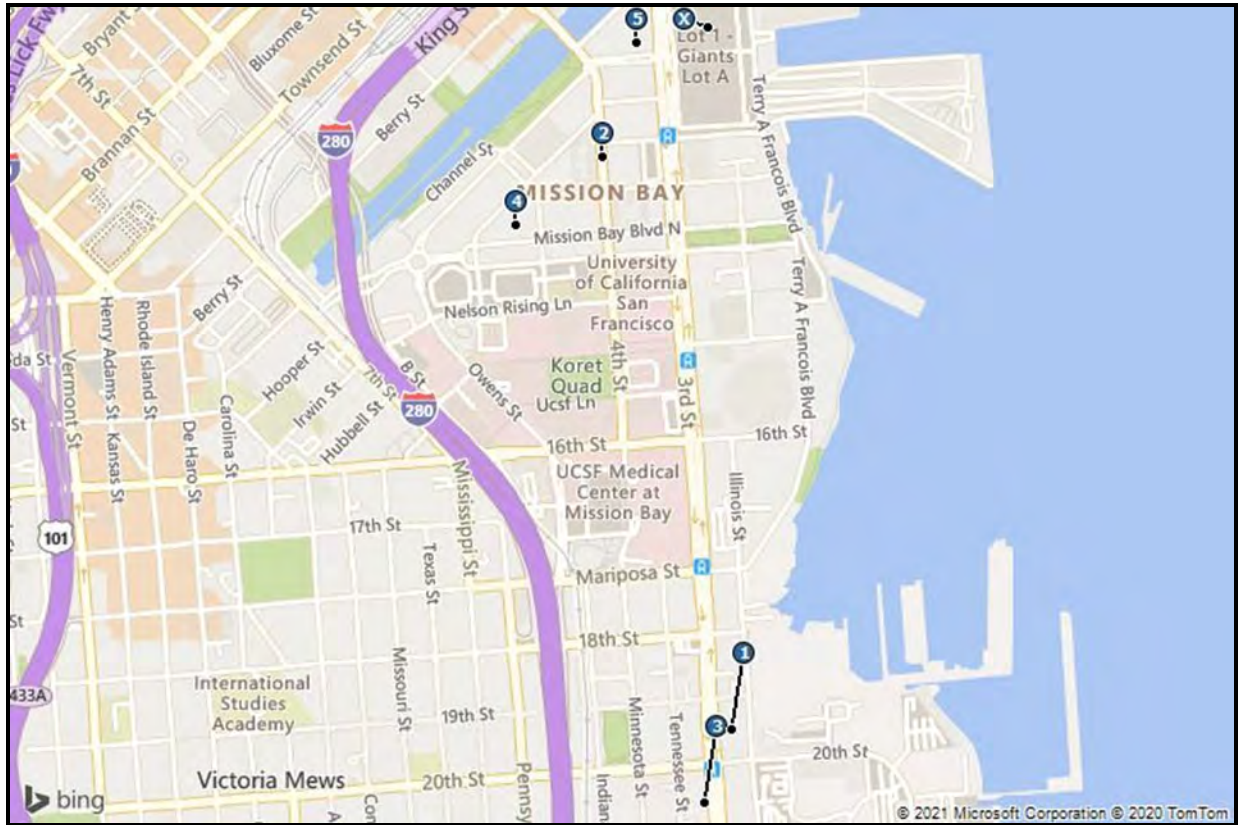
Though the majority of the subject's commercial improvements will feature office space, each improvement also offers a retail component. Comparable rentals considered most relevant to the subject's retail space are summarized in the following table.

**Summary of Comparable Rentals - Retail**

No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	Lease Type
1	Potrero Launch 2235 3rd St. San Francisco San Francisco County CA	Yr Blt. 2012 Stories: 4 RA: 242,185 Parking Ratio: –	Not Disclosed	1,840	Jul-21	–	\$52.00	Fixed	Modified Gross
<i>Comments: New lease for ground floor commercial suite in the Potrero Launch mixed-use apartment/commercial building.</i>									
2	1180 4th Street 1180 4th St. San Francisco San Francisco County CA	Yr Blt. 2014 Stories: 6 RA: 143,269 Parking Ratio: 0.3 /1,000	Curo Pet	3,400	Sep-20	120	\$39.00	None	Triple Net
<i>Comments: Ground floor commercial suite within the 1180 4th Street mixed-use LIHTC apartment/retail building. Lease includes two 5-year options. Escalations, concessions, and TI allowance not reported.</i>									
3	2360-2364 2360-2364 3rd St. San Francisco San Francisco County CA	Yr Blt. 1939 Stories: 2 RA: 9,522 Parking Ratio: –	Translation	2,550	Aug-19	30	\$52.50	None	Modified Gross
<i>Comments: This is a lease renewal for 2,550 SF of retail space. Tenant received no free rent and no TI allowance.</i>									
4	MB360 701 China Basin St. San Francisco San Francisco County CA	Yr Blt. 2015 Stories: 6 RA: 379,080 Parking Ratio: –	Healthy Spot	2,495	May-18	120	\$45.00	Fixed	Triple Net
<i>Comments: New ten-year lease with 3% annual escalations. Tenant received a \$75 psf TI allowance.</i>									
5	One Mission Bay 1000 Third St. and 110 San Francisco San Francisco County CA	Yr Blt. 2018 Stories: 6 RA: 382,279 Parking Ratio: 0.9 /1,000	Little Creatures Brewery	6,400	May-18	120	\$48.00	Fixed	Triple Net
<i>Comments: Ten-year lease of newly constructed space within One Mission Bay. Tenant received a \$140 psf TI allowance. Tenant's NNN reimbursements are estimated at \$14 per square foot.</i>									

As Mission Bay leases with commencement dates post-onset of the pandemic are limited, market trends will be presented at the end of this analysis for further support for the above comparables.

## Comparable Rentals Map – Retail Space







Lease 1  
Potrero Launch



Lease 2  
1180 4th Street



Lease 3  
2360-2364



Lease 4  
MB360



Lease 5  
One Mission Bay

**Analysis of Comparable Rentals – Retail Space**

Our analysis of the comparable rentals is summarized in the following table.

<b>Rental Analysis Summary - Retail</b>					
No.	Property Name;	Leased SF	Rent/SF	Overall	Comments
1	Potrero Launch Not Disclosed	1,840	\$52.00	Superior	Adjusted downward for modified gross expense structure and upward for effective age.
2	1180 4th Street Curo Pet	3,400	\$39.00	Inferior	Adjusted upward for effective age.
3	2360-2364 Translation	2,550	\$52.50	Similar	Adjusted downward for modified gross expense structure and upward for inferior effective age.
4	MB360 Healthy Spot	2,495	\$45.00	Inferior	Property constructed in 2015, while the subject will reflect new construction; adjusted upward for effective age.
5	One Mission Bay Little Creatures Brewery	6,400	\$48.00	Similar	The 2018 construction date makes it most similar to the subject in terms of effective age.

After analysis, the comparables indicate that a rental rate of \$50.00 per square foot per year, triple net, is applicable to the subject's retail space. For further support, the following table presents recent San Francisco retail rental rates and forecasts over the next five years from REIS.

<b>San Francisco Submarket Trends and Forecasts</b>					
Year	Vacancy (%)	Absorption (SF)	Effective Rent (\$/SF)	Effective Rental Rate (% Change)	Gross Revenue (\$/SF)
2019	3.6%	0	\$54.86	0.0%	\$58.22
2020	4.7%	-17,000	\$54.41	-0.8%	\$57.25
2021 Q2	8.4%	-53,000	\$53.91	-1.0%	\$55.07
2021	9.2%	-65,000	\$52.02	-4.4%	\$52.89
2022	7.1%	31,000	\$52.07	0.1%	\$54.03
2023	4.6%	37,000	\$53.00	1.8%	\$56.17
2024	3.9%	9,000	\$53.95	1.8%	\$57.43
2025	4.4%	-7,000	\$54.80	1.6%	\$57.94
2019 - 2020 Average	4.2%	-8,500	\$54.64	-0.4%	\$57.74

Source: Moody's Analytics REIS. Compiled by Integra Realty Resources, Inc.

### Market Rent Conclusions

Based on the preceding analysis of comparable rentals, we conclude market lease terms for the subject as follows.

#### Concluded Market Lease Terms

Space Type	Market Rent	Measure	Rent Escalations	Lease Type	Lease Term (Mos.)
Office	\$82.00	\$/SF/Yr	3% annually	Triple Net	60
Retail	\$50.00	\$/SF/Yr	3% annually	Triple Net	36

### Stabilized Income and Expenses – Block B

#### Potential Gross Rent

Potential gross rent is based on market rents, as shown in the following table. Income is projected for the 12-month period following the effective date of the appraisal.

#### Potential Gross Rent - Block B

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Office	274,005	\$82.00	\$22,468,410
Retail	20,101	\$50.00	\$1,005,050
Total Subject	294,106	\$79.81	\$23,473,460

#### Expense Reimbursements

Reimbursement income is based upon a triple net expense structure that requires tenants to reimburse the owner for all operating expenses except management.

#### Vacancy & Collection Loss

Please refer to the *Office and Retail Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Although the overall San Francisco office market continues to be influenced by the pandemic, the severity of the impact varies by asset class; the subject property is will offer highly amenitized, newly constructed, Class A office space which is expected to outperform metrics for the overall market. As discussed, Block G is 100% pre-leased to Visa, which is a credit tenant. This leasing activity is expected to positively impact other proposed office improvements at the subject. The developer indicates conversations with the potential tenants have continued throughout the course of the pandemic, and the developer is adapting Block B space to cater to life science users. In addition, the San Francisco office market is subject to Proposition M, which limits the amount of office space that may be constructed each year. This creates supply constraints; as such, new construction typically comes online preleased. Based on the current market for office and mixed use office/retail properties in the subject's area, and the expected impact of the Visa lease, a stabilized

vacancy and collection loss factor is estimated at 5.0%. This will be deducted from potential gross income to account for potential vacancy and credit/collection loss.

### Expenses

To estimate pro forma operating expenses for the subject property, we considered expense data from comparable properties throughout San Francisco. Note that a replacement reserve expense has not been estimated for the subject property, since the overall capitalization rates extracted from the sales data did not include this as an expense. Management is estimated at 2% of effective gross income.

Additionally, for property taxes we have calculated the taxes by applying the subject's tax rate to the market value estimate via the income capitalization approach. The premise is that taxes would be reassessed upon the sale of the property.

As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office (and multifamily residential) land uses. The subject property is encumbered with special taxes due to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), which office tenants are expected to reimburse.

In addition, the subject is encumbered with a ground lease. According to the developer, the ground lease payments for Phase 1a parcels have been pre-paid as part of the transfer of the leasehold interest from the Port of San Francisco/master developer to the vertical developer. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1a blocks. However, ground lease rent will be considered for blocks in Phases 2, 3, and 4 in accordance with the allocation below.

<b>Ground Lease Allocation</b>							
<b>Block</b>	<b>Phase</b>	<b>Tax</b>	<b>Acreage</b>	<b>Square Feet</b>	<b>% of Land</b>	<b>Ground Lease Rent</b>	
A	1a	1	0.96	41,818	10.1%	\$218,013	Prepaid
B	1a	1	0.93	40,511	9.8%	\$211,200	Prepaid
F	1a	1	0.58	25,265	6.1%	\$131,716	Prepaid
G	1a	1	0.78	33,977	8.2%	\$177,136	Prepaid
C	2	2	0.90	39,204	9.4%	\$204,387	
D1	2	2	0.58	25,265	6.1%	\$131,716	
E	3	2	0.58	25,265	6.1%	\$131,716	
H	4	2	0.72	31,363	7.6%	\$163,510	
I	4	2	0.75	32,670	7.9%	\$170,323	
J	4	2	0.72	31,363	7.6%	\$163,510	
K	4	2	0.41	17,860	4.3%	\$93,110	
D2	2	2	1.62	70,567	17.0%	\$367,897	
<b>Totals</b>			<b>9.53</b>	<b>415,127</b>	<b>100%</b>	<b>\$2,164,236</b>	
<b>Total Ground Lease Rent less D2</b>						<b>\$1,796,339</b>	

This analysis is concerned with Block B. The expense comparables and our operating expense conclusions for the subject are presented in the following tables.

### Operating History and Projections - Block B

	IRR Projection
<b>Income</b>	
Base Rent	\$23,473,460
Expense Reimbursements	9,851,912
Potential Gross Income*	\$33,325,372
Vacancy & Collection Loss @ 5.0%	-1,666,269
Effective Gross Income	\$31,659,103
<b>Expenses</b>	
Real Estate Taxes	\$5,342,375
Ad Valorem Tax - Base Development Tax Offset	-1,793,381
Insurance	352,927
Utilities	808,792
Repairs/Maintenance	735,265
Cleaning/Janitorial	367,633
Grounds	88,232
Security	147,053
General/Administrative	588,212
Management	633,182
Base Development Tax - Office	1,793,381
Base Contingent Special Services Tax - Office	389,831
Base Special Tax - Office	530,382
Shoreline Special Tax - Office	501,211
Ground Lease	0
Total Expenses	\$10,485,094
<b>Net Operating Income</b>	<b>\$21,174,009</b>
Operating Expense Ratio	33.1%

\*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss.  
Historical income is the actual income that has been collected by the property owner.

As discussed, the “Base Development Tax – Office” is offset by the ad valorem taxes, and the ground lease has been pre-paid. The following page provides expense comparables in San Francisco.

**Expense Analysis per Square Foot**

	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	1982, 1986		1972		1908	2022
SF	207,317	138,393	218,669	68,036	148,199	294,106
Prevailing Lease Type	Full Service					Triple Net
	Pro-forma					
Operating Data Type	Owner	In Place	In Place	In Place	Trailing-12	
Year	2020	2019	2019	2019	2020	IRR Projection
Real Estate Taxes	\$1.70	\$10.19	\$3.96	\$1.32	\$4.18	\$18.16
Ad Valorem Tax - Base Development Tax Offset	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$6.10
Insurance	\$0.00	\$1.16	\$2.38	\$0.58	\$0.83	\$1.20
Utilities	\$2.94	\$3.57	\$1.19	\$3.10	\$2.42	\$2.75
Repairs/Maintenance	\$2.84	\$3.32	\$5.33	\$1.39	\$6.99	\$2.50
Cleaning/Janitorial	\$1.02	\$1.57	\$1.34	\$0.98	\$2.62	\$1.25
Grounds	\$0.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.30
Security	\$0.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.50
General/Administrative	\$0.83	\$5.59	\$6.69	\$1.43	\$8.43	\$2.00
Management	\$2.94	\$2.44	\$2.04	\$1.29	\$3.19	\$2.15
Base Development Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6.10
Base Contingent Special Services Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.33
Base Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.80
Shoreline Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.70
Ground Lease	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$13.25</b>	<b>\$27.83</b>	<b>\$22.93</b>	<b>\$10.09</b>	<b>\$28.65</b>	<b>\$35.65</b>
Operating Expense Ratio	42.5%	34.3%	33.8%	31.3%	36.0%	33.1%

The comparables are not encumbered by special taxes specific to the Special Tax District and are also not subject to ground lease payments. However, the most prominent difference in expenses between the subject and comparables is the higher ad valorem taxes associated with the subject. This is because the definition of market value assumes a sale, and our tax projection for the subject is based upon the market value conclusion. The majority of expense comparables have not transferred recently.

## Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We have compiled capitalization rate information for a variety of office properties in San Francisco that were leased at the time of sale, many of which also include ground floor retail. Information from the overall capitalization rate comparables is presented in the following table.



**Capitalization Rate Comparables**

No.	Property Name	Year Built	Sale Date	Rentable Area	% Occup.	Effective Price/SF	Cap Rate
1	634 2nd St.	1927	12/16/2020	46,759	100%	\$1,176.24	5.50%
2	510 Townsend Street	2017	11/23/2020	295,333	100%	\$1,231.49	4.90%
3	Townsend Building	1903	7/10/2020	137,625	100%	\$1,017.26	5.20%
4	400 Montgomery	1901	8/13/2019	84,602	92%	\$916.05	5.75%
5	255 California Street	1959	6/6/2019	195,192	91%	\$832.51	4.00%
6	808 Brannan St.	1930	4/30/2019	61,000	100%	\$983.61	5.50%
7	260 Townsend Street	1984	3/18/2019	66,682	100%	\$989.77	5.30%
Average (Mean) Cap Rate:							5.16%

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality were taken into account when equating sales and rent comparables to the subject in order to determine market value. The same is true when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

The subject's office improvements will reflect new construction and Block G is already pre-leased to a National credit-rated tenant. The subject is expected to fall toward the middle of the comparable range. With the exception of Comparable 6, which is based upon appraiser estimate of market rent and expenses, all cap rate comparables are based upon income in place.

Recent conversations with local brokers indicate capitalization rates are beginning to show downward movement as the economy stabilizes. Rates are returning to their pre-COVID levels of 5.00% to 5.25%, though properties were trading in the 5.75% to 6.00% range during the pandemic. The best-located office/commercial properties with credit tenants are expected to trade in the mid- to high-4.00% range, while well-maintained and well-located buildings with local tenant profiles will trade in the low 5.00% range.

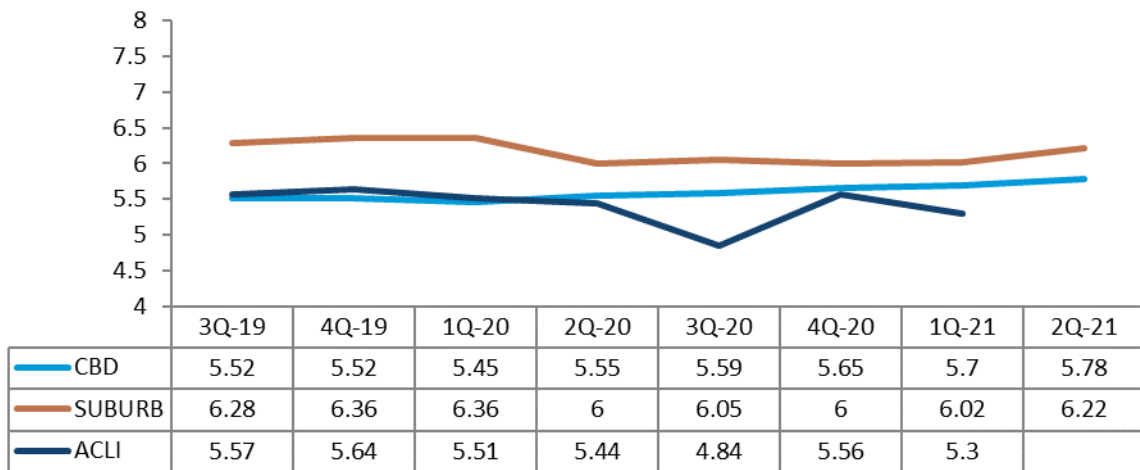
To determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys and conducted a band of analysis, presented below and on the following page.

### Capitalization Rate Surveys – Office Properties

	IRR-ViewPoint National CBD Office	IRR-ViewPoint National Suburban Office	PwC 2Q-21 National CBD Office	PwC 2Q-21 National Suburban Office	ACLI 1Q-21 National Office
Range	5.00% - 11.00%	5.50% - 9.75%	4.25% - 8.00%	4.00% - 9.00%	NA
Average	7.31%	7.54%	5.78%	6.22%	5.30%

Source: IRR-Viewpoint 2021; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

### Office Capitalization Rate Trends



CBD - PwC Real Estate Investor Survey - National CBD Office Market

SUBURB - PwC Real Estate Investor Survey - National Suburban Office Market

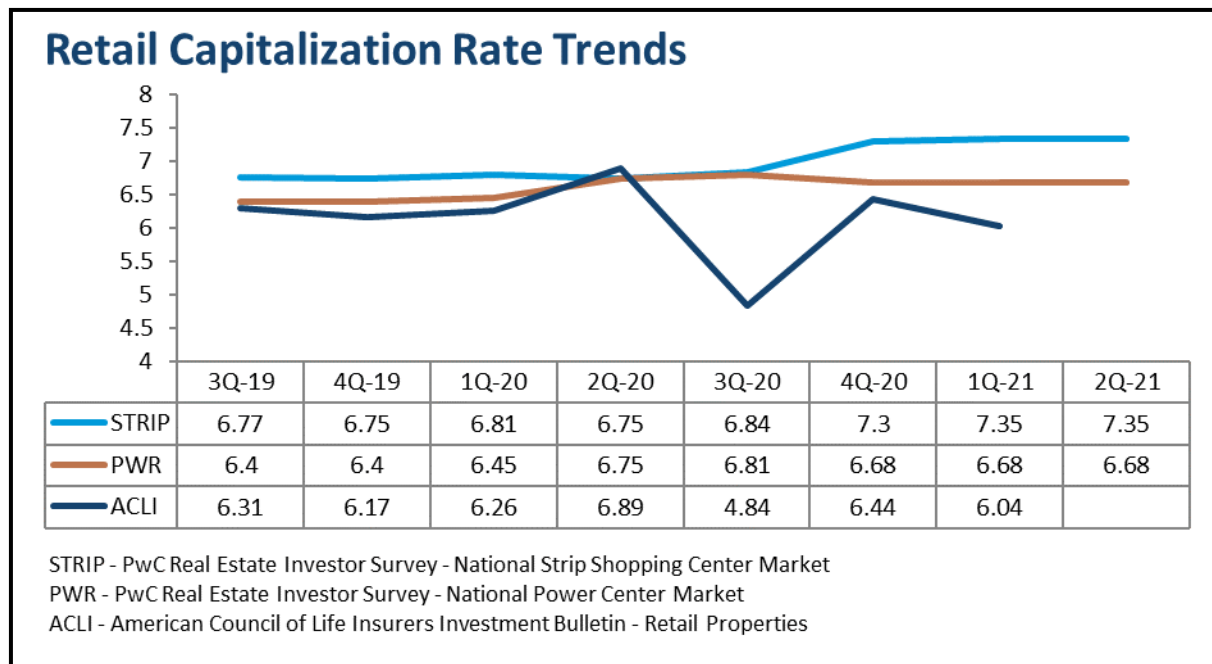
ACLI - American Council of Life Insurers Investment Bulletin - Office Properties

### Capitalization Rate Surveys – Retail Properties

	IRR-ViewPoint Natl Neighborhood Retail	IRR-ViewPoint Natl Community Retail Center	PwC 2Q-21 National Strip Shopping Center	PwC 2Q-21 National Power Center	ACLI 1Q-21 National Retail
Range	5.25% - 9.50%	5.00% - 8.50%	5.00% - 10.00%	5.50% - 8.25%	NA
Average	7.31%	7.17%	7.35%	6.68%	6.04%

Source: IRR-Viewpoint 2021; PwC Real Estate Investor Survey; American Council of Life Insurers Investment





### Band of Investment

The band of investment method derives a capitalization rate from the weighted average of the mortgage and equity demands on net income generated from the property. This method involves an estimate of typical financing terms as well as an estimated rate of return on equity capital sufficient to attract investors. The rate indicated by this method is shown in the following table.

#### Band of Investment Method

##### Mortgage/Equity Assumptions

Loan To Value Ratio	65%
Interest Rate	3.50%
Amortization (Years)	30
Mortgage Constant	0.0539
Equity Ratio	35%
Equity Dividend Rate	4.50%

##### Weighted Average of Mortgage and Equity Requirements

Mortgage Requirement	65%	x	5.39% =	3.50%
Equity Requirement	35%	x	4.50% =	1.58%

<b>Indicated Capitalization Rate</b>	<b>5.08%</b>
<b>Rounded</b>	<b>5.10%</b>

To reach a capitalization rate conclusion, we consider each of the following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.

Risk Factor	Issues	Impact on Rate
Income Characteristics	Rollover risk, escalation pattern, above/below market rents, major tenant credit strength. Market rent is assumed in this analysis.	↔
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new, highly amenitized, good-quality construction within Mission Bay.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject is located Mission Bay which has been the focus of significant redevelopment activity in recent years. In addition, the subject has good interstate access and reasonably good access to public transit.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. The pre-lease of Block G office space to Visa is a positive indicator for the subject. The local office market continues to be impacted by the pandemic; however, demand remains for highly desirable Class A properties like the subject.	↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject proposal is consistent with the highest and use of the property.	↔
Overall Impact		↔

As discussed, life sciences inventory remains extremely constrained in San Francisco. Demand for life sciences space increased over the course of the pandemic, and there are examples of users converting general office space into life sciences space, when feasible. Bay Area research institutions such as UCSF, Berkeley, and Stanford will continue to drive demand. Under current market conditions, the risk associated with life science investments is lower than general office space, thus driving down cap rates. Accordingly, we conclude capitalization rates as follows for the subject:

Capitalization Rate Conclusion		
	Life Science	General Office
Going-In Capitalization Rate	4.75%	5.00%

## Direct Capitalization Analysis – Block B

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

Direct Capitalization Analysis - Block B						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	24,005	Office	Market	\$82.00	\$1,968,410	–
Vacant	20,101	Retail	Market	\$50.00	\$1,005,050	–
Potential Gross Rent	294,106				\$23,473,460	\$79.81
Expense Reimbursements					\$9,851,912	\$33.50
Potential Gross Income					\$33,325,372	\$113.31
Vacancy & Collection Loss	5.00%				-\$1,666,269	-\$5.67
Effective Gross Income					\$31,659,103	\$107.65
<b>Expenses</b>						
Real Estate Taxes					\$5,342,375	\$18.16
Ad Valorem Tax - Base Development Tax Offset					-\$1,793,381	-\$6.10
Insurance					\$352,927	\$1.20
Utilities					\$808,792	\$2.75
Repairs/Maintenance					\$735,265	\$2.50
Cleaning/Janitorial					\$367,633	\$1.25
Grounds					\$88,232	\$0.30
Security					\$147,053	\$0.50
General/Administrative					\$588,212	\$2.00
Management	2.00%				\$633,182	\$2.15
Base Development Tax - Office					\$1,793,381	\$6.10
Base Contingent Special Services Tax - Office					\$389,831	\$1.33
Base Special Tax - Office					\$530,382	\$1.80
Shoreline Special Tax - Office					\$501,211	\$1.70
Total Expenses					\$10,485,094	\$35.65
<b>Net Operating Income</b>					<b>\$21,174,009</b>	<b>\$71.99</b>
Capitalization Rate					4.75%	
<b>Indicated Value</b>					<b>\$445,768,618</b>	<b>\$1,515.67</b>
<b>Rounded</b>					<b>\$445,800,000</b>	<b>\$1,515.78</b>

Lease-up costs for Block B will be considered in the upcoming extraction analysis. Please note, Special Taxes for the subject are calculated by applying the tax amount per square foot to the gross building area of each Block. The above table (and subsequent tables for other Blocks) divides the total Special Tax amounts by rentable square footage. As the gross and rentable square footages differ, the Special Taxes per rentable square foot reported above are different than the Special Taxes per gross square foot presented in the Special Tax tables.

### Direct Capitalization Analysis – Blocks G, C, E, I, & J

The same methodology is utilized in the valuation of the proposed improvements, as if stabilized, for Blocks G, C, E, I, and J. A separate direct capitalization analysis is provided for each Block, as the value of the improvements is sensitive to the percentage of retail space planned.

Please note, because Block G is 100% pre-leased on a triple net basis to Visa (a credit tenant), a 2% vacancy and collection loss is assumed for Block G. However, as the terms of the lease were not disclosed, we have applied market rent to Block G.

Consistent with Block B, a 5% vacancy and collection loss is assumed for the remaining office improvements. In addition, we have assumed the improvements will be leased to multiple tenants, though it is possible the office space could be leased to a single tenant similar to Block G.

### Direct Capitalization Analysis – Block G

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

Direct Capitalization Analysis - Block G						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Pre-leased - Market Applied	302,920	Office	Market	\$82.00	\$24,839,440	–
Vacant	18,435	Retail	Market	\$50.00	\$921,750	–
Potential Gross Rent	321,355				\$25,761,190	\$80.16
Expense Reimbursements					\$10,758,368	\$33.48
Potential Gross Income					\$36,519,558	\$113.64
Vacancy & Collection Loss	2.00%				-\$730,391	-\$2.27
Effective Gross Income					\$35,789,167	\$111.37
<b>Expenses</b>						
Real Estate Taxes					\$5,828,133	\$18.14
Ad Valorem Tax - Base Development Tax Offset					-\$1,963,183	-\$6.11
Insurance					\$385,626	\$1.20
Utilities					\$883,726	\$2.75
Repairs/Maintenance					\$803,388	\$2.50
Cleaning/Janitorial					\$401,694	\$1.25
Grounds					\$96,407	\$0.30
Security					\$160,678	\$0.50
General/Administrative					\$642,710	\$2.00
Management	2.00%				\$715,783	\$2.23
Base Development Tax - Office					\$1,963,183	\$6.11
Base Contingent Special Services Tax - Office					\$426,741	\$1.33
Base Special Tax - Office					\$580,600	\$1.81
Shoreline Special Tax - Office					\$548,667	\$1.71
Total Expenses					\$11,474,151	\$35.71
<b>Net Operating Income</b>					<b>\$24,315,015</b>	<b>\$75.66</b>
Capitalization Rate					5.00%	
<b>Indicated Value</b>					<b>\$486,300,310</b>	<b>\$1,513.28</b>
<b>Rounded</b>					<b>\$486,300,000</b>	<b>\$1,513.28</b>

**Direct Capitalization Analysis – Block C****Direct Capitalization Analysis - Block C**

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,013	Office	Market	\$82.00	\$4,101,066	–
Vacant	29,975	Retail	Market	\$50.00	\$1,498,750	–
Potential Gross Rent	329,988				\$26,099,816	\$79.09
Expense Reimbursements					\$11,212,666	\$33.98
Potential Gross Income					\$37,312,482	\$113.07
Vacancy & Collection Loss	5.00%				-\$1,865,624	-\$5.65
Effective Gross Income					\$35,446,858	\$107.42
<b>Expenses</b>						
Real Estate Taxes					\$5,638,833	\$17.09
Ad Valorem Tax - Base Development Tax Offset					-\$2,194,788	-\$6.65
Insurance					\$395,986	\$1.20
Utilities					\$907,467	\$2.75
Repairs/Maintenance					\$989,964	\$3.00
Cleaning/Janitorial					\$412,485	\$1.25
Grounds					\$98,996	\$0.30
Security					\$164,994	\$0.50
General/Administrative					\$659,976	\$2.00
Management	2.00%				\$708,937	\$2.15
Base Development Tax - Office					\$2,194,788	\$6.65
Base Contingent Special Services Tax - Office					\$477,086	\$1.45
Base Special Tax - Office					\$649,096	\$1.97
Total Expenses					\$11,921,603	\$36.13
<b>Net Operating Income</b>					<b>\$23,525,255</b>	<b>\$71.29</b>
Capitalization Rate					5.00%	
<b>Indicated Value</b>					<b>\$470,505,095</b>	<b>\$1,425.82</b>
<b>Rounded</b>					<b>\$470,500,000</b>	<b>\$1,425.81</b>

**Direct Capitalization Analysis – Block E****Direct Capitalization Analysis - Block E**

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	15,542	Office	Market	\$82.00	\$1,274,444	–
Vacant	15,895	Retail	Market	\$50.00	\$794,750	–
Potential Gross Rent	131,437				\$10,269,194	\$78.13
Expense Reimbursements					\$4,475,197	\$34.05
Potential Gross Income					\$14,744,391	\$112.18
Vacancy & Collection Loss	5.00%				-\$737,220	-\$5.61
Effective Gross Income					\$14,007,171	\$106.57
<b>Expenses</b>						
Real Estate Taxes					\$2,217,597	\$16.87
Ad Valorem Tax - Base Development Tax Offset					-\$858,039	-\$6.53
Insurance					\$157,724	\$1.20
Utilities					\$361,452	\$2.75
Repairs/Maintenance					\$394,311	\$3.00
Cleaning/Janitorial					\$164,296	\$1.25
Grounds					\$39,431	\$0.30
Security					\$65,719	\$0.50
General/Administrative					\$262,874	\$2.00
Management	2.00%				\$280,143	\$2.13
Base Development Tax - Office					\$858,039	\$6.53
Base Contingent Special Services Tax - Office					\$186,514	\$1.42
Base Special Tax - Office					\$253,760	\$1.93
Shoreline Special Tax - Office					\$239,803	\$1.82
Ground Lease					\$131,716	\$1.00
Total Expenses					\$4,755,340	\$36.18
<b>Net Operating Income</b>					<b>\$9,251,831</b>	<b>\$70.39</b>
Capitalization Rate					5.00%	
<b>Indicated Value</b>					\$185,036,621	\$1,407.80
<b>Rounded</b>					<b>\$185,000,000</b>	<b>\$1,407.52</b>

**Direct Capitalization Analysis – Block I****Direct Capitalization Analysis - Block I**

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	19,320	Office	Market	\$82.00	\$1,584,240	–
Vacant	21,977	Retail	Market	\$50.00	\$1,098,850	–
Potential Gross Rent	141,297				\$10,883,090	\$77.02
Expense Reimbursements					\$4,781,384	\$33.84
Potential Gross Income					\$15,664,474	\$110.86
Vacancy & Collection Loss	5.00%				-\$783,224	-\$5.54
Effective Gross Income					\$14,881,250	\$105.32
<b>Expenses</b>						
Real Estate Taxes					\$2,349,526	\$16.63
Ad Valorem Tax - Base Development Tax					-\$892,345	-\$6.32
Insurance					\$169,556	\$1.20
Utilities					\$388,567	\$2.75
Repairs/Maintenance					\$423,891	\$3.00
Cleaning/Janitorial					\$176,621	\$1.25
Grounds					\$42,389	\$0.30
Security					\$70,649	\$0.50
General/Administrative					\$282,594	\$2.00
Management	2.00%				\$297,625	\$2.11
Base Development Tax - Office					\$892,345	\$6.32
Base Contingent Special Services Tax - Office					\$193,971	\$1.37
Base Special Tax - Office					\$263,906	\$1.87
Shoreline Special Tax - Office					\$249,391	\$1.77
Ground Lease					\$170,323	\$1.21
Total Expenses					\$5,079,009	\$35.95
<b>Net Operating Income</b>					<b>\$9,802,241</b>	<b>\$69.37</b>
Capitalization Rate	5.00%					
<b>Indicated Value</b>					<b>\$196,044,826</b>	<b>\$1,387.47</b>
<b>Rounded</b>					<b>\$196,000,000</b>	<b>\$1,387.15</b>

**Direct Capitalization Analysis – Block J****Direct Capitalization Analysis - Block J**

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	18,820	Office	Market	\$82.00	\$1,543,240	–
Vacant	22,524	Retail	Market	\$50.00	\$1,126,200	–
Potential Gross Rent	141,344				\$10,869,440	\$76.90
Expense Reimbursements					\$4,769,837	\$33.75
Potential Gross Income					\$15,639,277	\$110.65
Vacancy & Collection Loss	5.00%				-\$781,964	-\$5.53
Effective Gross Income					\$14,857,313	\$105.11
<b>Expenses</b>						
Real Estate Taxes					\$2,346,671	\$16.60
Ad Valorem Tax - Base Development Tax					-\$889,322	-\$6.29
Insurance					\$169,613	\$1.20
Utilities					\$388,696	\$2.75
Repairs/Maintenance					\$424,032	\$3.00
Cleaning/Janitorial					\$176,680	\$1.25
Grounds					\$42,403	\$0.30
Security					\$70,672	\$0.50
General/Administrative					\$282,688	\$2.00
Management	2.00%				\$297,146	\$2.10
Base Development Tax - Office					\$889,322	\$6.29
Base Contingent Special Services Tax - Office					\$193,314	\$1.37
Base Special Tax - Office					\$263,012	\$1.86
Shoreline Special Tax - Office					\$248,546	\$1.76
Ground Lease					\$163,510	\$1.16
Total Expenses					\$5,066,983	\$35.85
Net Operating Income					\$9,790,330	\$69.27
Capitalization Rate	5.00%					
Indicated Value					\$195,806,598	\$1,385.32
Rounded					\$195,800,000	\$1,385.27

A summary of the market value, as if stabilized, of the subject improvements via the direct capitalization analyses is provided below.

**Summary of Direct Capitalization Analyses - Office Use**

Block	Value As If Stabilized	Gross Building Area	\$/SF	Rentable Building Area	\$/SF
B	\$445,800,000	283,700	\$1,571.38	294,106	\$1,515.78
G	\$486,300,000	307,058	\$1,583.74	321,355	\$1,513.28
C	\$470,500,000	354,826	\$1,326.00	329,988	\$1,425.81
E	\$185,000,000	141,330	\$1,308.99	131,437	\$1,407.52
I	\$196,000,000	151,932	\$1,290.05	141,297	\$1,387.15
J	\$195,800,000	151,982	\$1,288.31	141,344	\$1,385.27



As further support for our improved value conclusions, we have arrayed a series of 2020 office sales in and around the subject's submarket in San Francisco.

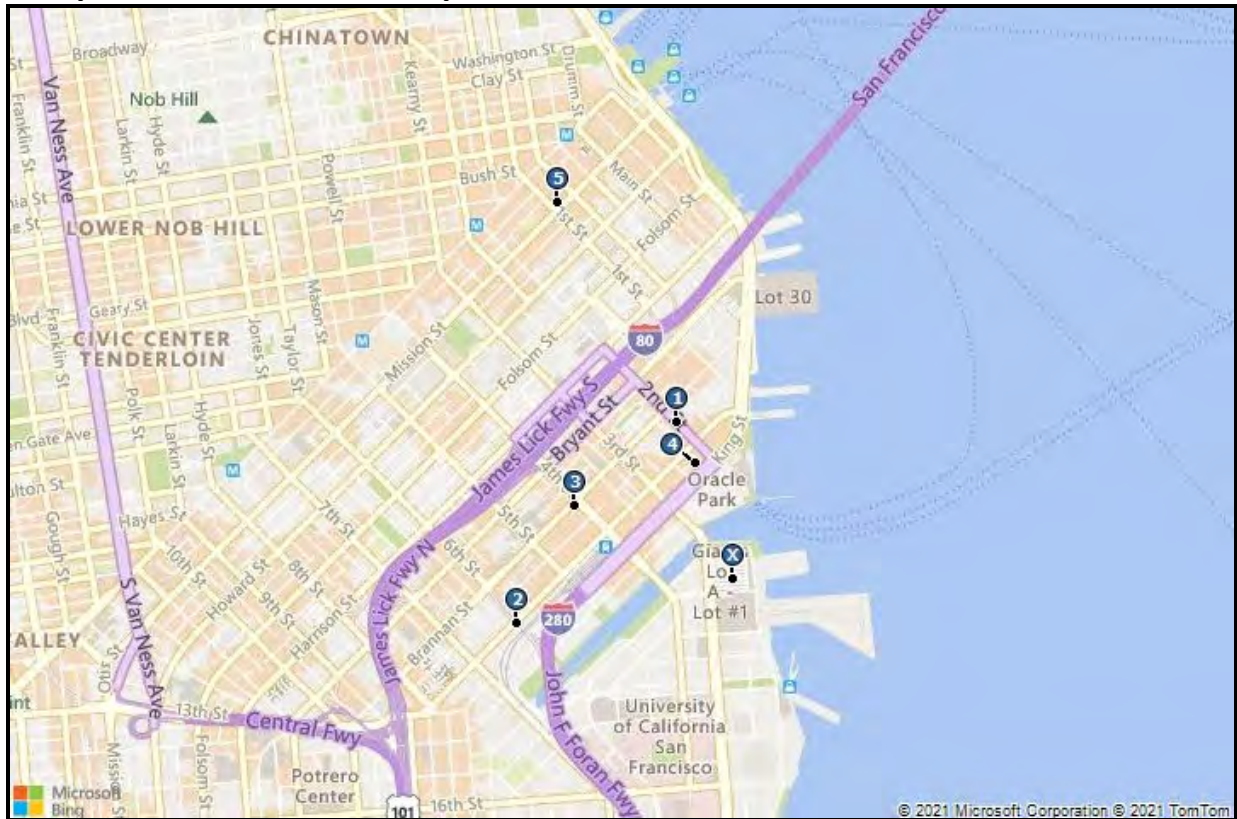
#### Analysis of Comparable Improved Sales - Office Use

No.	Name/Address	Rentable SF; % Occupied; Year Built	Sale Date; Status	Effective Sale Price	\$/SF	Prop. Rights	Notes
	Subject					Leasehold Interest	
1	634 2nd St. 634 2nd St. San Francisco San Francisco County, CA	46,759 100% 1927	Dec-20 Closed	\$55,000,000	\$1,176.24	Leased Fee	Property is located near the corner of Brannan Street and 2nd Street in the China Basin neighborhood. The three story improvement primarily consists of office space, with approximately 1,720 SF of ground floor retail along 2nd Street. The property was 100% leased at the time of sale.
2	510 Townsend Street 510 Townsend St. San Francisco San Francisco County, CA	295,333 100% 2017	Nov-20 Closed	\$363,700,000	\$1,231.49	Leased Fee	November 2020 sale of a single tenant Class A office property in SOMA. The property was 100% occupied by Stripe with 7 years remaining on the current lease term at time of sale. The landlord reported 100% collections since the onset of the pandemic. This property traded along with 505 Brannan Street, a single tenant Class A office building, 100% occupied by Pinterest. Both buildings were completed in 2017 and have LEED Platinum certifications. The blended capitalization rate for both assets was 4.9%.
3	505 Brannan Street 505 Brannan St. San Francisco San Francisco County, CA	148,146 100% 2017	Nov-20 Closed	\$196,500,000	\$1,326.39	Leased Fee	November 2020 sale of a single tenant Class A office property in SOMA. The property was 100% occupied by Pinterest with 12.4 years remaining on the current lease term at time of sale. The landlord reported 100% collections since the onset of the pandemic. This property traded along with 510 Townsend Street, a single tenant Class A office building, 100% occupied by Stripe. Both buildings were completed in 2017 and have LEED Platinum certifications. The blended capitalization rate for both assets was 4.9%.
4	Townsend Building 123 Townsend St. San Francisco San Francisco County, CA	137,625 100% 1903	Jul-20 Closed	\$140,000,000	\$1,017.26	Leased Fee	July 2020 sale of a renovated (2000) creative office building in the Ball Park area of SOMA. The building is directly across from the San Francisco Giants Oracle Park. The property was fully leased at time of sale, with credit tenant Paypal and its subsidiaries leasing approximately 77% of the NRA. The seller originally listed the property for sale in mid 2019 with pricing expected to reach as high as \$160 million (approx. \$1,160/SF). In early 2020, Alexandria Real Estate agreed to purchase the building for \$150 million (\$1,090/SF); however, in April 2020, Alexandria announced that it was walking away from the deal, citing near term economic concerns. Alexandria forfeited their \$10 million non refundable deposit. Subsequently, Manchester Capital agreed to sell the building to CBRE Global Investors for \$140 million (\$1,017/SF). Based on discussions with market participants familiar with the transaction, the building traded at a 5.20% cap rate.
5	450 Mission St. 450 Mission St. San Francisco San Francisco County, CA	73,385 100% 1920	Mar-20 Closed	\$145,000,000	\$1,975.88	Leased Fee	Property was purchased by Salesforce and is located across the street from Salesforce Tower, at 415 Mission Street, and adjacent to Salesforce West, at 50 Fremont Street. There are no immediate plans for redevelopment.

A map of the comparables is provided on the following page. The sales range from \$1,071.26 to \$1,975.88 per square foot, unadjusted, with an average of approximately \$1,345 per square foot.

The subject value conclusions range from approximately \$1,385 to \$1,515 per square foot, which reflects a tendency toward the middle to high end of the comparable range. This is to be expected, as the subject will reflect new construction upon completion and several of the comparables have older effective ages than the subject property.

### Comparable Office Sales Map



The subject's residential blocks will be valued next in the following direct capitalization approach.

## Income Capitalization Approach – Residential Use

The table summarizes blocks which will include for-rent multifamily residential space.

Residential Overview											
Block	Phase	Gross SF	Rentable SF	Gross Residential	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage	FAR
A*	1	284,432	214,135	284,432	214,135	283	181	102	36%	0.96	6.80
F	1	315,217	220,161	275,038	175,964	254	157	97	38%	0.58	12.48
D1	2	240,494	193,552	240,494	193,552	259	114	145	56%	0.58	9.52
H	4	200,315	162,256	180,499	140,458	192	128	64	33%	0.72	6.39
K	4	130,469	105,680	122,078	96,450	131	92	39	30%	0.41	7.31
						1,119	672	447	40%		

\* Gross SF excludes office/retail component

We were provided unit mix information for Blocks A and F, which are located in Phase 1a. Therefore, direct capitalization analyses will be conducted for these blocks.

Apartment Unit Mix - Blocks A & F			
Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	92	32.5%
	Two Bedroom	72	25.4%
	Three Bedroom	8	2.8%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

Unit mix details were not available for residential blocks in Phases 2 and 4. Because the market value as if stabilized is heavily influenced by the unit mix of market rate and below market rate units, it is difficult to conduct a credible direct capitalization analysis without additional detail. Therefore, rather than providing direct capitalization analyses for residential blocks in Phases 2 and 4, the value conclusions for Blocks A and F will be utilized in estimating the value of Blocks D, H, and K.

A direct capitalization analysis will be provided for Block A first, followed by Block F. Block A includes a mix of multifamily, office, and retail space, while Block F features multifamily and retail space.

### Apartment Unit Mix – Block A

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units. Please note, average square footage is reported for each of the subject's floor plans. There is a slight discrepancy between the sum of the total rentable square footage in the below table (214,116) and the total rentable square footage reported by the developer (214,135).

Unit Mix							
Unit Type	Units	% of Total	Avg. Unit Size	Total SF	Occupied Units	Vacant Units	% Occupied
Studio	9	3.2%	546	4,914	0	9	0%
One Bedroom / One Bath	97	34.3%	627	60,819	0	97	0%
Two Bedroom / Two Bath	62	21.9%	921	57,102	0	62	0%
Three Bedroom / Two Bath	13	4.6%	1,222	15,886	0	13	0%
Studio - BMR	8	2.8%	546	4,368	0	8	0%
One Bedroom / One Bath - BMR	58	20.5%	627	36,366	0	58	0%
Two Bedroom / Two Bath - BMR	31	11.0%	921	28,551	0	31	0%
Three Bedroom / Two Bath - BMR	5	1.8%	1,222	6,110	0	5	0%
TOTAL/AVG.	283	100.0%	757	214,116	0	283	0%

\*Includes employee and model units, as applicable.

As in the office valuation, lease up costs for the subject will be considered in the upcoming extraction analysis as part of the developer's costs. The following table allocates the subject's market and below market rate units.

Unit Mix - Market Rate vs. Restricted Units							
Unit Type	Unit Size	Total Subject		Market Rate Units		Restricted Units	
		Total Units	Vacant Units	Total	Vac.	Total	Vac.
Studio	546	9	9	9	9	-	-
One Bedroom / One Bath	627	97	97	97	97	-	-
Two Bedroom / Two Bath	921	62	62	62	62	-	-
Three Bedroom / Two Bath	1,222	13	13	13	13	-	-
Studio - BMR	546	8	8	-	-	8	8
One Bedroom / One Bath - BMR	627	58	58	-	-	58	58
Two Bedroom / Two Bath - BMR	921	31	31	-	-	31	31
Three Bedroom / Two Bath - BMR	1,222	5	5	-	-	5	5
TOTAL/AVG.	757	283	283	181	181	102	102

\*Includes employee and model units, as applicable

The table below includes the weighted average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.

### Average Unit Size - Market Rate Units

Unit Type	Average Unit Size	Total Units
Studio	546	9
One Bedroom / One Bath	627	97
Two Bedroom / Two Bath	921	62
Three Bedroom / Two Bath	1,222	13
TOTAL/AVG.	766	181

The following table depicts utility responsibilities. It is common in the local market for the tenant to reimburse for all utilities.

### Utilities Expenses

Tenant-Paid Utilities	Owner-Paid-Utilities
Water	None
Sewer	
Trash	
Gas	
In-Unit Electric	

### Apartment Market Rent Analysis – Block A

To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, building age, and quality. The majority of comparables are located within Mission Bay. However, given the scarcity of studio and three-bedroom comparables, it was also necessary to expand our search to the adjacent Dogpatch neighborhood. In addition, we have included new 2020 construction within the Potrero Hill neighborhood. The comparables are summarized in the table on the following page.

**Summary of Comparable Rentals**

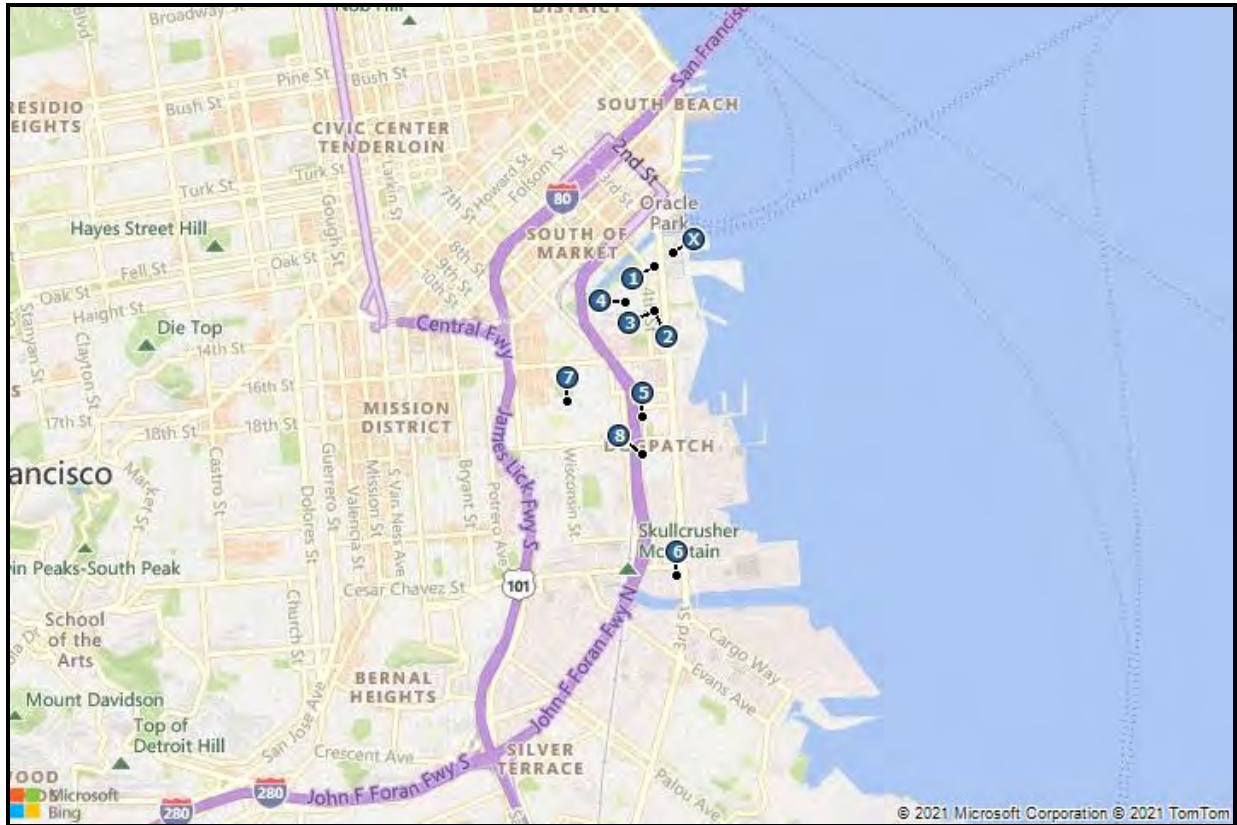
No.	Property Name; Address	Yr Built; Stories	# Units; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
1	Channel Mission Bay 185 Channel St. San Francisco	2014 6	315 97%			
				549	\$3,346	\$6.09
				607	\$3,552	\$5.85
				611	\$3,859	\$6.32
				758	\$4,089	\$5.39
				799	\$4,476	\$5.60
				985	\$3,769	\$3.83
				1,015	\$5,374	\$5.29
				1,310	\$6,397	\$4.88
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	Dishwasher, Disposal, Hardwood Floors, Patios/Balcony, Range-Refrig., Walk-in Closets, Washer/Dryer In Unit				
	Project Amenities:	Fitness Room, Swimming Pool, Outdoor Entertainment Area, Pet Amenities, Theater, Clubhouse/Lounge, Business Center, Conference Room				
	Comments:	Tenant is responsible for all utilities. Landlord is offering a two week rent concession. Parking garage rent is \$360 per space.				
2	Venue Apartments 1155 Fourth St. San Francisco	2013 6	147 97%			
				687	\$3,420	\$4.98
				740	\$3,369	\$4.55
				1,027	\$4,806	\$4.68
				1,148	\$4,827	\$4.20
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Fitness Room, Clubhouse/Lounge, Conference Room, Business Center, Outdoor Entertainment Area				
	Comments:	Rent survey refers to available floor plans only; project is 97% occupied. Tenant is responsible for all utilities. Parking garage rent is \$325 per space, per month.				
3	Azure Apartments 690 Long Bridge St. San Francisco	2015 16	273 97%			
				699	\$3,250	\$4.65
				720	\$3,480	\$4.83
				708	\$3,872	\$5.47
				1,040	\$5,513	\$5.30
				1,126	\$5,231	\$4.65
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Fitness Room, Outdoor Entertainment Area, Pet Amenities, Lounge/Clubhouse				
	Comments:	Tenant is responsible for all utilities.				
4	MB360 701 China Basin St. San Francisco	2015 6	360 97%			
				529	\$2,938	\$5.55
				739	\$3,296	\$4.46
				826	\$3,496	\$4.23
				967	\$4,382	\$4.53
				989	\$4,448	\$4.50
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Fitness Room, Swimming Pool, Clubhouse/Lounge, Outdoor Entertainment Area, Pet Amenities, Business Center				
	Comments:	Tenant is responsible for all utilities. Landlord is offering one month of free rent.				

## Summary of Comparable Rentals

No.	Property Name; Address	Yr Built; Stories	% Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
5	O&M 680 Indiana St. San Francisco	2017 5	116 97%			
				332	\$2,285	\$6.88
				364	\$3,051	\$8.38
				404	\$2,425	\$6.00
				460	\$2,625	\$5.71
				474	\$2,153	\$4.54
				531	\$2,349	\$4.42
				555	\$2,512	\$4.53
				568	\$2,794	\$4.92
				844	\$3,883	\$4.60
				1,004	\$3,788	\$3.77
				1,190	\$4,968	\$4.17
				1,133	\$5,213	\$4.60
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	In-Unit Washer/Dryer, LVT Flooring, Patio/Balcony (Select), European-Style Cabinetry, Quartz Counters, Stainless Steel Appliances				
	Project Amenities:	Rooftop Decks (x2), BBQ, EV Parking, Bicycle Storage, Parcel Lockers, Secured Entry				
	Comments:	Tenant is responsible for all utilities. Parking is an additional \$300 per month.				
6	777 Tenn 777 Tennessee St. San Francisco	2019 5	59 97%			
				724	\$3,995	\$5.52
				926	\$4,895	\$5.29
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	Air Conditioning, Carpets/Drapes/Blinds, Dishwasher, Disposal, Hardwood Floors, Patios/Balcony, Range-Refrig., Walk-in Closets, Washer/Dryer In Unit				
	Project Amenities:	Covered Parking				
	Comments:	Parking is an additional \$375 per month.				
7	Mason on Mariposa 1601 Mariposa St. San Francisco	2020 4	299 98%			
				755	\$4,350	\$5.76
				1,125	\$6,395	\$5.68
				1,333	\$7,495	\$5.62
	Tenant-Paid Utilities:	Water, Sewer, Trash, In-Unit Electric, Hot Water				
	Unit Features:	In-Unit Washer/Dryer, LVT Flooring, European-Style Cabinetry, Quartz Counters, Stainless Steel Appliances				
	Project Amenities:	Fireside Library, Resident Lounge, Co-Working Space, Reservable Conference Rooms, Fitness Center, Rooftop Deck, Car-Share Program, BBQ, Game Lounge w/Wet Bar, Pet Spa				
	Comments:	Property is currently offering up to 4 weeks of free rent. The property opened in March 2020 and reached stabilized occupancy in Second Quarter 2021, implying an absorption rate of approximately 25 units per month. The property offered up to 8 weeks of free rent during its initial absorption period.				
8	Avalon Dogpatch 800 Indiana St. San Francisco	2017 5	326 –			
				524	\$3,205	\$6.12
				667	\$3,710	\$5.56
				1,097	\$5,530	\$5.04
				1,284	\$5,550	\$4.32
	Tenant-Paid Utilities:	Water, Sewer, Trash, In-Unit Electric, Hot Water				
	Unit Features:	In-Unit Washer/Dryer, LVT Flooring, European-Style Cabinetry, Stone Countertops, Stainless Steel Appliances				
	Project Amenities:	Resident Lounge, Business Center, Fitness Center, Rooftop Deck, Bicycle Storage, Car Sharing Service, BBQ, Outdoor Fireplace, Common Area Wifi				
	Comments:	Tenant is responsible for all utilities.				



## Comparable Rentals Map







Rent Survey 1  
Channel Mission Bay



Rent Survey 2  
Venue Apartments



Rent Survey 3  
Azure Apartments



Rent Survey 4  
MB360



Rent Survey 5  
O&M



Rent Survey 6  
777 Tenn



Rent Survey 7  
Mason on Mariposa



Rent Survey 8  
Avalon Dogpatch

### Apartment Rental Analysis Factors

Our analysis of the comparable rentals considers the following elements of comparison.

#### Rental Analysis Factors

Tenant Paid Utilities	Utilities costs for which tenants are responsible.
Unit Size	Floor area in square feet.
Location	Market or submarket area influences on rent; surrounding land use influences.
Age/Condition	Effective age; physical condition.
Quality	Construction quality, market appeal, functional utility.
Unit Features	Features included in individual residential units.
Project Amenities	Amenities available to the entire property.

### Analysis of Comparable Rentals – Block A

Rental Analysis Summary - Studio Units							
No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	Channel Mission Bay	Studio	549	\$3,346	\$6.09	Inferior	Adjusted downward for unit size and upward for age/condition and community amenities.
2	MB360	Studio	529	\$2,938	\$5.55	Inferior	Adjusted upward for size, community amenities, and age/condition.
3	O&M	Studio	364	\$3,051	\$8.38	Inferior	Adjusted upward for size, location, age/condition, and community amenities.
4	Avalon Dogpatch	Studio	524	\$3,205	\$6.12	Inferior	Adjusted upward for size, location, and age/condition.
5	777 Tenn	1 BR / 1 BA	724	\$3,995	\$5.52	Superior	Adjusted downward for unit size and number bedrooms; upward for location, age/condition, and community amenities.
Rental Ranges and Averages							
			Range	Average (Unadjusted)	Avg/SF		
Comparables			\$2,938 - \$3,995	\$3,307	–		
Concluded Market Rent				\$3,700	\$6.78		

With the exception of Comparable 5, the adjusted range moves upward because the subject will reflect new, good quality construction. Please note, Comparable 2, MB360, is consistently one of the lowest rent comparables in the analysis (even after adjustment) and is given less weight than other comparables.

<b>Rental Analysis Summary - One Bedroom / One Bath Units</b>							
No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	Channel Mission Bay	1 Bedroom / 1 Bath	799	\$4,476	\$5.60	Similar	Adjusted downward for unit size and upward for age/condition and community amenities.
2	Venue Apartments	1 Bedroom / 1 Bath	687	\$3,420	\$4.98	Inferior	Adjusted downward for size and upward for age/condition.
3	Azure Apartments	1 Bedroom / 1 Bathroom	708	\$3,872	\$5.47	Inferior	Adjusted downward for unit size and upward for age/condition.
4	MB360	1 Bedroom / 1 Bath	739	\$3,296	\$4.46	Inferior	Adjusted downward for unit size and upward for community amenities and age/condition.
5	777 Tenn	1 BR / 1 BA	724	\$3,995	\$5.52	Inferior	Adjusted downward for size and upward for age/condition and location.
6	Mason on Mariposa	1 BD/1 BA	755	\$4,350	\$5.76	Similar	Adjusted downward for unit size and upward for location.
<b>Rental Ranges and Averages</b>							
			Range	Average (Unadjusted)	Avg/SF		
Comparables			\$3,296 - \$4,476	\$3,902	–		
Concluded Market Rent				\$4,300	\$6.86		

As with the studio units, our market rent conclusion falls toward the higher end of the unadjusted comparable range given that the subject will reflect new construction. This will also be the case with the upcoming two bedroom and three bedroom units.

<b>Rental Analysis Summary - Two Bedroom / Two Bath Units</b>							
No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Unadjusted Rent/SF	Overall Comparison to Subject	Comment
1	Channel Mission Bay	2 Bedroom / 2 Bathroom	1,015	\$5,374	\$5.29	Inferior	Adjusted downward for unit size and upward for age/condition and community amenities.
2	Venue Apartments	2 Bedroom / 2 Bathroom	1,027	\$4,806	\$4.68	Inferior	Adjusted downward for unit size and upward for age/condition.
3	Azure Apartments	2 Bedroom / 2 Bathroom	1,040	\$5,513	\$5.30	Inferior	Adjusted downward for size and upward for age/condition.
4	Avalon Dogpatch	2Bd/2Ba	1,097	\$5,530	\$5.04	Inferior	Adjusted downward for unit size and upward for location and age/condition.
5	Mason on Mariposa	2 BD/2 BA	1,125	\$6,395	\$5.68	Similar	Adjusted downward for unit size and upward for location.
<b>Rental Ranges and Averages</b>							
			Range	Average (Unadjusted)	Avg/SF		
Comparables			\$4,806 - \$6,395	\$5,524	–		
Concluded Market Rent				\$6,500	\$7.06		

Mason on Mariposa is the comparable most similar to the subject due to its age and the level of amenities offered. However, it remains the comparable range shifts upward after adjustment; our conclusion for the subject falls within the adjusted range, though above the unadjusted range.

The San Francisco multifamily market is recovering from the impacts of the COVID-19 pandemic, and rental rates have been increasing after a period of decline. For purposes of analyzing the subject property into perpetuity, and given the timeline of the proposed development, it is important to consider rental rates under stable market conditions. Our market rent conclusions for all unit types are consistent with pre-pandemic rental rates, which reflect a stabilized market. In addition, the subject will benefit from its location within a walkable, master planned community on the San Francisco Bay. These factors are considered in our reconciliation and conclusions of market rent, which tend to fall at the higher end of the comparable ranges.

<b>Rental Analysis Summary - Three Bedroom / Two Bath Units</b>						
No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject Comment
1	Channel Mission Bay	2 Bedroom/ 2 Bathroom	1,310	\$6,397	\$4.88	Inferior Adjusted downward for unit size and upward for age/condition, community amenities, and number of bedrooms.
2	Venue Apartments	2 Bedroom / 2 Bath	1,148	\$4,827	\$4.20	Inferior Adjusted upward for unit size, age/condition, and number of bedrooms.
3	Azure Apartments	2 Bedroom / 2 Bath	1,126	\$5,231	\$4.65	Inferior Adjusted upward for size, number of bedrooms, and age/condition.
4	Mason on Mariposa	3 BD/2 BA	1,333	\$7,495	\$5.62	Similar Adjusted downward for unit size and upward for location.
<b>Rental Ranges and Averages</b>						
			Range	Average	Avg/SF	
Comparables			\$4,827 - \$7,495	\$5,988	—	
Concluded Market Rent				\$7,250	\$5.93	

Given the lack of three-bedroom comparables available in the market, we have also included larger two bedroom layouts similar in size to the subject. Mason on Mariposa includes comparable three bedroom units.

Please note, while many of the comparables offer on-site parking garages, parking spaces are not included in rental rates. Instead, parking spaces may be rented for an additional \$300 to \$375 per month. In addition, it is typical in San Francisco for many residential tenants to forego on-site parking. Because Block D2 will offer up to a 3,000-space parking garage which is intended to service the entire Special Tax District area, we have not discounted the subject rent for a lack of on-site parking. Though the parking garage will also be used for San Francisco Giants games/events, the parking allocation for the residential buildings will be at least 0.50 spaces per market rate unit, in compliance with the subject's Covenants, Conditions, and Restrictions.



### Apartment Market Rent Conclusion – Block A

Based on the preceding analysis of comparable rentals, market rent is estimated for each unit type as shown in the table that follows.

Market Rent Conclusions					
Unit Type	Total Units	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	17	9	546	\$3,700	\$6.78
One Bedroom / One Bath	155	97	627	\$4,300	\$6.86
Two Bedroom / Two Bath	93	62	921	\$6,500	\$7.06
Three Bedroom / Two Bath	18	13	1,222	\$7,250	\$5.93
Total/Avg.	283	181	766	\$5,236	\$6.83

### Units Subject to Rent Restrictions – Block A

As a condition of the subject's entitlements, 102 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the subject's restricted units by unit type, along with the 2021 maximum allowable rents for those apartments.

Block A Restricted Rents - BMR Units								
Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	2	\$1,943	3	\$2,642	3	\$3,342	\$21,838	\$2,730
One Bedroom	6	\$2,181	27	\$2,979	19	\$3,779	\$165,320	\$3,179
Two Bedroom	3	\$2,410	21	\$3,310	15	\$4,208	\$139,860	\$3,586
Three Bedroom	0	\$2,647	2	\$3,645	1	\$4,644	\$11,934	\$3,978
	11		53		38		\$338,952	\$3,323

### Office and Retail Rental Rates – Block A

Market rent for the subject's office and retail space was determined in the previous direct capitalization analysis for the subject's office improvements. Market rent for office space was determined to be \$82.00 per square foot, per year, triple net. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.

### Stabilized Income and Expenses – Block A

#### Potential Gross Rent - Apartments

The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

### Potential Gross Rent

Unit Type	Total Units	Market Rent/Unit (1)	Potential Rent at Market (1)
<b>Market Rate Units</b>			
<b>Vacant Units</b>			
Studio	9	\$3,700	\$399,600
One Bedroom / One Bath	97	\$4,300	\$5,005,200
Two Bedroom / Two Bath	62	\$6,500	\$4,836,000
Three Bedroom / Two Bath	13	\$7,250	\$1,131,000
Total - Market Rate Units	181	\$5,236	\$11,371,800
<b>Restricted Units</b>			
<b>Leased Units</b>			
<b>Vacant Units</b>			
Studio - BMR-Below Market Unit	8	\$2,730	\$262,080
One Bedroom / One Bath - BMR-Below Market Unit	58	\$3,179	\$2,212,584
Two Bedroom / Two Bath - BMR-Below Market Unit	31	\$3,586	\$1,333,992
Three Bedroom / Two Bath - BMR-Below Market Unit	5	\$3,978	\$238,680
Total - Restricted Units	102	\$3,307	\$4,047,336
Grand Total	283	\$4,540	\$15,419,136

<sup>1</sup> For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

### Potential Gross Rent – Office and Retail Space

Potential rental income from the subject's office and retail space is summarized next.

### Potential Gross Rent

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	20,931	\$50.00	\$1,046,550
Office	58,136	\$82.00	\$4,767,152
Total Subject	79,067	\$73.53	\$5,813,702

### Expense Reimbursements - Apartments

Expense recoveries from the apartment tenants assume tenants will reimburse ownership for their pro rata share of utilities.

### Expense Reimbursements – Office and Retail

The office and retail tenants reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and general/administrative expenses. In addition, it is

assumed office and retail tenants would reimburse for their pro-rata share of ground lease payments; though, this does not apply to the upcoming analysis as ground lease payments will be prepaid by the developer for Phase 1a.

**Vacancy & Collection Loss**

Please refer to the *Multifamily Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. The San Francisco multifamily market is recovering from the effects of the pandemic, and vacancy rate are declining. A stabilized vacancy and collection loss factor is estimated at 5%. This will be deducted from potential gross income to account for potential vacancy and credit/collection loss.

**Concessions**

Rent concessions for multifamily projects are usually not common in the local market under stable market conditions. At the height of the pandemic, many of the multifamily comparables were offering between two and four weeks of free rent. This analysis considers the market value of the subject as if stabilized. Lease-up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

**Net Parking Income**

Block A is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary, as well as games/events at Oracle Park. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

**Other Income**

The other income category includes any other income from the property such as revenues from application fees, security deposits, and miscellaneous sources. Total other income is projected at \$500 per multifamily unit, net of vacancy and rent loss, based on our experience with multifamily projects in the local market.

**Effective Gross Income**

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$23,023,331.

**Operating Expenses**

Operating expenses are estimated based on expense data from comparable properties, as summarized in tables on the following pages. As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes (shown below). It is noted this tax is based upon the square footage of market rate units and excludes below market rate units.



**Aggregate Calculation of Special District Tax (2021/2022) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax
A	1a	0.96	Base Development Tax - Market-Rate Residential	Residential	\$8.93	139,723	\$1,247,028
			Offset by Ad Valorem Tax				(\$1,247,028)
			Base Development Tax - Office Use	Office	\$6.76	85,105	\$575,531
			Offset by Ad Valorem Tax				(\$575,531)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	139,723	\$205,393
			Base Contingent Special Services Tax - Office	Office	\$1.47	85,105	\$125,104
			Base Special Tax - Office Use	Office	\$2.00	85,105	\$170,210
			Shoreline Special Tax - Office Use	Office	\$1.89	85,105	\$160,848
							\$661,556
B	1a	0.93	Base Development Tax - Market-Rate Residential	Residential	\$8.93	-	-
			Base Development Tax - Office Use	Office	\$6.76	265,191	\$1,793,381
			Offset by Ad Valorem Tax				(\$1,793,381)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.47	265,191	\$389,831
			Base Special Tax - Office Use	Office	\$2.00	265,191	\$530,382
			Shoreline Special Tax - Office Use	Office	\$1.89	265,191	\$501,211
F	1a	0.58	Base Development Tax - Market-Rate Residential	Residential	\$8.93	110,548	\$986,641
			Offset by Ad Valorem Tax				(\$986,641)
			Base Development Tax - Office Use	Office	\$6.76	-	-
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	110,548	\$162,506
			Base Contingent Special Services Tax - Office	Office	\$1.47	-	-
			Base Special Tax - Office Use	Office	\$2.00	-	-
			Shoreline Special Tax - Office Use	Office	\$1.89	-	-
G	1a	0.78	Base Development Tax - Market-Rate Residential	Residential	\$8.93	-	-
			Base Development Tax - Office Use	Office	\$6.76	290,300	\$1,963,183
			Offset by Ad Valorem Tax				(\$1,963,183)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.47	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.47	290,300	\$426,741
			Base Special Tax - Office Use	Office	\$2.00	290,300	\$580,600
			Shoreline Special Tax - Office Use	Office	\$1.89	290,300	\$548,667
Totals		3.25					\$3,801,493

**Operating History and Projections - Block A**

	IRR Projection
<b>Income</b>	
Rental Income - Apartments	\$15,419,136
Rental Income - Commercial	5,813,702
Expense Reimbursements - Apartments	509,400
Expense Reimbursements - Commercial	2,343,900
Potential Gross Income*	\$24,086,138
Vacancy & Collection Loss @ 5.0%	-1,204,307
Other Income	141,500
Effective Gross Income	\$23,023,331
<b>Expenses</b>	
Real Estate Taxes	\$3,775,026
Ad Valorem Tax - Base Development Tax Offset	-1,822,559
Insurance	236,380
Utilities	726,834
Repairs/Maintenance	520,201
Payroll/Benefits	849,000
Advertising & Marketing	113,200
General/Administrative	744,721
Management	1,151,167
Replacement Reserves	70,750
Base Development Tax - Residential	1,247,028
Base Development Tax - Office	575,531
Base Contingent Special Services Tax - Market-Rate Residential	205,393
Base Contingent Special Services Tax - Office	125,104
Base Special Tax - Office	170,210
Shoreline Special Tax - Office	160,848
Ground Lease	0
Total Expenses	\$8,848,835
<b>Net Operating Income</b>	<b>\$14,174,496</b>
Operating Expense Ratio**	38.1%

\*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss. Historical income is the actual income that has been collected by the property owner.

\*\*Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

Expense Analysis per Unit						
	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	2016	1990	1989	2003		2023
Number of Units	409	156	320	100	79	283
	Pro-forma					
Operating Data Type	Owner	In Place	In Place	In Place	In Place	
Year	2020	2019	2019	2019	2019	IRR Projection
Real Estate Taxes	\$12,856	\$2,506	\$3,819	\$397	\$2,107	\$13,339
Ad Valorem Tax - Base Development Tax Offset	\$0	\$0	\$0	\$0	\$0	-\$6,440
Insurance	\$894	\$499	\$736	\$1,093	\$410	\$835
Utilities	\$1,181	\$1,757	\$1,041	\$3,249	\$2,068	\$2,568
Repairs/Maintenance	\$2,934	\$1,477	\$1,604	\$3,257	\$816	\$1,838
Payroll/Benefits	\$3,221	\$5,686	\$4,103	\$3,004	\$742	\$3,000
Advertising & Marketing	\$575	\$84	\$542	\$245	\$0	\$400
General/Administrative	\$648	\$3,563	\$2,042	\$2,436	\$1,400	\$2,632
Management	\$643	\$2,503	\$1,232	\$965	\$525	\$4,068
Replacement Reserves	\$0	\$0	\$0	\$0	\$0	\$250
Base Development Tax - Residential	\$0	\$0	\$0	\$0	\$0	\$4,406
Base Development Tax - Office	\$0	\$0	\$0	\$0	\$0	\$2,034
Base Contingent Special Services Tax - Market-R:	\$0	\$0	\$0	\$0	\$0	\$726
Base Contingent Special Services Tax - Office	\$0	\$0	\$0	\$0	\$0	\$442
Base Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$601
Shoreline Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$568
Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$22,952	\$18,076	\$15,119	\$14,645	\$8,067	\$31,268
Operating Expense Ratio	43.7%	36.1%	36.8%	50.1%	30.8%	38.1%

The above comparables are each located within the city of San Francisco. As the definition of market value presumes a sale, taxes are calculated by applying the subject's tax rate to the conclusion of market value. Management is estimated at 5.0% of effective gross income, given that the improvements are mixed use. Replacement reserves are projected at \$250 per multifamily unit.

Please note, because the subject includes office and retail space, in addition to residential space, expenses for the commercial space are also included subject's projected expenses above. The residential expense comparables are utilized for projecting expenses for the residential units, while the previously presented office expense comparables are utilized for projections for the commercial space. Expenses that apply only to the office space (such as janitorial, grounds, and security) have been included in the general/administrative line item.

As discussed, the ground lease payments for Phase 1a parcels are pre-paid. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1a blocks. The pre-payment is instead considered later in the developer's costs in the upcoming extraction analyses.

### Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We consider the following data in selecting a capitalization rate for the subject.

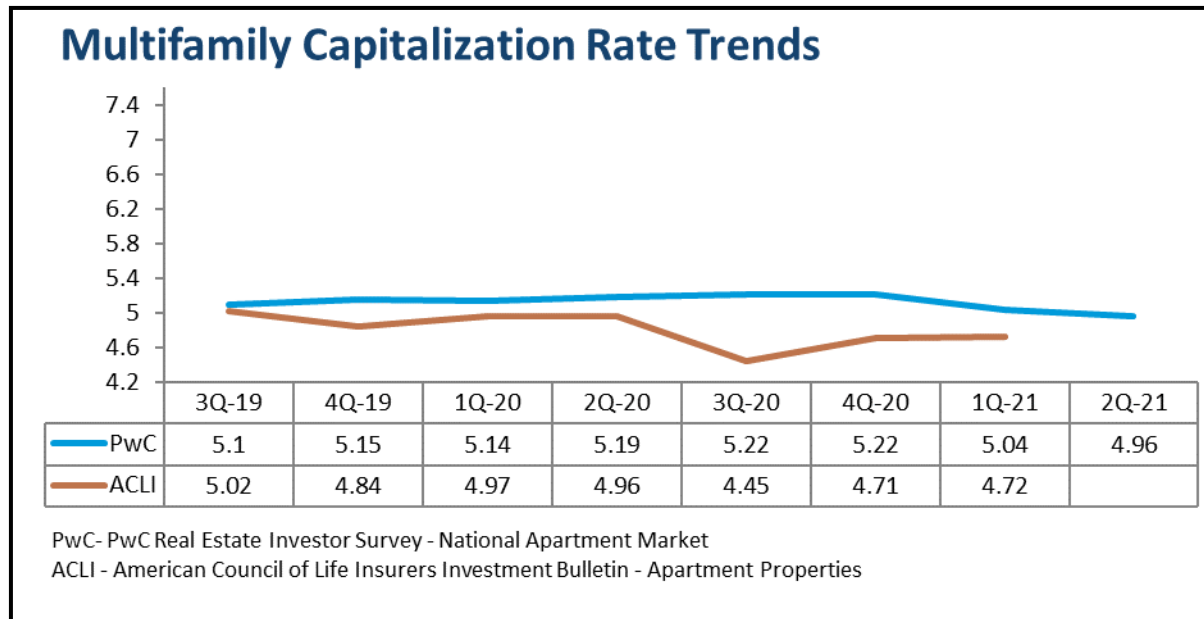
Capitalization Rate Comparables									
No.	Property Name	City	Year Built	Sale Date	Rentable Area	% Occup.	No. Units	Effective Price/Unit	Cap Rate
1	Park 20	San Mateo	2015	3/1/2021	140,547	95%	197	\$573,604	3.30%
2	Mode by Alta	San Mateo	2014	11/24/2020	132,327	95%	111	\$721,171	3.62%
3	Baxter on Broadway	Oakland	2018	3/31/2020	98,618	95%	130	\$623,038	4.35%
4	O&M	San Francisco	2017	9/13/2019	122,185	95%	116	\$692,586	4.70%
5	Mosso	San Francisco	2014	10/28/2019	373,181	94%	463	\$670,626	3.62%
6	Huxley	Redwood City	2018	9/19/2019	117,322	100%	137	\$788,321	4.30%
Average (Mean) Cap Rate:									3.98%

Our search for cap rate comparables focused on multifamily properties with over 50 units and constructed in the past ten years throughout the Bay Area. Of the comparables above, Sales 1, 2, and 6 (Park 20, Mode by Alta, Huxley) do not offer ground floor retail. Greatest weight is given to Sales 4 and 5, which are located in San Francisco.

To determine a capitalization rate for the subject, we have also examined capitalization rate information published in national surveys and conducted a band of analysis, presented below and on the following pages.

Capitalization Rate Surveys – Multifamily Properties				
	IRR-ViewPoint	IRR-ViewPoint	PwC	ACLI
	National Urban	National Suburban	2Q-21	1Q-21
	Multifamily	Multifamily	National Apartment	National Apartment
Range	3.75% - 8.50%	4.00% - 8.25%	3.50% - 7.00%	NA
Average	5.72%	5.93%	4.96%	4.72%

Source: IRR-Viewpoint 2021; PwC Real Estate Investor Survey; American Council of Life Insurers Investment



Please refer to the previous *Income Capitalization Approach* section for the subject's office improvements for national capitalization rate data for office and retail properties.

#### Band of Investment Method

##### Mortgage/Equity Assumptions

Loan To Value Ratio	65%
Interest Rate	3.50%
Amortization (Years)	30
Mortgage Constant	0.0539
Equity Ratio	35%
Equity Dividend Rate	4.00%

##### Weighted Average of Mortgage and Equity Requirements

Mortgage Requirement	65%	x	5.39% =	3.50%
Equity Requirement	35%	x	4.00% =	1.40%

<b>Indicated Capitalization Rate</b>	<b>4.90%</b>
<b>Rounded</b>	<b>4.90%</b>

Based on an analysis of the preceding data, a going-in capitalization rate for the subject is indicated within a range of 3.75% to 4.75%. To reach a capitalization rate conclusion, we consider each of the following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.

Risk Factor	Issues	Impact on Rate
Income Characteristics	Stability of occupancy, above/below market rents, rent control. Market rent is utilized in this analysis, though is noted the subject has a significant inclusionary housing component. While the majority of capitalization rate comparables include retail and multifamily space, the subject also includes an office component, which is somewhat unique. In the previous analysis, we concluded a capitalization rate of 5.25% for the subject's office space. This will influence the overall cap rate for Block A up slightly.	↔↑
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new construction with good appeal.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject enjoys a good location in Mission Bay close to employment centers with reasonable transportation availability and many recreation options within walking distance.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. The multifamily market is recovering from the pandemic; vacancy rates are declining and rental rates are increasing.	↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject proposal is consistent with the highest and best use of the property.	↔
Overall Impact		↔

Accordingly, we conclude a capitalization rate as follows:

Capitalization Rate Conclusion	
Going-In Capitalization Rate	4.50%

Please note, the above capitalization rate takes into consideration the office component of Block A. In the upcoming direct capitalization analysis for Block F, a lower rate of 4.25% is considered appropriate given the traditional retail/multifamily configuration of the improvements.

**Direct Capitalization Analysis – Block A**

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table below. Please note, the \$/SF column considers the entire square footage of the improvements.

<b>Direct Capitalization Analysis - Block A</b>			
		Annual	\$/Unit
<b>INCOME</b>			
Rental Income - Apartments		\$15,419,136	\$54,485
Rental Income - Commercial		\$5,813,702	\$20,543
Expense Reimbursements - Apartments		\$509,400	\$1,800
Expense Reimbursements - Commercial		\$2,343,900	\$8,282
Potential Gross Income		\$24,086,138	\$85,110
Vacancy & Collection Loss	5.00%	-\$1,204,307	-\$4,256
Other Income		\$141,500	\$500
Effective Gross Income		\$23,023,331	\$81,355
<b>EXPENSES</b>			
Real Estate Taxes		\$3,775,026	\$13,339
Ad Valorem Tax - Base Development Tax Offset		-\$1,822,559	-\$6,440
Insurance		\$236,380	\$835
Utilities		\$726,834	\$2,568
Repairs/Maintenance		\$520,201	\$1,838
Payroll/Benefits		\$849,000	\$3,000
Advertising & Marketing		\$113,200	\$400
General/Administrative		\$744,721	\$2,632
Management	5.00%	\$1,151,167	\$4,068
Replacement Reserves		\$70,750	\$250
Base Development Tax - Residential		\$1,247,028	\$4,406
Base Development Tax - Office		\$575,531	\$2,034
Base Contingent Special Services Tax - Market-Rate Residential		\$205,393	\$726
Base Contingent Special Services Tax - Office		\$125,104	\$442
Base Special Tax - Office		\$170,210	\$601
Shoreline Special Tax - Office		\$160,848	\$568
Total Expenses		\$8,848,835	\$31,268
NET OPERATING INCOME		\$14,174,496	\$50,087
Capitalization Rate		4.50%	
<b>Indicated Value</b>		\$314,988,808	\$1,113,035
<b>Rounded</b>		<b>\$315,000,000</b>	<b>\$1,113,074</b>

Lease up costs will be considered in the upcoming extraction analysis.

### Apartment Unit Mix – Block F

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units.

<b>Unit Mix</b>							
Unit Type	Units	% of Total	Avg. Unit Size	Total SF	Occupied Units	Vacant Units	% Occupied
Studio	21	8.3%	447	9,387	0	21	0%
One Bedroom / One Bath	83	32.7%	576	47,808	0	83	0%
Two Bedroom / Two Bath	52	20.5%	938	48,776	0	52	0%
Three Bedroom / Two Bath	1	0.4%	1,680	1,680	0	1	0%
Studio BMR	8	3.1%	447	3,576	0	8	0%
One Bedroom / One Bath BMR	51	20.1%	576	29,376	0	51	0%
Two Bedroom / Two Bath BMR	35	13.8%	938	32,830	0	35	0%
Three Bedroom / Two Bath	3	1.2%	1,680	5,040	0	3	0%
<b>Total Units</b>	<b>254</b>	<b>100.0%</b>	<b>703</b>	<b>178,473</b>	<b>0</b>	<b>254</b>	<b>0%</b>

The following table allocates the subject's market and below market rate units.

<b>Unit Mix - Market Rate vs. Restricted Units</b>							
Unit Type	Unit Size	Total Subject		Market Rate Units		Restricted Units	
		Total Units	Vacant Units	Total	Vac.	Total	Vac.
Studio	447	21	21	21	21	-	-
One Bedroom / One Bath	576	83	83	83	83	-	-
Two Bedroom / Two Bath	938	52	52	52	52	-	-
Three Bedroom / Two Bath	1,680	1	1	1	1	-	-
Studio BMR	447	8	8	-	-	8	8
One Bedroom / One Bath BMR	576	51	51	-	-	51	51
Two Bedroom / Two Bath BMR	938	35	35	-	-	35	35
Three Bedroom / Two Bath BMR	1,680	3	3	-	-	3	3
<b>TOTAL/AVG.</b>	<b>703</b>	<b>254</b>	<b>254</b>	<b>157</b>	<b>157</b>	<b>97</b>	<b>97</b>

\*Includes employee and model units, as applicable

The table below includes the weighted average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.



### Average Unit Size - Market Rate Units

Unit Type	Average Unit Size	Total Units
Studio	447	21
One Bedroom / One Bath	576	83
Two Bedroom / Two Bath	938	52
Three Bedroom / Two Bath	1,680	1
TOTAL/AVG.	686	157

The average unit size for Block F apartments is slightly smaller than Block A units.

### Apartment Market Rent Conclusion – Block F

Please refer to the previous direct capitalization analysis of Block A for a description of the rent comparables. Given the similarities between Block A and Block F units, the same comparables were utilized in the market rent analysis for Block F. However, because the average unit size for Block F layouts is smaller than Block A floorplans, our market rent conclusions have been adjusted downward accordingly.

### Market Rent Conclusions

Unit Type	Total Units	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	21	21	447	\$3,650	\$8.17
One Bedroom / One Bath	83	83	576	\$4,200	\$7.29
Two Bedroom / Two Bath	52	52	938	\$6,500	\$6.93
Three Bedroom / Two Bath	1	1	1,680	\$7,000	\$4.17
Total/Avg.	254	157	686	\$4,906	\$7.16

### Units Subject to Rent Restrictions – Block F

As a condition of the subject's entitlements, 97 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the subject's restricted units by unit type, along with the maximum allowable rents for those apartments.

**Block F Restricted Rents - BMR Units**

Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	5	\$1,943	10	\$2,642	1	\$3,342	\$39,477	\$2,467
One Bedroom	6	\$2,181	29	\$2,979	16	\$3,779	\$159,941	\$3,136
Two Bedroom	2	\$2,410	17	\$3,310	9	\$4,208	\$98,962	\$3,534
Three Bedroom	0	\$2,647	1	\$3,645	1	\$4,644	\$8,289	\$4,145
	13		57		27		\$306,669	\$3,162

**Retail Rental Rates – Block F**

Market rent for the subject's retail space was determined in the previous direct capitalization analysis for the subject's office improvements. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.

**Stabilized Income and Expenses – Block F****Potential Gross Rent - Apartments**

The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

**Potential Gross Rent**

Unit Type	Total Units	Market Rent/Unit (1)	Potential Rent at Market (1)	Contract As % of Market
<b>Market Rate Units</b>				
<b>Vacant Units</b>				
Studio	21	\$3,650	\$919,800	100%
One Bedroom / One Bath	83	\$4,200	\$4,183,200	100%
Two Bedroom / Two Bath	52	\$6,500	\$4,056,000	100%
Three Bedroom / Two Bath	1	\$7,000	\$84,000	100%
Total - Market Rate Units	157	\$4,906	\$9,243,000	100%
<b>Restricted Units</b>				
<b>Leased Units</b>				
<b>Vacant Units</b>				
Studio BMR-Below Market Rate	8	\$2,467	\$236,862	100%
One Bedroom / One Bath BMR-Below Market Rate	51	\$3,136	\$1,919,292	100%
Two Bedroom / Two Bath BMR-Below Market Rate	35	\$3,534	\$1,484,430	100%
Three Bedroom / Two Bath BMR-Below Market Rate	3	\$4,145	\$149,202	100%
Total - Restricted Units	97	\$3,256	\$3,789,786	100%
Grand Total	254	\$4,276	\$13,032,786	100%

<sup>1</sup> For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

### Potential Gross Rent –Retail Space

Potential rental income from the subject's office and retail space is summarized next.

<b>Potential Gross Rent</b>			
Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	44,197	\$50.00	\$2,209,850
Total Subject	44,197	\$50.00	\$2,209,850

### Expense Reimbursements - Apartments

Apartment tenants will reimburse ownership their pro-rate share of utility expenses. It should be noted, this analysis recognizes that apartment tenants will not reimburse for the Residential Base Development Tax.

### Expense Reimbursements –Retail

The retail tenants will reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and general/administrative expenses.

### Vacancy & Collection Loss

An allowance for stabilized vacancy and collection loss is estimated at 5.0%, consistent with the previous analysis.

### Concessions

Rent concessions for multifamily projects are usually not common in the local market under stable market conditions. At the height of the pandemic, many of the multifamily comparables were offering between two and four weeks of free rent. This analysis considers the market value of the subject as if stabilized. Lease-up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

### Net Parking Income

Block F is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

### Other Income

The other income category includes any other income from the property including revenues from application fees, security deposits, and miscellaneous sources. Total other income is projected at \$500 per multifamily unit, net of vacancy and rent loss, based our experience with multifamily projects in the local market.

### Effective Gross Income

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$15,716,653.

### Operating Expenses

Operating expenses are estimated based on expense data from comparable properties, as summarized in table below.

#### Operating History and Projections - Block F

	IRR Projection
<b>Income</b>	
Rental Income - Apartments	\$13,032,786
Rental Income - Retail	2,209,850
Expense Reimbursements - Apartments	365,418
Expense Reimbursements - Retail	802,108
Potential Gross Income*	\$16,410,161
Vacancy & Collection Loss @ 5.0%	-820,508
Other Income	127,000
Effective Gross Income	\$15,716,653
<b>Expenses</b>	
Real Estate Taxes	\$2,776,384
Ad Valorem Tax - Base Development Tax Offset	-986,641
Insurance	127,000
Utilities	457,200
Repairs/Maintenance	254,000
Payroll/Benefits	762,000
Advertising & Marketing	101,600
General/Administrative	381,000
Management	785,833
Replacement Reserves	63,500
Base Development Tax - Residential	986,641
Base Contingent Special Services Tax - Market Rate Residential	162,506
Ground Lease	0
Total Expenses	\$5,871,022
<b>Net Operating Income</b>	<b>\$9,845,631</b>
Operating Expense Ratio**	37.0%

\*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss. Historical income is the actual income that has been collected by the property owner.

\*\*Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

Please see the direct capitalization analysis for Block A for a summary of the expense comparables utilized in this projection.

## Capitalization Rate Selection

Capitalization rate comparables and national data were presented in the direct capitalization analysis for Block A. As discussed, the concluded capitalization rate of 4.50% for Block A was slightly higher than a traditional multifamily project with ground floor retail due to the office component. As Block F does not include office space, we have concluded to a capitalization rate of 4.25% for the property, which is consistent with the cap rate comparables presented in the previous analysis.

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### Capitalization Rate Conclusion

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Going-In Capitalization Rate	4.25%
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**Direct Capitalization Analysis – Block F**

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table that follows.

<b>Direct Capitalization Analysis - Block F</b>		
	Annual	\$/Unit
<b>INCOME</b>		
Rental Income - Apartments	\$13,032,786	\$51,310
Rental Income - Retail	\$2,209,850	\$8,700
Expense Reimbursements - Apartments	\$365,418	\$1,439
Expense Reimbursements - Retail	\$802,108	\$3,158
Potential Gross Income	\$16,410,161	\$64,607
Vacancy & Collection Loss 5.00%	-\$820,508	-\$3,230
Other Income	\$127,000	\$500
Effective Gross Income	\$15,716,653	\$61,877
<b>EXPENSES</b>		
Real Estate Taxes	\$2,776,384	\$10,931
Ad Valorem Tax - Base Development Tax Offset	-\$986,641	-\$3,884
Insurance	\$127,000	\$500
Utilities	\$457,200	\$1,800
Repairs/Maintenance	\$254,000	\$1,000
Payroll/Benefits	\$762,000	\$3,000
Advertising & Marketing	\$101,600	\$400
General/Administrative	\$381,000	\$1,500
Management 5.00%	\$785,833	\$3,094
Replacement Reserves	\$63,500	\$250
Base Development Tax - Residential	\$986,641	\$3,884
Base Contingent Special Services Tax - Market Rate Residenti	\$162,506	\$640
Total Expenses	\$5,871,022	\$23,114
NET OPERATING INCOME	\$9,845,631	\$38,762
Capitalization Rate	4.25%	
<b>Indicated Value</b>	\$231,661,903	\$912,055
<b>Rounded</b>	<b>\$231,700,000</b>	<b>\$912,205</b>

Lease up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

A summary of the market value, as if stabilized, of the subject's Phase 1a residential improvements via the direct capitalization analyses is provided on the following page.

**Summary of Direct Capitalization Analyses - Residential Use**

Block	Value As If Stabilized	Number of Units	\$/Unit	Gross Building Area	\$/SF
A	\$315,000,000	283	\$1,113,074	284,432	\$1,107.47
F	\$231,700,000	254	\$912,205	315,217	\$735.05

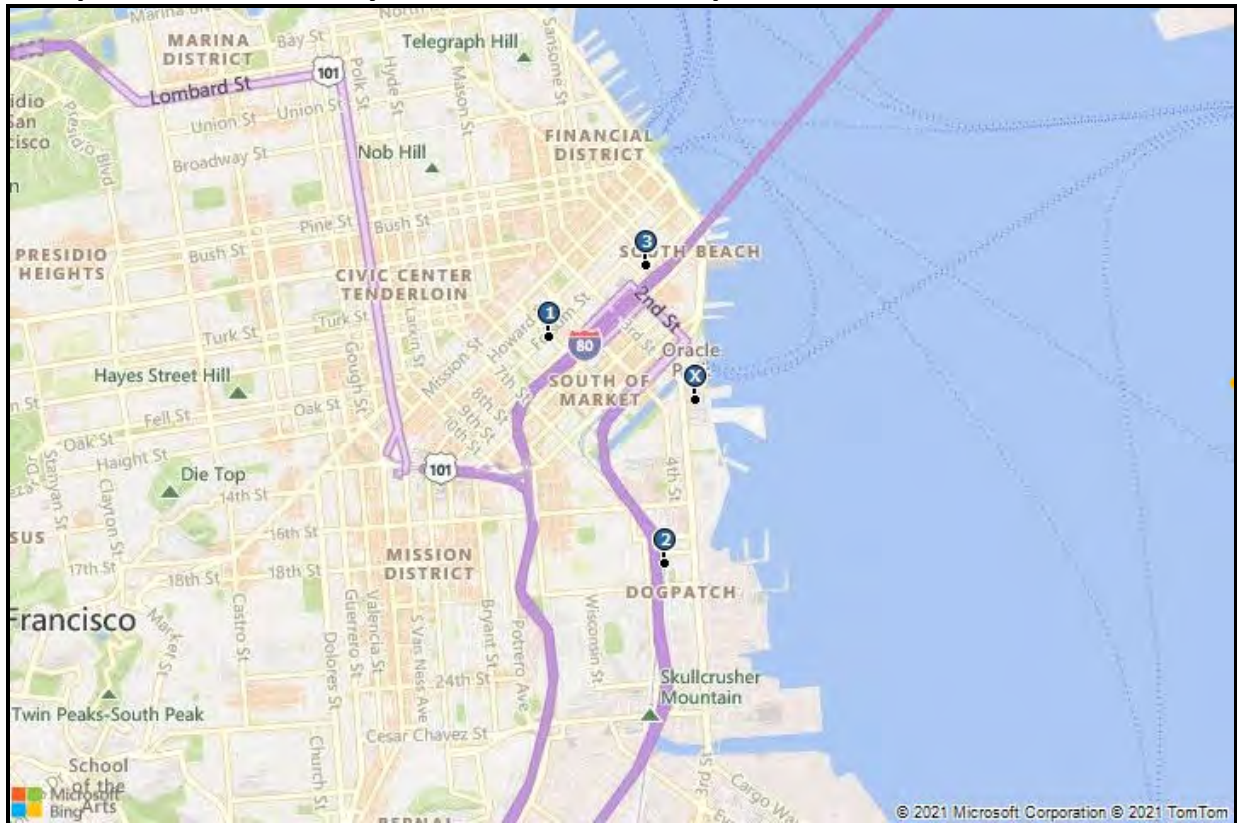
As further support for our improved value conclusions, we searched for multifamily residential transactions in San Francisco within the past three years. Our search included properties with at least 25 units constructed in or after 2010. The following table reflects the results of our query.

**Analysis of Comparable Improved Sales**

No.	Name/Address Subject	Units; % Occupied; Year Built	Sale Date; Status	Effective Sale Price	\$/Unit	Prop. Rights	Notes
1	Mosso 900 Folsom St. San Francisco San Francisco County, CA	463 94% 2014	Oct-19 Closed	\$310,500,000	\$670,626	Leased Fee	Sale of a good quality mixed-use apartment/retail building in the SoMa neighborhood of San Francisco. Building has 463 apartment units (9% of which are BMR) and 8,000 SF of ground floor retail.
2	O&M 680 Indiana St. San Francisco San Francisco County, CA	116 98% 2017	Sep-19 Closed	\$80,340,000	\$692,586	Leased Fee	Good quality mixed-use apartment/retail building in the Dogpatch neighborhood of San Francisco with 116 apartment units (15% of which are BMR) and 3,000 SF of ground floor commercial. Property was reportedly 98.3% occupied at the time of sale.
3	Jasper 45 Lansing St. San Francisco San Francisco County, CA	320 97% 2016	May-19 Closed	\$306,500,000	\$957,813	Leased Fee	Sale of a Class A, 40-story, 320-unit multifamily project in the SoMa district. The project was constructed in 2016 and was 97% occupied at the time of sale. Community amenities include a swimming pool, lounge, movie theater, business center, fitness center, valet, and pet care station.
<b>Range of Unadjusted Prices per Unit \$670,626 - \$957,813</b>							

A map of the comparables is provided on the following page. The sales range from \$670,626 to \$957,813 per unit, unadjusted. Sale 3 commanded the highest value per unit but reflects a 40-story building.

Our value conclusion for Block F, \$912,205 per unit, falls within the comparable range and appears reasonable given the subject will reflect new construction. Our value conclusion for Block A falls above the comparable range at \$1,113,074 per unit. This is due to the influence of the significant office component (58,136 square feet of rentable area), which positively impacts value; the comparable sales do not include office space. In addition, Block A is located directly across Mission Bay from Oracle Park, which is considered a positive attribute the comparables do not share.

**Comparable Multifamily Residential Sales Map**



### Market Value Conclusion – Blocks D1, H, & K

Blocks D1, H, and K encompass the subject's remaining residential blocks. The residential overview table is recreated below.

Residential Overview											
Block	Phase	Rentable		Gross Residential	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage	FAR
A*	1	284,432	214,135	284,432	214,135	283	181	102	36%	0.96	6.80
F	1	315,217	220,161	275,038	175,964	254	157	97	38%	0.58	12.48
D1	2	240,494	193,552	240,494	193,552	259	114	145	56%	0.58	9.52
H	4	200,315	162,256	180,499	140,458	192	128	64	33%	0.72	6.39
K	4	130,469	105,680	122,078	96,450	131	92	39	30%	0.41	7.31
						1,119	672	447	40%		

\* Gross SF excludes office/retail component

Detailed unit mix information, beyond what is provided above, is not yet available for Blocks D1, H, and K, which will be in Phases 2 and 4. It is therefore difficult to conduct a direct capitalization analysis, as the value is heavily reliant on unit mix and income potential. However, because we have been provided the number of below market units for each block, as well as the expected retail square footage, we have conducted an income analysis for Blocks D1, H, and K assuming a weighted average rent per market rate unit and below market unit consistent with Block F. These three income analyses, which include an approximation of the special taxes attributable to each block, are retained in our work file. To determine the market value of these three residential Blocks, we also consider the improved sales presented in the previous section. The sales ranged from \$670,626 to \$957,813 per unit. The following table presents our market value conclusions for Blocks D1, H, and K.

Market Value As If Stabilized - Blocks D, H, K													
Block	Acreage	Number of Units	Gross SF	Gross Residential SF	Rentable Residential SF	% Retail	Gross Retail SF	Rentable Retail SF	BMR Units	% BMR	Value per Unit	Market Value	Rounded
D1	0.58	259	240,494	240,494	193,552	-	-	-	145	56%	\$648,200	\$167,883,800	\$167,900,000
H	0.72	192	200,315	180,499	140,458	9.9%	19,816	21,798	64	33%	\$824,000	\$158,208,000	\$158,200,000
K	0.41	131	130,469	122,078	96,450	6.4%	8,391	9,230	39	30%	\$796,000	\$104,276,000	\$104,300,000

Block D1 does not include any retail space and includes the highest ratio of below market rate units, at 56%. This will heavily impact the value of the property as if stabilized. Below market rate units for the previous sale comparables range from 9% to 15%. Based on our income analysis, and given the impact of the below market rate units, we have selected a value of \$648,200 per unit, at the low end of the comparable range.

Block H offers 21,798 square feet of retail space with 33% of units designated below market rate. This reflects a lower percentage of BMR units compared to Block F, but also a lower percentage of retail space (38% of Block F units are BMR, and 20% of the rentable area is comprised of retail space). It is also important to note that the ground lease is not pre-paid for Phases 2, 3, or 4 in this analysis. Therefore, these blocks will also be subject to a ground lease payment. We have selected a value per unit of \$824,000 for Block H, which is within the comparable range and consistent with our income analysis.

Block K includes only 9,230 rentable square feet of retail space and will offer 39 below market rate units (30%). Given the sensitivity of the income stream to retail space, we have selected a value per unit of \$796,000. This falls within the range of improved comparables and considers our income analysis.

## Extraction Analysis

Extraction (residual) analyses are employed to determine the market value of the subject's land by block. An extraction (residual) analysis takes into account home prices, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of lot value. An extraction analysis will be conducted for each of the subject's Blocks. The elements of the extraction technique are discussed below.

## Revenue

The market value as if stabilized was provided in the previous sections for each of the subject blocks. A summary of the market value conclusions is provided below.

### Summary of Direct Capitalization Analyses - Office Use

Block	Value As If Stabilized	Gross Building Area	\$/SF	Rentable Building Area	\$/SF
B	\$445,800,000	283,700	\$1,571.38	294,106	\$1,515.78
G	\$486,300,000	307,058	\$1,583.74	321,355	\$1,513.28
C	\$470,500,000	354,826	\$1,326.00	329,988	\$1,425.81
E	\$185,000,000	141,330	\$1,308.99	131,437	\$1,407.52
I	\$196,000,000	151,932	\$1,290.05	141,297	\$1,387.15
J	\$195,800,000	151,982	\$1,288.31	141,344	\$1,385.27

### Summary of Direct Capitalization Analyses - Residential Use

Block	Value As If Stabilized	Number of Units	\$/Unit	Gross Building Area	\$/SF
A	\$315,000,000	283	\$1,113,074	284,432	\$1,107.47
F	\$231,700,000	254	\$912,205	315,217	\$735.05
D1	\$167,900,000	259	\$648,263	240,494	\$698.15
H	\$158,200,000	192	\$823,958	200,315	\$789.76
K	\$104,300,000	131	\$796,183	130,469	\$799.42

## Direct and Indirect Construction Costs

The next step in the extraction technique is to estimate typical costs associated with the construction of office and multifamily improvements.

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. Recent conversations with builders confirm construction costs have increased over the last several years.

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.

Indirect costs can vary widely as a percentage of the direct costs, as indicated in the comparable expense tables below and on the following page.

The subject reflects a unique, ground leased project with a mix of office, retail, and multifamily residential uses. The similarities between Bay Area construction cost comparables and the subject improvements are limited. The developer's budget best considers the intricacies of the subject proposal. Bay Area cost comparables will be presented for comparison purposes, followed by the developer's budget.

<b>Multifamily Cost Comparables</b>						
Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
Alameda	70,000 - 79,999	\$379	\$104	27%	\$483	LIHTC
Oakland	120,000 - 129,999	\$359	\$131	36%	\$490	LIHTC
San Jose	20,000 - 29,999	\$354	\$149	42%	\$503	LIHTC
Cupertino	10,000 - 19,999	\$342	\$206	60%	\$548	LIHTC
Redwood City	130,000 - 139,000	\$416	\$153	37%	\$569	LIHTC
San Jose	100,000 - 109,999	\$463	\$109	24%	\$572	LIHTC
Oakland	30,000 - 39,999	\$462	\$184	40%	\$646	LIHTC
San Francisco	110,000 - 119,999	\$438	\$145	33%	\$583	LIHTC
Fairfax	40,000 - 49,999	\$582	\$111	19%	\$693	LIHTC
San Francisco	100,000 - 109,999	\$509	\$134	26%	\$643	LIHTC
San Francisco	140,000 - 149,999	\$795	\$150	19%	\$945	Market
San Francisco	300,000 - 309,999	\$410	NA	NA	NA	Market
San Carlos	30,000 - 39,999	\$428	\$42	10%	\$470	Market
San Jose	190,000 - 199,999	\$641	\$159	25%	\$800	Market

The previous comparables reflect a mix of for-rent and for-sale attached product. Direct costs vary substantially, with a median of \$433 per square foot. Indirect costs range from 10% to 60%, with a median of 30%.

**Office Cost Comparables**

Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
San Francisco	360,000 - 369,999	\$310	NA	NA	-	General Office
Walnut Creek	5,000 - 9,999	\$440	\$153	35%	\$593	Mixed Use Retail/Office
Menlo Park	40,000 - 49,999	\$825	\$262	32%	\$1,087	Mixed Use Retail/Office/Residential
Sunnyvale	880,000 - 889,999	\$380	\$87	23%	\$467	General Office
San Jose	570,000 - 579,999	\$565	\$109	19%	\$674	General Office

Direct costs for the office comparables range from \$310 to \$825 per square foot, with indirect costs ranging from 19% to 35% of direct costs.

The developer's budget was provided by block. Depending on the use, the developer's direct cost estimates range from approximately \$400 to \$650 per square foot. Based on the comparable data previously presented, and our review of the developer's budget, we have selected a market driven direct cost of **\$415** per square foot for the subject's office/retail space, and **\$630** per square foot for the subject's residential space. As noted, in response to current market demand, the subject developer is modifying plans for Block B to create space adaptable to life science and biotechnology users. While this flexibility will increase the marketability of Block B, costs for this type of space tend to be higher than general office space. Therefore, a direct cost of **\$490** per square foot has been selected for Block B.

The developer's estimate of indirect costs as a percentage of direct costs also varies by use. Office development, for example, includes substantially higher city permits and fees on a per square foot of building area basis than residential use. In addition, the lower direct cost per square foot associated with office space means indirect costs reflect a higher percentage of direct costs. Based upon the developer's budget, which best considers the intricacies of the subject property, and the cost comparables previously presented, we estimate indirect costs at **21%** of direct costs for residential properties and **41%** of direct cost for office properties. Though, with respect to the Phase 1a Blocks (A, B, F and G), all which are under construction, consideration is given to the interim market conditions affecting multifamily rental rates in San Francisco, as well as an office market experiencing an increase in primary vacant space and secondary (sublease) space. There is additional carrying costs associated with servicing the special taxes, as well as the potential for market rents to continue to recover to pre-pandemic levels utilized in the valuation as if at stabilized occupancy. Further, with Blocks A and G being completed first, the potential exists for higher than anticipated initial MRU services costs until additional buildings are completed and come online. Thus, for the Phase 1a Blocks (A, B, F and G), a higher indirect cost of **30%** of direct costs for residential properties and **45%** of direct cost for office properties is applied.

There are several other costs, in addition to direct and indirect costs, which must be considered in the analysis of the subject property. The subject project has site specific fees beyond typical city fees. San Francisco's Jobs Housing Linkage Fee (JHL) applies to development projects which increase any combination of commercial uses by 25,000 or more gross square feet. The developer may either pay the JHL fee, contribute land at an equivalent to value to the fee, or utilize the funds to construct housing units. In the case of the subject, Jobs Housing Equivalency Fees (JHEF) are categorized as office development costs; these fees offset some of the residential costs, as the subject property

includes a substantial inclusionary housing component. The developer has provided the impact of Jobs Housing Equivalent Fees for all blocks within Phase 1a; as will be demonstrated, these fees are an additional cost to the office blocks and an offsetting cost, or credit, to the residential blocks. For Phase 2, 3, and 4 blocks, we have calculated the weighted average JHEF per square foot of building area for Phase 1a, and applied this cost as either a positive or negative cost to each of the remaining blocks depending on the use. It should be noted it is possible JHEF fees may vary in future phases, though future changes are not known at this time.

In addition, each of the subject blocks will also contribute to vertical construction of the D2 garage based upon the improvement's expected garage usage. The developer has provided the cost contribution to the garage of each of the four blocks in Phase 1a. To calculate the cost contribution for blocks in forthcoming phases, we consider the typical cost per square foot of building area for Phase 1a office and residential blocks.

Finally, lease up costs must be considered. Our calculation of lease up costs varies by use. For office blocks, we consider the lease-up period needed for the improvements to reach stabilized occupancy; depending on the block, this timeframe varies from 3 to 9 months overall. Rent loss during the absorption period is considered based upon market rent conclusions. In addition, rent concessions, tenant improvements, leasing commission, and lost expense recoveries are considered. We have projected tenants will receive 3 months of free rent and a \$30 per square foot tenant improvement allowance. For Block B, the subject's life sciences building, tenant improvement allowances are increased to \$40 per square foot. In addition, we estimate leasing commissions at 6%. Please note, although Block G is reportedly preleased to Visa upon completion, it is necessary to consider lease-up costs for the purposes of arriving at a land residual value.

Similarly, for the subject's residential space, we estimate the lease-up period for the improvements to reach stabilized occupancy. For the majority of the subject's residential improvements, we have estimated a lease-up period of 12 months for market rate units. This reflects an absorption rate of 12 to 14 market rate units per month for Phase 1a blocks. Below market rate units are expected to be leased at a substantially faster rate, as these units often have waiting lists prior to completion of construction. We have estimated a 3-month absorption period for the subject's below market rate units due to the logistics of leasing 40% of the subject units. Our analysis assumes units will be leased evenly over the absorption periods. For residential blocks beyond Phase 1a, we have estimated lease up costs based upon an average cost per unit for the subject's Phase 1a residential blocks.

Lease-up cost calculations for each of the subject blocks are retained in our work file. However, lease-up costs for Block A are presented below as an example of the methodology utilized.

Lease-Up Costs - Block A - Office & Retail														
Tenant	SF/Units	Assumptions							Costs					
		Months	Annual Rent/SF/Unit	Expense Recovery/SF/Unit	Lease Term (Mos.)	Free Rent (Mos.)	TI's/SF	LC %	Fore-gone Rent	Expense Recovery Loss	TI's	LC	Free Rent	Total
Vacant	50,000	3	\$82.00	\$18.00	60	3	\$30.00	6.0%	\$1,025,000	\$225,000	\$1,500,000	\$1,230,000	\$1,025,000	\$5,005,000
Vacant	4,183	6	\$82.00	\$18.00	60	3	\$30.00	6.0%	\$171,489	\$37,644	\$125,480	\$102,893	\$85,744	\$523,250
Vacant	20,931	9	\$50.00	\$18.00	36	3	\$30.00	6.0%	\$784,913	\$282,569	\$627,930	\$188,379	\$261,638	\$2,145,428
Total														\$7,673,677
Rounded														\$7,670,000

**Lease-Up Costs - Block A - Residential**

Unit Type	Vacant Units	Market Rent	Potential Foregone Rent/Mo.	Total Months to Absorb	Avg. Vacancy During Lease-up <sup>1</sup>	Foregone Rent
<u>Market Rate Units</u>						
Studio	9	\$3,700	\$33,300			
One Bedroom / One Bath	97	\$4,300	\$417,100			
Two Bedroom / Two Bath	62	\$6,500	\$403,000			
Three Bedroom / Two Bath	13	\$7,250	\$94,250			
Total/Average	181	\$5,235.64	\$947,650			
Less Vacant Units at Stabilization	9					
Units to be Absorbed	172	\$5,235.64	\$900,529	12	50%	\$5,403,176
Grand Total	172	\$5,236	\$900,529			\$5,403,176
Rounded						\$5,400,000

1. Pertains to units to be absorbed only. An average vacancy of 50% assumes that units are leased evenly over the absorption period.

Lease up costs are calculated to reach stabilized occupancy for the subject's market rate units. Below market rate units typically have a waiting list of applicants. Therefore, lease up costs are not applicable to these units.

**Accrued Depreciation**

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

**Developer's Incentive**

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.

Positive attributes of the subject property include:

- Approved entitlements;
- Block G is preleased to Visa;
- San Francisco office market had been strong prior to COVID-19. Proposition M creates supply constraints and the subject improvements have been approved;
- Oracle Park and Bay views; walking distance to multiple recreation options.

There are generally few “negative” attributes associated with the subject property, other than the potential for deterioration in market conditions in the commercial and multifamily sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.) such as COVID-19. These include the large inclusionary housing component, which impacts the financial feasibility of the residential blocks. In addition, construction costs have recently been outpacing gains in multifamily rental rates. Based on the characteristics of the subject property, we estimate incentive at **10.0%** of costs for Phases 2 through 4. However, given the timeline of Phase 1a, and the fact vertical construction has commenced on all four Blocks, we estimate incentive at **8.0%** for Blocks A, B, G, and F.

## Conclusion

Our estimates of finished lot value for the subject’s blocks via the extraction analysis are presented below and on the following page.

### Cost Analysis - Block B

Direct Costs	283,700 SF	at	\$490 /SF	\$139,013,000
Plus JHEF Offset to Residential			\$290.17 /SF	\$82,321,265
Indirect Costs		at	45% of directs	\$62,555,850
Lease Up Costs				\$45,980,000
Parking Contribution			\$12.44 /SF	\$3,529,000
<b>Total Direct &amp; Indirect Costs</b>				<b>\$333,399,115</b>
Developer's Incentive		at	8%	\$26,671,929
<b>Total Project Costs</b>				<b>\$360,071,044</b>
<b>Rounded</b>				<b>\$360,100,000</b>

### Extraction Analysis - Block B - Office Use

Market Value as if Stabilized	\$445,800,000
Less: Construction & Lease Up Costs	<u>(\$360,100,000)</u>
<b>Indicated Land Value</b>	<b>\$85,700,000</b>

**Cost Analysis - Block G**

Direct Costs	307,058 /SF	at	\$415	\$127,429,070
Plus JHEF Offset to Residential			\$269	\$82,571,437
Indirect Costs		at	45%	\$57,343,082
Lease up Costs				\$45,620,000
Parking Contribution			\$12.56	\$3,856,000
<b>Total Direct &amp; Indirect Costs</b>				\$316,819,589
Developer's Incentive		at	8%	\$25,345,567
<b>Total Project Costs</b>				\$342,165,156
<b>Rounded</b>				<b>\$342,200,000</b>

**Extraction Analysis - Block G - Office Use**

Market Value as if Stabilized	\$486,300,000
Less: Construction & Lease Up Costs	<u>(\$342,200,000)</u>
<b>Indicated Land Value</b>	<b>\$144,100,000</b>

**Cost Analysis - Block C**

Direct Costs	354,826 SF	at	\$415 /SF	\$147,252,790
Plus JHEF Offset to Residential		at	\$265 /SF	\$94,028,890
Indirect Costs		at	41% of directs	\$60,373,644
Lease-Up Costs				\$42,640,000
Parking Contribution		at	\$12.45 /SF	\$4,417,584
<b>Total Direct &amp; Indirect Costs</b>				<b>\$348,712,908</b>
Developer's Incentive		at	10%	\$34,871,291
<b>Total Project Costs</b>				\$383,584,198
<b>Rounded</b>				<b>\$383,600,000</b>

**Extraction Analysis - Block C - Office Use**

Market Value as if Stabilized	\$470,500,000
Less: Construction & Lease Up Costs	<u>(\$383,600,000)</u>
<b>Indicated Land Value</b>	<b>\$86,900,000</b>



**Cost Analysis - Block E**

Direct Costs	141,330 SF	at	\$415 /SF	\$58,651,950
Plus JHEF Offset to Residential		at	\$265 /SF	\$37,452,450
Indirect Costs		at	41% of directs	\$24,047,300
Lease-Up Costs				\$14,750,000
Parking Contribution		at	\$12.45 /SF	\$1,759,559
<b>Total Direct &amp; Indirect Costs</b>				<b>\$136,661,258</b>
Developer's Incentive		at	10%	\$13,666,126
<b>Total Project Costs</b>				<b>\$150,327,384</b>
<b>Rounded</b>				<b>\$150,300,000</b>

**Extraction Analysis - Block E - Office Use**

Market Value as if Stabilized	\$185,000,000
Less: Construction & Lease Up Costs	<b>(\$150,300,000)</b>
<b>Indicated Land Value</b>	<b>\$34,700,000</b>

**Cost Analysis - Block I**

Direct Costs	151,932 SF	at	\$415 /SF	\$63,051,780
Plus JHEF Offset to Residential		at	\$265 /SF	\$40,261,980
Indirect Costs		at	41% of directs	\$25,851,230
Lease-Up Costs				\$16,000,000
Parking Contribution		at	\$12.45 /SF	\$1,891,553
<b>Total Direct &amp; Indirect Costs</b>				<b>\$147,056,543</b>
Developer's Incentive		at	10%	\$14,705,654
<b>Total Project Costs</b>				<b>\$161,762,198</b>
<b>Rounded</b>				<b>\$161,800,000</b>

**Extraction Analysis - Block I - Office Use**

Market Value as if Stabilized	\$196,000,000
Less: Construction & Lease Up Costs	<b>(\$161,800,000)</b>
<b>Indicated Land Value</b>	<b>\$34,200,000</b>

**Cost Analysis - Block J**

Direct Costs	151,982 SF	at	\$415 /SF	\$63,072,530
Plus JHEF Offset to Residential		at	\$265 /SF	\$40,275,230
Indirect Costs		at	41% of directs	\$25,859,737
Lease-Up Costs				\$15,990,000
Parking Contribution		at	\$12.45 /SF	\$1,892,176
<b>Total Direct &amp; Indirect Costs</b>				<b>\$147,089,673</b>
Developer's Incentive		at	10%	\$14,708,967
<b>Total Project Costs</b>				<b>\$161,798,641</b>
<b>Rounded</b>				<b>\$161,800,000</b>

**Extraction Analysis - Block J - Office Use**

Market Value as if Stabilized	\$195,800,000
Less: Construction & Lease Up Costs	<u>(\$161,800,000)</u>
<b>Indicated Land Value</b>	<b>\$34,000,000</b>

**Cost Analysis - Block A**

Direct Costs	393,869 SF	at	\$630 /SF	\$248,137,470
Less JHEF Offset to Residential			(\$197) /SF	(\$77,700,000)
Indirect Costs		at	30% of directs	\$74,441,241
Lease Up Costs				\$13,070,000
Parking Contribution			\$9.11	\$3,589,000
<b>Total Direct &amp; Indirect Costs</b>				<b>\$261,537,711</b>
Developer's Incentive		at	8%	\$20,923,017
<b>Total Project Costs</b>				<b>\$282,460,728</b>
<b>Rounded</b>				<b>\$282,500,000</b>

**Extraction Analysis - Block A - Residential Use**

Market Value as if Stabilized	\$315,000,000
Less: Construction & Lease Up Costs	<u>(\$282,500,000)</u>
<b>Indicated Land Value</b>	<b>\$32,500,000</b>

**Cost Analysis - Block F**

Direct Costs	315,217 SF	at	\$630 /SF	\$198,586,710
Less JHEF Offset to Residential			(\$328) /SF	(\$103,500,000)
Indirect Costs		at	30% of directs	\$59,576,013
Lease Up Costs				\$7,850,000
Parking Contribution			\$9.15 /SF	\$2,885,000
<b>Total Direct &amp; Indirect Costs</b>				<b>\$165,397,723</b>
Developer's Incentive		at	8%	\$13,231,818
<b>Total Project Costs</b>				<b>\$178,629,541</b>
<b>Rounded</b>				<b>\$178,600,000</b>

**Extraction Analysis - Block F - Residential Use**

Market Value as if Stabilized	\$231,700,000
Less: Construction & Lease Up Costs	(\$178,600,000)
<b>Indicated Land Value</b>	<b>\$53,100,000</b>

**Cost Analysis - Block D1**

Direct Costs	240,494 SF	at	\$630 /SF	\$151,511,220
Less JHEF Offset to Residential		at	(\$265) /SF	(\$63,730,910)
Indirect Costs		at	21% of directs	\$31,817,356
Lease Up Costs		at	\$29,500 per unit (market)	\$3,194,850
Parking Contribution		at	\$9.15 /SF	\$2,200,520
<b>Total Direct &amp; Indirect Costs</b>				<b>\$124,993,036</b>
Developer's Incentive		at	10%	\$12,499,304
<b>Total Project Costs</b>				<b>\$137,492,340</b>
<b>Rounded</b>				<b>\$137,500,000</b>

**Extraction Analysis - Block D1 - Residential Use**

Market Value as if Stabilized	\$167,900,000
Less: Construction & Lease Up Costs	(\$137,500,000)
<b>Indicated Land Value</b>	<b>\$30,400,000</b>

**Cost Analysis - Block H**

Direct Costs	200,315 SF	at	\$630 /SF	\$126,198,450
Less JHEF Offset to Residential		at	(\$265) /SF	(\$53,083,475)
Indirect Costs		at	21% of directs	\$26,501,675
Lease Up Costs		at	\$29,500 per unit (market)	\$3,306,950
Parking Contribution		at	\$9.15 /SF	\$1,832,882
<b>Total Direct &amp; Indirect Costs</b>				<b>\$104,756,482</b>
Developer's Incentive		at	10%	\$10,475,648
<b>Total Project Costs</b>				<b>\$115,232,130</b>
<b>Rounded</b>				<b>\$115,200,000</b>

**Extraction Analysis - Block H - Residential Use**

Market Value as if Stabilized	\$158,200,000
Less: Construction & Lease Up Costs	(\$115,200,000)
<b>Indicated Land Value</b>	<b>\$43,000,000</b>

**Cost Analysis - Block K**

Direct Costs	130,469 SF	at	\$630 /SF	\$82,195,470
Less JHEF Offset to Residential		at	(\$265) /SF	(\$34,574,285)
Indirect Costs		at	21% of directs	\$17,261,049
Lease Up Costs		at	\$29,500 per unit (market)	\$2,578,300
Parking Contribution		at	\$9.15 /SF	\$1,193,791
<b>Total Direct &amp; Indirect Costs</b>				<b>\$68,654,325</b>
Developer's Incentive		at	10%	\$6,865,433
<b>Total Project Costs</b>				<b>\$75,519,758</b>
<b>Rounded</b>				<b>\$75,500,000</b>

**Extraction Analysis - Block K - Residential Use**

Market Value as if Stabilized	\$104,300,000
Less: Construction & Lease Up Costs	(\$75,500,000)
<b>Indicated Land Value</b>	<b>\$28,800,000</b>

The subject's entitlements require 40% of the subject's residential units to be designated below market rate. On a block-by-block basis, the proposed improvements include between 30% and 56% restricted units. Residential construction costs have risen significantly in the Bay Area in recent years, and costs have outpaced rent growth over the past twelve months. This has created a situation in which some of the residential indicated land values would be negative (meaning the proposed development is not financially feasible) if not for the offsetting Jobs Housing Equivalency Fees. However, the subject is entitled for a mix of office, retail, and residential uses and finished land value of the taxable blocks overall is positive. A summary of our land value conclusions is provided below.

#### Summary of Land Residual Values

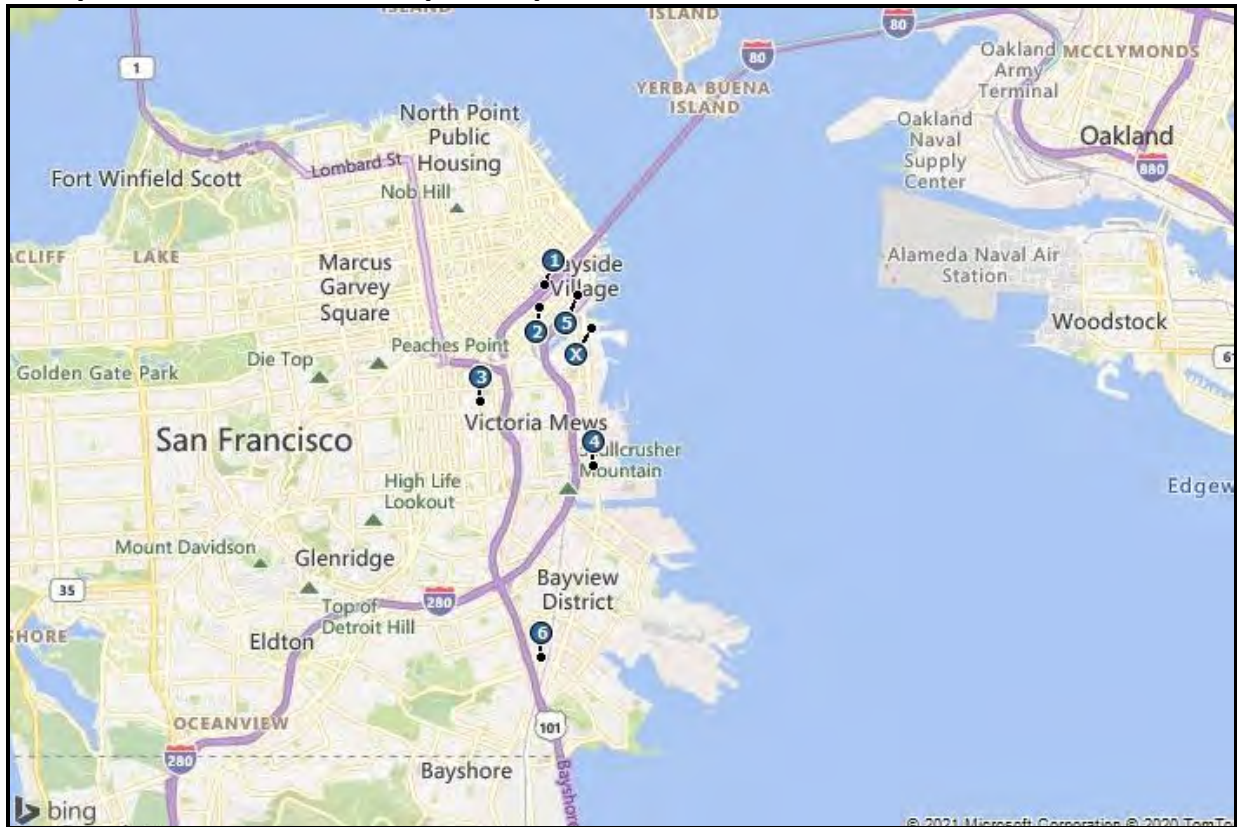
Block	Phase	Land Residual	Use	Units	Per Unit	Gross SF	Per SF of Bldg
A	1a	\$32,500,000	Res/Office	283	\$114,841	-	-
B	1a	\$85,700,000	Office	-	-	283,700	\$302.08
F	1a	\$53,100,000	Residential	254	\$209,055	-	-
G	1a	\$144,100,000	Office	-	-	307,058	\$469.29
C	2	\$86,900,000	Office	-	-	354,826	\$244.91
D1	2	\$30,400,000	Residential	259	\$117,375	-	-
E	3	\$34,700,000	Office	-	-	141,330	\$245.52
H	4	\$43,000,000	Residential	192	\$223,958	-	-
I	4	\$34,200,000	Office	-	-	151,932	\$225.10
J	4	\$34,000,000	Office	-	-	151,982	\$223.71
K	4	\$28,800,000	Residential	131	\$219,847	-	-

As a secondary check of reasonableness, we have arrayed land sales for proposed commercial and multifamily residential properties.

### Summary of Comparable Land Sales - Office Use

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/SF Bldg.	\$/SF Land
1	777 Harrison Street 737-743 Harrison St. San Francisco San Francisco County CA	Jun-20 Closed	\$140,100,000	104,598 2.40	Central SOMA Mixed Use Office	\$174.25	\$1,339.41
<i>Comments: Transfer of 5 contiguous parcels improved with a total of 62,865 SF of industrial uses. Buyer plans to demolish the improvements and redevelop the property, which is fully entitled, with 804,000 SF of office space. The property is located along I-80, in between 4th Street and 3rd Street, in SOMA. 777 Harrison Street, known as Fourth + Harrison, is a fully-entitled site that can support the development of approximately 804,000 square feet of primarily office space.</i>							
2	Brannan Square 639-590 Bryant St. San Francisco San Francisco County CA	Jun-20 Closed	\$154,766,000	195,240 4.48	Production, Distribution and Repair	\$128.97	\$792.70
<i>Comments: This is an assemblage of four parcels by buyer Tishman Speyer for the proposed Brannan Square project in the SOMA neighborhood. The four sales occurred between 4/30/2020 and 6/23/2020 and totaled \$154,766,000. At build out, Brannan Square will include approximately 1,200,000 SF of commercial space within three buildings, including 923,000 SF of office space, 65,000 SF of PDR space, and a childcare facility.</i>							
3	1850 Bryant St San Francisco San Francisco County CA	Aug-19 Closed	\$18,000,000	36,500 0.84	Production, Distribution and Repair	\$104.65	\$493.15
<i>Comments: Property is located in the Mission District and was improved with a 14,000 SF industrial building at the time of sale which will be demolished. The buyer took the property through the entitlement process prior to closing, with entitlements in place for 172,000 SF of office condos within five stories at the time of sale. The condos will specifically be for nonprofit users and will sell at a discounted rate.</i>							
4	2800 3rd Street 2800 3rd San Francisco San Francisco County CA	Jul-19 Closed	\$23,360,000	40,000 0.92	Production, Distribution and Repair	\$97.33	\$584.00
<i>Comments: Seller had proposed a 240,000 square foot flex improvement for the site. However, at the time of sale it was unclear if the buyer planned to move forward with the proposed project.</i>							
5	130 Townsend St San Francisco San Francisco County CA	Jul-19 Closed	\$24,000,000	22,000 0.51	Central Soma Mixed Use Office	\$286.92	\$1,090.91
<i>Comments: Property is located in SoMa, approximately one block from Oracle Park. At the time of sale, there was a 9,947 SF retail property on the site leased month to month to a Mexican restaurant. The property was not entitled at the time of sale, but the buyer is proposing a vertical addition to the existing building and construction of a new office improvement. The adaptive reuse of the existing building will result in a 36,473 SF improvement with 34,120 SF of office space and 2,353 SF of retail space. The proposed second improvement will include 47,175 SF including 46,464 SF of office space and 711 SF of PDR space.</i>							
6	400 Paul Ave 320, 350 & 400 Paul Ave. San Francisco San Francisco County CA	Aug-17 Closed	\$42,000,000	317,510 7.29	Production, Distribution , and Repair	\$174.11	\$132.28
<i>Comments: Property was purchased by CIM Group in partnership with fifteenfortyseven Critical Systems Realty. At the time of sale, the property was entitled for the development of a 187,000 SF data center with 24 megawatts of power capacity. The property also includes two improvements constructed in the 1930's in poor condition, totaling 54,225 SF. The buyer plans to rehabilitate the improvements into office and support space for the tenants of the proposed data center. The developer broke ground on the facility in April of 2018.</i>							

### Comparable Land Sales Map – Proposed Office Use



The previous sales range from \$97.33 to \$286.93 per proposed square foot of building area. Sales 3 and 4 fall at the low end of the range, as they reflect proposals for below market office condominium space and flex space, respectively. Sales 2 and 5 are proximate to the subject and is also most similar to the subject proposal and will include 1,200,000 and 80,584 square feet of office space, respectively. The existing improvements are not believed to have contributed value to the sale prices. Sale 6 reflects the land sale for a proposed data center. However, the acreage of the site is significantly larger than the subject's individual office blocks and the location of the property is inferior to the subject. Therefore, the subject office blocks are expected to command a higher price per square foot of building area than Sale 6.

Our land value conclusions for the subject's office blocks range from approximately \$224 to \$469 of proposed building area; the top end of our value conclusions is higher than that indicated by the comparable range. However, comparable land sales for proposed office improvements are limited and the subject reflects a fully entitled master development. Further, only Block G, which reflects the highest land value conclusion, is 100% preleased to Visa. Given the scale of the subject project, it is our opinion the indicated value conclusions via the extraction analyses for the office land are reasonable.

Comparable land sales for multifamily use (for-rent) are presented on the following page. Our search focused on sales in and around the subject submarket for projects with more than 50 units proposed.

### Summary of Comparable Land Sales - Residential use

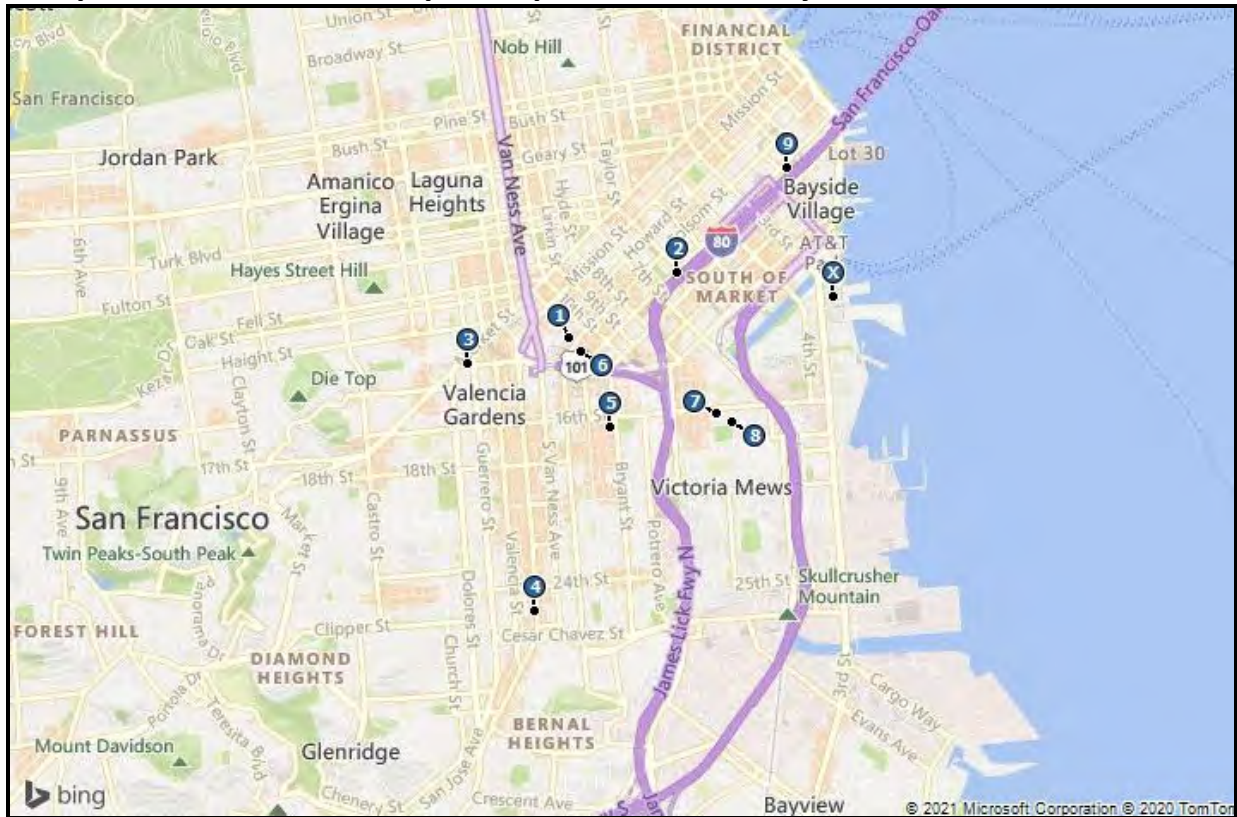
No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/Unit	\$/SF Land
1	Proposed Residential 135 Kissling St. San Francisco San Francisco County CA <i>Comments: Four contiguous parcels improved with industrial buildings are reportedly in-contract. The property is marketed as a redevelopment opportunity with potential for 200 residential units, equating to an asking price of \$125,000 per unit.</i>	Jan-21 In-Contract	\$25,000,000	48,337 1.11	Residential Enclave / West SOMA Mixed Use	\$125,000	\$517.20
2	988 Harrison St. San Francisco San Francisco County CA <i>Comments: Property was entitled for 90 multifamily units at the time of sale, 13 of which are expected to be affordable (14%). Project will also include 3,000 SF of ground floor retail. Construction is expected to be finished in early 2023.</i>	Nov-20 Closed	\$11,000,000	12,990 0.30	Mixed Use Residential	\$122,222	\$846.81
3	1939 Market Site 1939 Market St. San Francisco San Francisco County CA <i>Comments: March 2020 sale of a redevelopment site at Market and Guerrero Streets. The property is improved with a 13,300 SF meeting hall that will be leased back by the seller for 24 months. The City of San Francisco purchased the property with the intent to develop a mixed-use development with at least 80 multifamily units. The property will be 100% affordable upon completion; however, was not encumbered by affordable housing restrictions as of the date of sale and sold for a unrestricted market-rate sales price. It appears that the project was not yet entitled at time of sale.</i>	Mar-20 Closed	\$12,000,000	11,761 0.27	NCT	\$150,000	\$1,020.32
4	2918-2922 Mission Street 2918-2922 Mission St. San Francisco San Francisco County CA <i>Comments: Sale of a redevelopment site that was fully entitled for redevelopment with an 8-story apartment building with 75 units (8 of which will be BMR units). At the time of sale, the property was improved with a 5,220 SF laundromat that no longer contributed value to the site and will be demolished. Seller took the property through the entitlement process, which took over 5 years due to resistance from neighborhood groups wanting the existing laundromat designated as a historic resource.</i>	Apr-19 Closed	\$13,500,000	11,653 0.27	NCT	\$180,000	\$1,158.50
5	321 Florida Street 309-367 Florida St. San Francisco San Francisco County CA <i>Comments: Property was not entitled at the time of sale and is currently a parking lot. Buyer is proposing to construct a mixed use project which would include 151 apartment units within 9 stories with 1,577 SF of ground floor retail space. The proposal includes a density bonus which would apply a 35% increase in density over the base project (112 units). As of January 2020, the proposal is under review with the planning and zoning department.</i>	Dec-18 Closed	\$11,200,000	19,998 0.46	Urban Mixed Use	\$74,172	\$560.06



### Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/Unit	\$/SF Land
6	333 12th St San Francisco San Francisco County CA	Apr-18 Closed	\$17,500,000	30,056 0.69	Wsoma Mixed Use - General	\$87,500	\$582.25
<i>Comments: Buyer is proposing 200 apartment units and took the property through the entitlement process prior to sale. The buyer exercised an option and the contract price was set in 2016. The project, known as City Gardens, will include a mix of two and four bedroom apartments. There was a 21,630 SF industrial improvement on the property at the time of sale which will be demolished.</i>							
7	Potrero Flats 1301 16th St. San Francisco San Francisco County CA	Dec-17 Closed	\$28,280,000	38,600 0.89	Urban Mixed Use	\$94,582	\$732.64
<i>Comments: Property was entitled at the time of sale. Buyer constructed 299 apartment units within a 4-story improvement; 60 of the units are affordable (20%). The project is known as Mason at Mariposa and includes a mix of studios and one, two, and three-bedroom units.</i>							
8	88 Arkansas St San Francisco San Francisco County CA	Jan-17 Closed	\$26,000,000	19,998 0.46	Urban Mixed Use	\$204,724	\$1,300.13
<i>Comments: The property was entitled at the time of sale for 127 apartment units and two commercial units within a 5-story improvement. The project will include 25 affordable units (20%). There was a 13,000 SF industrial building on the property at the time of sale which will be demolished.</i>							
9	525 Harrison St San Francisco San Francisco County CA	Jan-17 Closed	\$36,000,000	12,998 0.30	Rincon Hill Downtown Residential	\$175,610	\$2,769.66
<i>Comments: True buyer is Zhuguang Properties US, LLC, a subsidiary of Zhuguang Group which is based in Guangzhou China. At the time of sale, the property was fully entitled for 205 apartments, 15% of which will be affordable. The project will have a four-level subterranean parking garage with 103 parking spaces which will rely on mechanical lifts and car elevators. There is an existing 16,000 SF improvement on the property which will be demolished. The site is adjacent to Interstate 80.</i>							
<b>Subject</b>				141,571	Mission Rock		
City and County of San Francisco Special				3.25	Mixed Use		
Tax District No. 2020-1 (Mission Rock							
Facilities and Services)							

### Comparable Land Sales Map – Proposed Multifamily Use



The comparable land sales range from \$74,172 to \$204,724, unadjusted. Indicated market value for the subject's residential blocks range from \$114,841 to \$223,958 per unit. As previously noted, Block A includes a substantial office component, which impacts the value of the property. In addition, Block D1, which has an indicated value of \$117,375 per unit, includes a substantial inclusionary housing component (56% of units) with no offsetting retail. Therefore, it is expected this block will fall towards the lower end of the comparable range. Typical inclusionary housing for the comparable sales ranges from 15% to 20%.

It is important to note the impact of the JHE fees, which offset some of the residential costs. Construction costs have recently been rising at a faster pace than rental rates. Conversations with the subject developer confirm that it is very difficult to justify the feasibility of multifamily residential construction in the current market, particularly with a 40% inclusionary housing requirement. However, the subject is entitled for a mix of uses and the overall land value of the property is positive.

## Market Value by Ownership – Vertical Developer Component

The preceding analyses derived estimates of residual land value, as if all infrastructure, by Phase, was in place and available to serve the developable Blocks. As previously described, Blocks A, B, F and G, which comprise Phase 1a of the Mission Rock Project, have transferred to vertical developers and are in the process of vertical development commensurate with the entitlements and development plan for Mission Rock.

In order to estimate the market value of each Block (ownership), the remaining Phase 1a infrastructure costs to be completed will be deducted, on a pro rata share of each Block's improved land value, resulting in a residual market value for each Block (ownership).

According to the horizontal (infrastructure) cost information provided for use in this analysis, total horizontal infrastructure costs associated with Phase 1a of Mission Rock is \$150,701,840 not including \$35,928,038 in construction costs for the Mission Rock Utilities systems, which are being financed separately by bond anticipation notes, of which \$25 million has already been issued by the California Pollution Control Financing Authority. However, for purposes of this analysis, since the improvements are yet to be completed, the costs associated with the MRU systems will be considered herein. Thus, total Phase 1a horizontal infrastructure costs equal \$186,629,878 (\$150,701,840 + \$35,928,038). According to the current cost budget, \$76,324,201 in horizontal infrastructure costs and \$1,722,170 in MRU costs have been incurred to date, for a total of \$78,046,371; thus, \$108,583,507 (\$186,629,878 - \$78,046,371) in remaining infrastructure costs will be allocated to the four vertical development Blocks in Phase 1a, accordingly. As an example of the allocation of remaining costs assigned to each Block, Block A is estimated at  $\$32,500,000 \div \$315,400,000 = 10.30\% \times \$108,583,507 = \$11,188,852$ .

In addition to the consideration for remaining horizontal infrastructure costs described above, all Phase 1a Blocks are presently under vertical construction, with significant impact fees and construction costs incurred, which contributes to the market value of the subject property. Therefore, consideration to the contributory value to each Phase 1a Block is also considered. The below table summarizes costs spent to date, by Block.

<b>Vertical Costs Incurred to Date</b>				
Description	Block A	Block B	Block F	Block G
Hard Costs	\$26,066,440	\$6,860,128	\$656,306	\$37,805,206
Soft Costs	\$29,296,413	\$27,514,633	\$11,670,420	\$35,409,099
Leasing Commissions	-	-	-	\$6,134,130
Total Costs	\$55,362,853	\$34,374,761	\$12,326,726	\$79,348,436
<b>Rounded</b>	<b>\$55,360,000</b>	<b>\$34,370,000</b>	<b>\$12,330,000</b>	<b>\$79,350,000</b>

Soft costs include the following expenses: marketing/advertising, architectural/engineering fees, city permits and fees, insurance, testing, legal/accounting fees, and general/administrative expenses.

Based on the information above, the estimates of market value, per Block, for the Phase 1a component, by ownership, is shown in the table on the following page:

**Phase 1a Land Values**

Owner	Block	Use	Improved Land Value	Infrastructure Cost Allocation^	Vertical Development	Residual Market Value (Rd.)
Mission Rock Parcel A Owner L.L.C.	A	Res./Office/Retail	\$32,500,000	(\$11,188,852)	\$55,360,000	\$76,670,000
Mission Rock Parcel B Owner L.L.C.	B	Office/Retail	\$85,700,000	(\$29,504,143)	\$34,370,000	\$90,570,000
Mission Rock Parcel F Owner L.L.C.	F	Res./Retail	\$53,100,000	(\$18,280,863)	\$12,330,000	\$47,150,000
Mission Rock Parcel G Owner L.L.C.	G	Office/Retail	\$144,100,000	(\$49,609,649)	\$79,350,000	\$173,840,000
<b>Total</b>			\$315,400,000	(\$108,583,507)	\$181,410,000	<b>\$388,230,000</b>

^ Includes \$35,928,038 in costs associated with the MRU system

## Master Developer Valuation

The master developer, Seawall Lot 337 Associates, L.L.C., retains ownership to the underlying land identified as Phases 1b, 2, 3 and 4 of the Mission Rock Project, which comprise developable Blocks C, D1, E, H, I, J and K.

In order to estimate the market value, in bulk, of this ownership, 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 previously derived.

**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 revenue component associated with the subject includes the concluded values for the various land use components derived in the previous analyses, which are summarized below.

<b>Summary of Master Developer Land Values</b>		
<b>Block</b>	<b>Residual Land Value</b>	<b>Use</b>
C	\$86,900,000	Office
D1	\$30,400,000	Residential
E	\$34,700,000	Office
H	\$43,000,000	Residential
I	\$34,200,000	Office
J	\$34,000,000	Office
K	<u>\$28,800,000</u>	Residential
	\$292,000,000	

## 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.

At build out, the subject community will include approximately 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units within eleven taxable blocks. The boundaries of the Special Tax District will also include multiple parks, open space, and a parking garage; these components are excluded from the valuation because they are not subject to the Lien of the Special Tax. The seven development blocks comprising Phases 2 through 4 will be developed commensurate with the overall development plan for the Mission Rock Project, with development of additional backbone infrastructure expected to commence in Year 4 and continue through Year 8 of the discounted cash flow.

## Expense Projections

### Changes in Expenses (Expense Increases or Decreases)

Market participants widely expect expenses to increase either from inflation or labor increases. 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 Special Tax 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. Given the complexity of the proposed development and the holding period of the subject, we have estimated this expense at 4.0% 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 3% 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 individual blocks (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 1.1984637%. This rate is applied to the estimated market value (in bulk) and divided by the total acreage to yield an estimate of ad valorem taxes/acreage/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 appraised properties are within the boundary of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). According to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Maximum Development Special Tax Revenues and Projected Development Special Tax Levies, provided by Goodwin Consulting Group, Inc., a summary of the special taxes by Tax Zone is presented in the following table.

For purposes of this analysis, the Special Taxes applicable to the Tax Zone 2 (master developer held Blocks) property will be commensurate with the total amounts reflected in the following table. As noted, Tax Zone 1 includes Phase 1a Blocks (A, F, B, and G).



City and County of San Francisco  
Special Tax District No. 2020-1  
(Mission Rock Facilities and Services)  
Fiscal Year 2021-22 Special Tax Levy Summary

Development Status and Square Footage Category	Taxable Square Footage	FY 2021-22 Maximum Development Special Tax	FY 2021-22 Actual Development Special Tax	FY 2021-22 Maximum Office Special Tax	FY 2021-22 Actual Office Special Tax	FY 2021-22 Maximum Shoreline Special Tax	FY 2021-22 Actual Shoreline Special Tax	Total FY 2021-22 Special Tax Levy
<b>TAX ZONE 1</b>								
<u>Developed Property</u>								
				<i>per Square Foot</i>				
Market-Rate Residential Square Footage	0	\$8.93	\$8.93	\$0.00	\$0.00	\$0.00	\$0.00	\$0
Office Square Footage	0	\$6.76	\$6.76	\$2.00	\$0.00	\$1.89	\$0.00	\$0
Subtotal	0							\$0
<u>Undeveloped Property</u>								
				<i>per Square Foot</i>				
Market-Rate Residential Square Footage	251,207	\$8.93	\$1.04	\$0.00	\$0.00	\$0.00	\$0.00	\$261,545
Office Square Footage	587,331	\$6.76	\$0.79	\$2.00	\$0.00	\$1.89	\$0.00	\$463,259
Subtotal	838,538							\$724,804
<b>TAX ZONE 2</b>								
<u>Developed Property</u>								
				<i>per Square Foot</i>				
Market-Rate Residential Square Footage	0	\$8.93	\$8.93	\$0.00	\$0.00	\$0.00	\$0.00	\$0
Office Square Footage	0	\$6.76	\$6.76	\$1.68	\$0.00	\$1.89	\$0.00	\$0
Subtotal	0							\$0
<u>Undeveloped Property</u>								
				<i>per Square Foot</i>				
Market-Rate Residential Square Footage	235,200	\$8.93	\$1.04	\$0.00	\$0.00	\$0.00	\$0.00	\$244,879
Office Square Footage	899,998	\$6.76	\$0.79	\$1.68	\$0.00	\$1.89	\$0.00	\$709,876
Subtotal	1,135,198							\$954,756
<b>TOTAL FISCAL YEAR 2021-22 SPECIAL TAX LEVY</b>								<b>\$1,679,560</b>

Goodwin Consulting Group, Inc.

### Ground Lease Payment

The land within Special Tax District No. 2020-1 is encumbered with a ground lease between the Port of San Francisco and the master developer, which escalates 3.0% per year; though, the ground lease payment is reduced as the land components are sold off, as the Port will enter into a new lease with the vertical developer at that time. In addition, Block D2's pro-rata share of the ground lease payment is excluded in the upcoming analysis, in accordance with the allocation below.

Ground Lease Allocation							
Block	Phase	Tax	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1a	1	0.96	41,818	10.1%	\$218,013	Prepaid
B	1a	1	0.93	40,511	9.8%	\$211,200	Prepaid
F	1a	1	0.58	25,265	6.1%	\$131,716	Prepaid
G	1a	1	0.78	33,977	8.2%	\$177,136	Prepaid
C	2	2	0.90	39,204	9.4%	\$204,387	
D1	2	2	0.58	25,265	6.1%	\$131,716	
E	3	2	0.58	25,265	6.1%	\$131,716	
H	4	2	0.72	31,363	7.6%	\$163,510	
I	4	2	0.75	32,670	7.9%	\$170,323	
J	4	2	0.72	31,363	7.6%	\$163,510	
K	4	2	0.41	17,860	4.3%	\$93,110	
D2	2	2	1.62	70,567	17.0%	\$367,897	
<b>Totals</b>			<b>9.53</b>	<b>415,127</b>	<b>100%</b>	<b>\$2,164,236</b>	
<b>Total Ground Lease Rent less D2</b>						<b>\$1,796,339</b>	

Excluding the Phase 1a Blocks (Tax Zone 1), which prepaid the allocable ground lease, the total second year ground lease payment associated with the master developer held Blocks above, Tax Zone 2, is \$1,058,273.

### Backbone Infrastructure

According to the master developer, total remaining infrastructure costs for Phases 2 through 4 is \$186,000,000, which includes both hard costs and soft costs. Phase 1b costs associated with China Basin Park are \$33,395,980, which are also reflected in the master developer's remaining horizontal cost obligation. The total costs cited above will be disbursed during the development and sell-off period commensurate with the development timeline provided; however, since the discounted cash flow analysis calculates soft (indirect) costs separately, the development costs will only consider the hard costs reported, or \$152,400,000.

### 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 25.00%, with an average of 16.70% during the Second Quarter 2021, which is 110 basis points higher than the average reported in the Fourth Quarter 2020, the last time the survey was conducted and 150 basis points higher than a year ago. Without entitlements in place, certain investors will increase the discount rate of 188 basis points. These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place.

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.

"2020 revealed that where people work and where people live can be very far apart," says a development land participant. This philosophy is a driving force behind a resurgence of new-home construction in the United States. In the nonresidential sector, each segment reported year-over-year declines in spending as of March 2021. Over the next 12 months, surveyed investors are most optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +5.8%. This average is better than where it was six months ago (+4.9%), as well as a year ago (-6.9%). (Second Quarter 2021)

For 2021, most *Emerging Trends* respondents (53.0%) believe that debt capital for development and redevelopment will be undersupplied. This percentage is more than twice the figure from last year's report and is likely due to the uncertainty tied to the pandemic. Interestingly, the percentage of respondents that feel debt capital for such projects will be "in balance" drops this year to 35.0% – down from 57.0% in 2020. (Fourth Quarter 2020)

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,"

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<sup>[1]</sup> [PwC Real Estate Investor Survey](#), PricewaterhouseCoopers, 2<sup>nd</sup> Quarter 2021, Volume 34, Number 2.

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 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)

<b>Project Yield Rate Survey</b>	
<b>Data Source</b>	<b>Yield / IRR Expectations (Inclusive of Profit)</b>
PwC Real Estate Investor Survey - Second Quarter 2021 (updated semi-annually)	Range of 10.0% to 25.0%, with an average of 16.7%, on an unleveraged basis, 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. Positive attributes of the subject property include:

- Approved entitlements;
- Block G is preleased to Visa;
- San Francisco office market had been strong prior to COVID-19. Proposition M creates supply constraints and the subject improvements have been approved. The life sciences and bio-technology are currently in high demand.
- Oracle Park and Bay views; walking distance to multiple recreation options;
- The lack of developable land in San Francisco.

Large and otherwise complex developments like Mission Rock are often associated with public and private partnerships or alliances. In an effort to achieve each parties' respective objectives, both groups work to create incentives that are linked to the development project that become part of the contributors to value for the development as a whole, are now part of the real estate that is offered as the Mission Rock project. For instance, as detailed in the original Appraisal Report, The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate near term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District—City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses. The abovementioned attributes now run with the development.

The subject property comprises the leasehold interest of the developable land subject to the Lien of the Special Tax securing the Bonds, which is a substantial portion of the Mission Rock mixed-use redevelopment with the City and County of San Francisco. The project represents a substantial high-density, infill development. Although the development is fully entitled, which mitigates substantial risk for urban development in California, there remains significant risk associated with the estimates of presumed sell-off of the developable components (Blocks), as well as the anticipated revenue associated with such developable Blocks.

Although COVID-19 exacerbates this issue in the near term, it is expected to be less of a factor by the time the subject's land components are ready to be dispensed. In addition, recovery of the San Francisco multifamily market is ongoing and the in-demand life sciences sector provides an alternative to traditional office use. Nevertheless, there remains risk associated with unforeseen factors such as broad economic declines that may extend as a result of the current pandemic. Additionally, all backbone infrastructure must be completed during the sell-off period, which is expected to span the disposition timeline.

As part of the appraisal process, we conducted a survey of market participants familiar with land development in both urban and suburban locations through California, many of which indicated a reconsideration of the development timeline would likely be precipitated by the effects of current market/economic conditions. During the last year, the Port of San Francisco has solicited proposals for future public/private partnerships, similar to that in place for the subject property, for Piers 30-32 and SWL 330, which took place during the COVID-19 pandemic. Three respondents, including Strada TCC Partners, LLC, a joint venture between Strada Investment Group and Trammell Crow Company, Tishman Speyer and Vornado Realty, each provided proposals based on internal rates of return ranging from below 10% to 23%, with income projections associated with future office and residential land uses based on pre-pandemic market rents.

Considering these factors, the magnitude and complexity of the subject project, and the positive and negative characteristics previously described, a discount rate of 18% is estimated for the leasehold interest in the subject property.

## Conclusion

The subdivision development method is presented on the following page.

Subdivision Development Method - Seawall Lot 337 Associates, LLC (master developer)											
Inputs											
Revenue & Expenses			Ad Valorem Tax Table								
Taxable Land Acreage - All Blocks			4.66		Annual Increase in Property Taxes			2.0%			
Total Land Revenue			\$292,000,000		First Year Annual Taxes/Acre			\$16,048			
Total Revenue per Acre			\$62,660,944								
Phase 2 - Blocks C & D1			Max Special Assessments - Mission Rock CFD No. 2020-1					Max Escalation			
Phase 2 Land Acreage			1.48		Base Tax - Market Rate Residential - Tax Zone 1 &						
Phase 2 Revenue			\$117,300,000		Mission Rock CFD #1			\$8.93 /SF		2.0%	
Phase 3 - Block E			Base Tax - Office Use -Tax Zone 1 & 2								
Phase 3 Land Acreage			0.58		Mission Rock CFD #1			\$6.76 /SF		2.0%	
Phase 3 Revenue			\$34,700,000								
Phase 4 - Blocks H, I, J, & K			Base Special Tax - Office Use - Tax Zone 1								
Phase 4 Land Acreage			2.60		Mission Rock CFD #1			\$2.00 /SF		2.0%	
Phase 4 Revenue			\$140,000,000								
Annual Revenue Appreciation			1.00%		Shoreline Special Tax - Office Use - Tax Zone 1 & 2						
General & Administrative			1.0%		Mission Rock CFD #1					\$1.89 /SF	
Marketing & Commissions			3.0%		Contingent Services Tax - Res. Tax Zone 1 & 2						
			Mission Rock CFD #1					\$2.00 /SF		2.0%	
Phase 1b			\$33,395,980		Contingent Services Tax - Office Tax Zone 1 & 2						
Phases 2-4 Infrastructure Costs			\$152,400,000								
Phase 2			\$70,185,830		Mission Rock CFD #1			\$1.47 /SF		2.0%	
Phase 3			\$20,762,560								
Phase 4			\$61,451,610		Ground Lease Payment per Acre			\$227,097 /Acre		3.0%	
Revenue, Expenses and Valuation											
Revenue	Period (1 year)	2022 1	2023 2	2024 3	2025 4	2026 5	2027 6	2028 7	2029 8	Total	
Sales (Acreage):											
Phase 2											
Phase 3											
Phase 4											
Total Sales											
End of Period Inventory											
Total Period Inventory (acres)											
Land Sales Revenue Unappreciated											
Phase 2											
Phase 3											
Phase 4											
Total Revenue											
Revenue Appreciated											
Total Revenue											
Expenses	All Categories										
General & Administrative											
Marketing/Commissions											
Backbone Infrastructure											
Phase 1b											
Phase 2											
Phase 3											
Phase 4											
Total Infrastructure											
Ad Valorem Taxes											
Mission Rock CFD#1											
Ground Lease Payment											
Total Expenses											
Net Income											
Internal Rate of Return		18.00%									
Discounted Cash Flow											
Net Present Value											
Conclusion of Market Value, in Bulk (Rd.)										\$6,240,000	

## Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinions of market value, by ownership, of the appraised properties, subject to the hypothetical condition cited herein, is as follows:

### Value Conclusions

#### Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership

Ownership	Tax Zone / Phase	Interest Appraised	Date of Value	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$76,670,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$90,570,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$47,150,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	August 1, 2021	\$173,840,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	August 1, 2021	\$6,240,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$394,470,000</b>

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

## 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 development site 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. Given the current COVID-19 environment, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the a little longer than 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 previously appraised the property that is the subject of this report for the current client. We have provided no other 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 the agreement to perform 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.



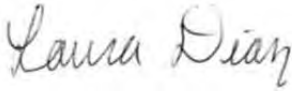
14. As of the date of this report, Eric Segal, MAI, and Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.
15. As of the date of this report, Laura Diaz has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



Eric Segal, MAI  
Certified General  
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 environment 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:

---

**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

---

## **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 2023

Nevada, Certified General, A.0207666-CG, Expires January 2023

Arizona, Certified General, CGA - 1006422, Expires January 2022

Washington, Certified General, 20100611, Expires June 2023

## 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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[esegal@irr.com](mailto:esegal@irr.com) - 916-435-3883 x228







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, 2021

Date Expires: February 18, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

3055248

# 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 state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). 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 and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. 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 2023

## 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

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F 916-435-4774

irr.com



## Kevin Ziegenmeyer, MAI

### Education (Cont'd)

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  
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

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F 916-435-4774

[irr.com](http://irr.com)





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, 2021

Date Expires: June 4, 2023

Loretta Dillon, Deputy Bureau Chief, BREA

**3057527**

# 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

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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:

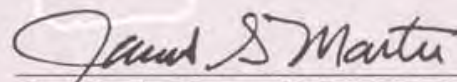
“Certified General Real Estate Appraiser”

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!*

# irr.com



## **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 Incentive**

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's*

*profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

### **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[h]; 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.

## APPENDIX H

### INFRASTRUCTURE FINANCING DISTRICT

#### General

***Relevance of the IFD.*** Under the Rate and Method, with respect to each fiscal year, the Development Special Taxes required to be levied in the District with respect to certain parcels will be reduced in the amount of certain tax increment that was allocated to the IFD during the prior fiscal year (“Parcel Increment”). Parcel Increment will only be available to reduce Development Special Taxes that otherwise would have been levied on “Assessed Parcels” under the Rate and Method. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” to this Official Statement. Under the Rate and Method, only the Development Special Tax levy, not the other special taxes under the Rate and Method, may be offset by any revenue from Parcel Increment.

***IFD Law.*** Under Chapter 2.8 of Part 1 of Division 2 Title 5 of the California Government Code (the “IFD Law”), cities and counties are authorized to establish tax increment financing districts known as infrastructure financing districts, allocate incremental tax property tax revenues to the district, and approve infrastructure financing plans. The infrastructure financing plans must include certain tax increment limits, including a maximum amount of tax increment that may be allocated to the infrastructure financing district and a maximum period in which tax increment revenue may be allocated.

Under provisions of the IFD Law that apply only to the City, the City may establish one or more “waterfront districts” on land under San Francisco Port Commission jurisdiction along the San Francisco waterfront and may establish project areas within a waterfront district. The purpose of project areas is to allow the tax increment limits established by the infrastructure financing plan to apply only to portions of the territory within the IFD, typically corresponding with phases of a development project.

#### **IFD No. 2; Project Area I; Sub-Project Areas**

Under the IFD Law, the Board of Supervisors formed City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) as a “waterfront district” and approved an Infrastructure Financing Plan (the “IFP”) for the IFD pursuant to Ordinance No. 27-16, which was adopted by the Board of Supervisors on March 1, 2016, and approved by the Mayor on March 11, 2016.

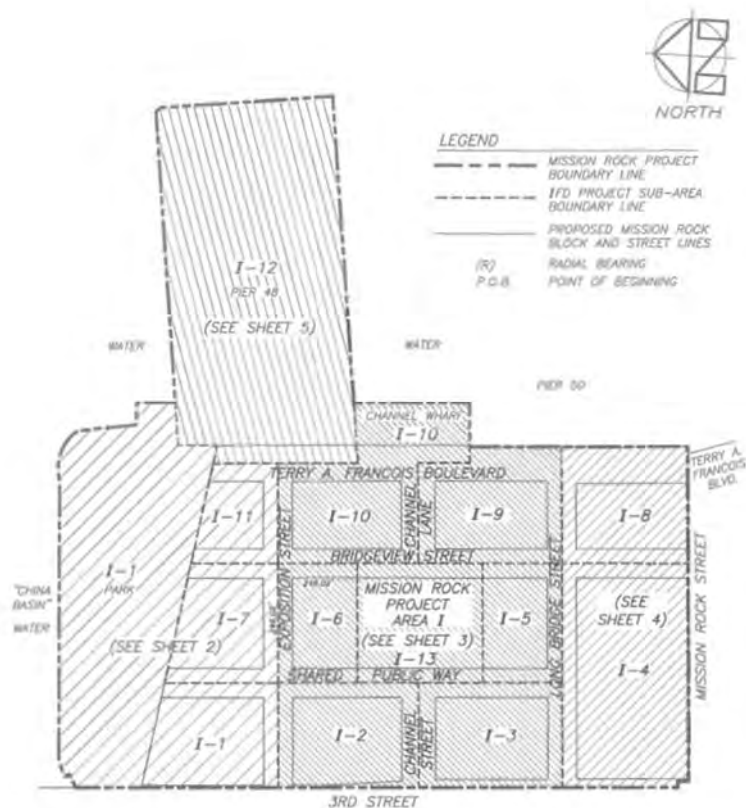
In a judicial validation action (Case No. CGC-16-551235), under Code of Civil Procedure Section 860 et seq. (the “Validating Act”), the San Francisco Superior Court ruled on July 26, 2016 that the IFD was validly established and that the IFP, when delivered, was legal, valid and binding.

***Project Area I; Sub-Project Areas.*** Under the IFD Law, the Board of Supervisors formed Project Area I as a “waterfront district,” including Sub-Project Areas I-1 through I-13 (the “Sub-Project Areas”), and approved Appendix I to the IFP pursuant to Ordinance No. 34-18, which was adopted by the Board of Supervisors on February 27, 2018, and approved by the Mayor on March 6, 2018. The boundary of Project Area I substantially aligns with the District boundary (but also includes the Future Annexation Area). Each Sub-Project Area I-1 through I-13 substantially aligns with a development block in the District. (Sub-Project Area I-1 corresponds with Parcel A, Sub-Project Area I-2 corresponds with Parcel B, Sub-Project Area I-3 corresponds with Parcel C, Sub-Project Area I-4 corresponds with Parcel D, Sub-Project Area I-5 corresponds with Parcel E, Sub-Project Area I-6 corresponds with Parcel F, Sub-Project Area I-7 corresponds with Parcel G, Sub-Project Area I-8 corresponds with Parcel H, Sub-Project Area I-9 corresponds with Parcel I, Sub-Project Area I-10 corresponds with Parcel J, Sub-Project Area I-11

corresponds with Parcel K and Sub-Project Area I-12 corresponds with Pier 48 (in the Future Annexation Area).)

In a judicial validation action under the Validating Act (Case No. CGC-18-565561), the San Francisco Superior Court ruled on October 17, 2019, that Project Area I and the Sub-Project Areas were validly established as “waterfront districts” and that Appendix I and the Pledge Agreement, when delivered, were legal, valid and binding.

The map below illustrates the IFD.



## Allocation of Allocated Tax Increment

**General.** Appendix I to the IFP is the infrastructure financing plan for Project Area I, including the Sub-Project Areas.

In Appendix I, the City irrevocably allocates the “Allocated Tax Increment” from the Sub-Project Areas to the IFD to the extent that the Allocated Tax Increment is necessary to repay bonds, notes or related agreements or to meet contractual obligations that the IFD or the Port is obligated to satisfy with Allocated Tax Increment, in each case to the extent such bonds, notes, agreements or obligations have been approved by the Board of Supervisors.

Appendix I defines the following relevant terms:

“Allocated Tax Increment” is, for each of the Sub-Project Areas, the City Share of Tax Increment.

“City Share of Tax Increment” is 64.588206% of Gross Tax Increment.

“Gross Tax Increment” is, for each of the Sub-Project Areas, 100% of the revenue produced by the application of the 1% ad valorem tax rate to the Incremental Assessed Property Value of property within each Sub-Project Area.

“Incremental Assessed Property Value” is, in any year, for each Sub-Project Area, the difference between the assessed value of the property within such Sub-Project Area for that fiscal year and the assessed value of the property within such Sub-Project Area in the Base Year, to the extent that the difference is a positive number.

“Base Year” for each of the Sub-Project Areas is the fiscal year in which the assessed value of taxable property in such Sub-Project Area was last equalized prior to the effective date of the ordinance adopted to create the Sub-Project Areas or a subsequent fiscal year. The Base Year for each Sub-Project Area is fiscal year 2017-18.

***Tax Increment Limits Established by Appendix I.*** Appendix I established the 45th fiscal year after the fiscal year in which the IFD actually receives \$100,000 of Allocated Tax Increment from each Sub-Project Area as (i) the final date on which the allocation of tax increment from each Sub-Project Areas will end and (ii) the date after which the IFD may no longer repay indebtedness with tax increment generated in each Sub-Project Area.

Tax increment may begin to be allocated to the IFD from each Sub-Project Area beginning in the fiscal year following the Base Year, provided that no tax increment will be allocated to the IFD from a Sub-Project Area until (i) assessor parcels for the development parcels within the Sub-Project Area have been created and (ii) the amount of increment available to be allocated from the Sub-Project Area in the fiscal year is equal to at least \$100,000. The IFD has not received \$100,000 of Allocated Tax Increment from any of the Sub-Project Areas as of the date of this Official Statement.

Appendix I establishes the following limits on the amount of tax increment that may be allocated to the IFD from each Sub-Project Area:

<b>Sub-Project Area</b>	<b>Tax Increment Limit</b>
Sub-Project Area I-1	\$370,000,000
Sub-Project Area I-2	236,000,000
Sub-Project Area I-3	384,000,000
Sub-Project Area I-4	829,000,000
Sub-Project Area I-5	170,000,000
Sub-Project Area I-6	411,000,000
Sub-Project Area I-7	266,000,000
Sub-Project Area I-8	182,000,000
Sub-Project Area I-9	280,000,000
Sub-Project Area I-10	204,000,000
Sub-Project Area I-11	130,000,000
Sub-Project Area I-12	240,000,000
Sub-Project Area I-13	143,000,000

***Waterfront Set-Aside.*** The IFD Law requires not less than 20 percent of the amount allocated to the IFD from Project Area I to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront. In the Pledge Agreement, the amount to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront is referred to as “Waterfront Set-Aside.” In Appendix I, the Board of Supervisors estimates that approximately 37.5% of the Allocated Tax Increment to the IFD from the Sub-Project Areas will be used for authorized Waterfront Set-Aside uses.

With respect to the 2021B/C Bonds, the amount of the IFD Payment Amount that can be funded from the Waterfront Set-Aside will be determined based on the percentage of the net proceeds of the 2021B/C Bonds that will be used for Waterfront Set-Aside uses.

## **Pledge Agreement**

Under the IFD Law, the IFD is authorized to pledge Allocated Tax Increment to support payment of the principal of, and interest on, bonds (such as the Bonds) issued under the Act, the proceeds of which have been or will be used entirely for allowable purposes of the IFD.

Under the IFD Law, the City, for and on behalf of the District, has entered into a Pledge Agreement, dated as of May 1, 2021 (as defined earlier herein, the “Pledge Agreement”), with the IFD and the Fiscal Agent, pursuant to which the IFD has agreed to make certain payments to the Fiscal Agent from Allocated Tax Increment. Under the Pledge Agreement, the IFD pledges Pledged Tax Increment (defined below) as security for and a source of payment of the IFD Payment Amount by the IFD to the Fiscal Agent. The pledge of Pledged Tax Increment under the Pledge Agreement is senior to any other pledge of Allocated Tax Increment. The “IFD Payment Amount” represents the payment of a portion of the tax increment (if any) generated in Project Area I (including Sub-Project Areas I-1 through I-13) of the IFD to the Fiscal Agent by the IFD pursuant to the Pledge Agreement.

The Pledge Agreement defines “Pledged Tax Increment,” for each IFD Payment Date (i.e., each July 1), as the Allocated Tax Increment received by the IFD as of such date that is attributable to the levy of the 1% ad valorem tax rate during the preceding Fiscal Year, but excluding the Waterfront Set-Aside except to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law for its payment obligations hereunder based on the use of proceeds of the Special Tax District Bonds. Allocated Tax Increment that is not Pledged Tax Increment cannot be used to pay the IFD Payment Amount because of the limitations on the authorized uses of Waterfront Set-Aside. The obligations of the IFD with respect to Allocated Tax Increment set forth in the Pledge Agreement do not apply to any Allocated Tax Increment applied by the Treasurer-Tax Collector to pay its costs of collecting the Allocated Tax Increment.

The Port has determined that Pledged Tax Increment is the equivalent of the Parcel Increment described in the Rate and Method.

The Pledge Agreement defines or incorporates the following terms:

“IFD Payment Amount” means, as of the IFD Payment Date, an amount equal to the lesser of (A) the Potential Development Special Tax Levy on all Current Parcels for the current Fiscal Year and (B) the amount of Pledged Tax Increment available to pay the IFD Payment Amount pursuant to the Pledge Agreement.



“Current Parcel” is defined in the Financing Plan as an Assessed Parcel in the Mission Rock CFD that is identified in the Payment Report as being current on payment of ad valorem taxes.

“Assessed Parcel” is defined in the Financing Plan as a Taxable Parcel that meets all of the following conditions:

- (i) one or more buildings have been constructed or rehabilitated on the Taxable Parcel for which the Port has issued a TCO;
- (ii) the buildings have been finally assessed; and
- (iii) the Assessor has levied ad valorem taxes on the Taxable Parcel covering a full City Fiscal Year.

“Potential Development Special Tax Levy” means the amount of the Development Special Tax levy on each Assessed Parcel:

- (i) after applying capitalized interest, delinquency collections, and other sources in the RMA; and
- (ii) before applying the Development Special Tax Credit.

As a result of these definitions, because Allocated Tax Increment will be generated when there are increases in the assessed value of the Leasehold Interests resulting from new construction, and because the IFP provides that tax increment will not be allocated to the IFD from a Sub-Project Area until the increment available to be allocated from the Sub-Project Area in a fiscal year is equal to at least \$100,000, the City does not expect there to be an IFD Payment Amount available to offset Development Special Taxes for at least 2-3 years.

Under the Pledge Agreement, the IFD is required to establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Tax Increment Fund,” and to establish the following accounts (among others) within the Tax Increment Fund: the “Waterfront Set-Aside Account” and the “Project Account.” The IFD Law requires the IFD to deposited Allocated Tax Increment in a special account, and the Tax Increment Fund and the accounts therein are the required special account.

The Pledge Agreement provides that, promptly upon receipt thereof, the IFD will deposit 80% of the Allocated Tax Increment received in any Bond Year in the Project Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel) and 20% of such Allocated Tax Increment in the Waterfront Set-Aside Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel).

The Pledge Agreement provides that the IFD will also establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Bonds Fund,” a separate restricted account within the Bonds Fund known as the “Mello-Roos Bonds Account (Tax Increment).”

The Pledge Agreement provides that, during each Fiscal Year, the IFD may transfer funds from the Project Account or the Waterfront Set-Aside Account to the Mello-Roos Bonds Account (Tax Increment) in an amount equal to the IFD Payment Amount due on the following IFD Payment Date. On each IFD Payment Date (or such earlier date determined by the IFD), the IFD will transfer (or cause to be transferred)

Pledged Tax Increment from the accounts in the Tax Increment Fund and the Mello-Roos Bonds Account (Tax Increment) to the Fiscal Agent for deposit into the IFD Payment Amount Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, in an amount equal to the IFD Payment Amount.

*Significant amounts of Pledged Tax Increment are unlikely to be generated unless and until the property in Project Area I is developed. No assurance is given that Pledged Tax Increment will be available in any given amount or at any given time.*

### **Fiscal Agent Agreement**

The moneys in the IFD Payment Amount Fund will be distributed in the following order of priority:

(i) at least seven (7) Business Days prior to each Interest Payment Date, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund to the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2021A Reserve Fund, the 2021B Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, the 2021B Capitalized Interest Account, the 2021C Capitalized Interest Account, a capitalized interest account for any Parity Bonds, and the Development 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 and any past due principal or interest on the Bonds; and

(ii) at least seven (7) Business Days prior to each Interest Payment Date without preference or priority, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund (a) to the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, (b) to the 2021B Reserve Fund an amount, taking into account amounts then on deposit in the 2021B Reserve Fund, such that the amount in the 2021B Reserve Fund is equal to the 2021B Reserve Requirement, and (c) to the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, taking into account amounts then on deposit in the 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 IFD Payment Amount Fund and any Development Special Taxes available for that purpose are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2021A Reserve Fund, the 202B Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

On each October 1, the Fiscal Agent will transfer all of the moneys remaining in the IFD Payment Amount Fund to the Special Fund Trustee for deposit in the IFD Remainder Account of the Tax Increment Fund established and held by the Special Fund Trustee under the Special Fund Administration Agreement. Funds in the IFD Remainder Account are not security for the Bonds.





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