

File No. 210508

Committee Item No. 7

Board Item No. 10

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 19, 2021

Board of Supervisors Meeting

Date May 25, 2021

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- First Supplement to Fiscal Agent Agreement
- Bond Purchase Agreement
- Preliminary Official Statement & Appraisal
- Continuing Disclosure Certificate
- Presentation by TIDA and Controller's Office - May 19, 2021
- _____
- _____
- _____
- _____
- _____
- _____

Completed by: Linda Wong Date May 14, 2021

Completed by: Linda Wong Date May 21, 2021

1 [Issuance of Special Tax Bonds - Improvement Area No. 1 of the City and County of San
2 Francisco Community Facilities District No. 2016-1 (Treasure Island) - Not to Exceed
3 Aggregate Principal Amount of \$41,340,000]

4 **Resolution supplementing Resolution No. 12-17 authorizing the issuance and sale of**
5 **one or more series of Special Tax Bonds for City and County of San Francisco**
6 **Community Facilities District No. 2016-1 (Treasure Island) with respect to its**
7 **Improvement Area No. 1 in the aggregate principal amount not to exceed \$41,340,000;**
8 **approving related documents, including an Official Statement, First Supplement to**
9 **Fiscal Agent Agreement, Bond Purchase Agreement and Continuing Disclosure**
10 **Undertaking, and determining other matters in connection therewith, as defined herein.**

11
12 WHEREAS, This Board of Supervisors (“Board of Supervisors”) of the City and County
13 of San Francisco (“City”) previously conducted proceedings under and pursuant to the Mello-
14 Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of
15 Title 5 (commencing with Section 53311) of the California Government Code (“Mello-Roos
16 Act”), to form “City and County of San Francisco Community Facilities District No. 2016-1
17 (Treasure Island)” (“CFD”) and “Improvement Area No. 1 of the City and County of San
18 Francisco Community Facilities District No. 2016-1 (Treasure Island)” (“Improvement Area
19 No. 1”), to authorize the levy of special taxes upon the land within Improvement Area No. 1
20 and issue bonds secured by the special taxes levied in Improvement Area No. 1 for financing
21 certain public improvements (“Authorized Facilities”) in the aggregate principal amount of
22 \$250,000,000, all as described in those proceedings; and

23 WHEREAS, Pursuant to Resolution No. 12-17, which was adopted by the Board on
24 January 24, 2017, and signed by the Mayor on February 3, 2017 (“Original Resolution of
25 Issuance”), this Board of Supervisors authorized the issuance of up to \$250,000,000 of

1 bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area
2 No. 1, directed staff to prepare documentation for such bonded indebtedness and other debt
3 and return to this Board of Supervisors for approval of such documentation; and

4 WHEREAS, Pursuant to Resolution No. 411-20, which was approved by the Board of
5 Supervisors on September 22, 2020 and signed by the Mayor on September 25, 2020 (“First
6 Supplemental Resolution of Issuance”) and a Fiscal Agent Agreement, dated as of October 1,
7 2020 (“Master Fiscal Agent Agreement”), by and between the City and Zions Bancorporation,
8 National Association (“Fiscal Agent”), the Board of Supervisors previously issued the following
9 special tax bonds on behalf of the CFD with respect to Improvement Area No. 1 (“2020
10 Bonds”): \$17,135,000 Improvement Area No. 1 of the City and County of San Francisco
11 Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020;
12 and

13 WHEREAS, The Board of Supervisors now wishes to supplement the Original
14 Resolution of Issuance to provide for the issuance of one or more additional series of special
15 tax bonds (the “Bonds”) on a parity basis with the 2020 Bonds to finance a portion of the
16 Authorized Facilities and related costs and expenses; and

17 WHEREAS, There has been submitted to this Board of Supervisors a form of a First
18 Supplement to the Fiscal Agent Agreement between the City and the Fiscal Agent (“First
19 Supplement”; together with the Master Fiscal Agent Agreement, “Fiscal Agent Agreement”),
20 which supplements the Master Fiscal Agent Agreement for the purposes of issuing one or
21 more additional series of special tax bonds, and this Board of Supervisors with the aid of its
22 staff has reviewed the First Supplement and found it to be in proper order; and

23 WHEREAS, There has also been submitted to this Board of Supervisors a form of
24 preliminary Official Statement in connection with the marketing of the Bonds and this Board of
25

1 Supervisors, with the aid of its staff, has reviewed the preliminary Official Statement to assure
2 disclosure of all material facts relating to the Bonds; and

3 WHEREAS, In accordance with Government Code, Section 5852.1, this Board of
4 Supervisors has obtained and disclosed a good faith estimate prepared by the City's
5 municipal advisor of (a) the true interest cost of the Bonds, (b) the finance charge of the
6 Bonds, (c) the amount of proceeds received by the City for sale of the Bonds less the finance
7 charge and any reserves or capitalized interest paid or funded with proceeds of the Bonds,
8 and (d) the sum total of all payments the City will make to pay debt service on the Bonds plus
9 the finance charge of the Bonds not paid with the proceeds of the Bonds; and

10 WHEREAS, All conditions, things and acts required to exist, to have happened and to
11 have been performed precedent to and in the issuance of the Bonds and the levy of the
12 special taxes as contemplated by this Resolution and the documents referred to herein exist,
13 have happened and have been performed in due time, form and manner as required by the
14 laws of the State of California, including the Mello-Roos Act; now, therefore, be it

15 RESOLVED, That the foregoing recitals are true and correct; and, be it

16 FURTHER RESOLVED, That pursuant to the Mello-Roos Act, this Resolution and the
17 Fiscal Agent Agreement, one or more series of Bonds, in an aggregate principal amount not
18 to exceed \$41,340,000, are hereby authorized to be issued; and, be it

19 FURTHER RESOLVED, That the Bonds shall be dated, bear interest at the rates,
20 mature on the dates, be issued in the form, be subject to redemption, and otherwise be issued
21 on the terms and conditions, all as set forth in the Fiscal Agent Agreement and in accordance
22 with this Resolution; provided, however, that the interest rate borne by each series of Bonds
23 shall not exceed the maximum rate permitted by law; the Bonds may be issued as tax-exempt
24 bonds or as taxable bonds; the Fiscal Agent, an Authorized Officer (as defined herein) and
25 other responsible officers of the City are hereby authorized and directed to take such actions

1 as are required to cause the delivery of the Bonds upon receipt of the purchase price thereof;
2 and, be it

3 FURTHER RESOLVED, That this Board of Supervisors hereby finds that the issuance
4 of the Bonds is in compliance with the Mello-Roos Act and applicable provisions of the City's
5 "Amended and Restated Local Goals and Policies for Community Facilities Districts and
6 Special Tax Districts" adopted by this Board of Supervisors on November 26, 2013, by
7 Resolution No. 414-13, and signed by the Mayor on November 27, 2013 ("Goals and
8 Policies"). More specifically, this Board of Supervisors hereby makes the following
9 determinations:

10 (i) The rate and method of apportionment of special taxes for Improvement
11 Area No. 1 is in compliance with the Goals and Policies.

12 (ii) The appraisal described in the preliminary Official Statement (the
13 "Appraisal") has been prepared in accordance with the Goals and Policies.

14 (iii) Section 53345.8 of the Mello-Roos Act requires, with certain exceptions,
15 that the value of the real property subject to special taxes levied in Improvement Area
16 No. 1 must be at least three times the principal amount of the Bonds and the principal
17 amount of all other bonds that will be outstanding following issuance of the Bonds that
18 are secured by a special tax levied pursuant to the Mello-Roos Act on property within
19 the Improvement Area No. 1 or a special assessment levied on property within
20 Improvement Area No. 1, and this Board of Supervisors hereby determines that the
21 Appraisal concludes that the market value of the property within Improvement Area No.
22 1 (subject to the various assumptions and conditions set forth in the Appraisal) is at
23 least three times (i) the maximum initial principal amount of the Bonds authorized by
24 this Resolution and (ii) the outstanding principal amount of all other outstanding bonds

25 ///

1 that are secured by a special tax or special assessment levied on property within
2 Improvement Area No. 1; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors hereby approves the form of
4 the First Supplement, in substantially the form on file with the Clerk of the Board of
5 Supervisors; each of the Mayor, the Controller and the Director of the Office of Public
6 Finance, or such other official of the City as may be designated by such officials (each, an
7 “Authorized Officer”), is hereby authorized and directed to execute and deliver, and the Clerk
8 of the Board of Supervisors is hereby authorized and directed to attest to, the First
9 Supplement in substantially the form on file with the Clerk of the Board of Supervisors,
10 together with such additions or changes as are approved by such Authorized Officer upon
11 consultation with the City Attorney and the City’s bond counsel, including such additions or
12 changes as are necessary or advisable to permit the timely issuance, sale and delivery of the
13 Bonds; the approval of such additions or changes shall be conclusively evidenced by the
14 execution and delivery by an Authorized Officer of the First Supplement; the proceeds of the
15 Bonds shall be used as set forth in the Fiscal Agent Agreement; the terms and provisions of
16 the First Supplement, as executed, are incorporated herein by this reference as if fully set
17 forth herein; and, be it

18 FURTHER RESOLVED, That this Board of Supervisors hereby approves the Official
19 Statement prepared in connection with the Bonds in the form on file with the Clerk of the
20 Board of Supervisors, together with any changes therein or additions thereto deemed
21 advisable by an Authorized Officer after consultation with the City’s disclosure counsel; the
22 Board hereby approves and authorizes the distribution by the Underwriter of the Bonds
23 (defined below) of the preliminary Official Statement to prospective purchasers of the Bonds,
24 and authorizes and directs an Authorized Officer on behalf of the City to deem the preliminary
25 Official Statement “final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934

1 ("Rule") prior to its distribution to prospective purchasers of the Bonds. The execution of the
2 final Official Statement, which shall include then current financial information regarding
3 Improvement Area No. 1 and such other changes and additions thereto deemed advisable by
4 an Authorized Officer and such information permitted to be excluded from the preliminary
5 Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the
6 Official Statement by the City; and, be it

7 FURTHER RESOLVED, That this Board of Supervisors hereby approves the form of
8 the continuing disclosure undertaking ("Continuing Disclosure Undertaking") with respect to
9 the Bonds in the form thereof attached to the Official Statement on file with the Clerk of the
10 Board of Supervisors; an Authorized Officer is hereby authorized and directed to complete
11 and execute the Continuing Disclosure Undertaking on behalf of the City with such changes,
12 additions or deletions as may be approved by the Authorized Officer in consultation with the
13 City's disclosure counsel; and, be it

14 FURTHER RESOLVED, That the form of the Bond Purchase Agreement ("Purchase
15 Contract") providing for the sale of the Bonds by the City to Stifel, Nicolaus & Company,
16 Incorporated and RBC Capital Markets, LLC, as underwriters (collectively, "Underwriter"), on
17 file with the Clerk of the Board is hereby approved and each of the Authorized Officers is
18 hereby authorized to execute the Purchase Contract in the form so approved, with such
19 additions thereto and changes therein as are necessary to conform the Purchase Contract to
20 the dates, amounts and interest rates applicable to the Bonds as of the sale date or as are
21 approved by an Authorized Officer upon consultation with the City Attorney and the City's
22 bond counsel; provided that the maximum amount of Underwriter's discount on the sale of
23 each series of Bonds may not exceed 1.50% of the par amount of such series of Bonds.
24 Approval of such additions and changes shall be conclusively evidenced by the execution and
25 delivery of the Purchase Contract by an Authorized Officer; this Board of Supervisors hereby

1 finds that sale of the Bonds to the Underwriter at a negotiated sale pursuant to the Purchase
2 Contract will result in a lower overall cost than would be achieved by selling the Bonds
3 utilizing competitive bidding; and, be it

4 FURTHER RESOLVED, Pursuant to Section 53345.8 of the Act, this Board of
5 Supervisors hereby finds and determines that an Authorized Officer may not execute and
6 deliver the Bond Purchase Agreement unless the Appraisal concludes that the taxable
7 property in Improvement Area No. 1 has a market value (subject to the various assumptions
8 and conditions set forth in the Appraisal) at least three times the principal amount of the
9 Bonds to be sold and the principal amount of all other bonds outstanding that are secured by
10 a special tax levied pursuant to the Act on property within Improvement Area No. 1 or a
11 special assessment levied on property within the Improvement Area No. 1; and, be it

12 FURTHER RESOLVED, That the Bonds shall be prepared, executed and delivered to
13 the Fiscal Agent for authentication, all in accordance with the terms of the Fiscal Agent
14 Agreement and the Purchase Contract; and, be it

15 FURTHER RESOLVED, That the Director of the Office of Public Finance is hereby
16 authorized to determine, after consultation with the City's bond counsel, municipal advisors
17 and the Underwriter, (i) the name of the Bonds, (ii) whether all or a portion of one or more
18 series of Bonds shall be designated as "green bonds," (iii) the final principal amount of each
19 series of the Bonds and (iv) whether each series of the Bonds will be issued as tax-exempt or
20 taxable bonds; and, be it

21 FURTHER RESOLVED, That all actions heretofore taken by the officers and agents of
22 the City (including, but not limited to, the Authorized Officers) with respect to the
23 establishment of the CFD and Improvement Area No. 1, the annexation of properties to
24 Improvement Area No. 1, the levy of the special tax and the issuance of the Bonds are hereby
25 approved, confirmed and ratified, and the appropriate officers of the City are hereby

1 authorized and directed to do any and all things and take any and all actions and execute any
2 and all certificates, agreements and other documents, which they, or any of them, may deem
3 necessary or advisable in order to accomplish the purposes of this Resolution and
4 consummate the lawful issuance and delivery of the Bonds in accordance with this
5 Resolution, any determination authorized by this Resolution, and any certificate, agreement,
6 and other document described in the documents herein approved; all actions to be taken by
7 an Authorized Officer, as defined herein, may be taken by such Authorized Officer or any
8 designee, with the same force and effect as if taken by the Authorized Officer; and, be it

9 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or
10 word of this Resolution, or any application thereof to any person or circumstance, is held to be
11 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
12 shall not affect the validity of the remaining portions or applications of this Resolution, this
13 Board hereby declaring that it would have passed this Resolution and each and every section,
14 subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional
15 without regard to whether any other portion of this Resolution or application thereof would be
16 subsequently declared invalid or unconstitutional; and, be it

17 FURTHER RESOLVED, That this Resolution shall take effect upon its adoption.

18
19 APPROVED AS TO FORM:
20 DENNIS J. HERRERA, City Attorney

21
22 By: /s/ Mark D. Blake
23 Mark D. Blake
24 Deputy City Attorney

25 n:\spec\as2021\0600537\01529732.docx

FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of July 1, 2021

RELATING TO

**\$ _____
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

**FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT
TABLE OF CONTENTS**

Section 1. Authorization.....3
 Section 2. Equal Security.....3
 Section 3. Supplement to Master Fiscal Agent Agreement.....3

ARTICLE X 3

**DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2021 BONDS; EQUAL
SECURITY 3**

Section 10.01. Definitions.....3
 Section 10.02. Rules of Construction.....4

ARTICLE XI 5

ISSUANCE OF 2021 BONDS 5

Section 11.01. Terms of 2021 Bonds.....5
 Section 11.02. Other Terms of the Bonds.....6
 Section 11.03. Redemption of 2021 Bonds.....6
 Section 11.04. Continuing Disclosure.....8
 Section 11.05. Private Activity Bond Limitations.....9
 Section 11.06. Federal Guarantee Prohibition.....9
 Section 11.07. Rebate Requirement.....9
 Section 11.08. No Arbitrage.....9
 Section 11.09. Yield of the 2021 Bonds.....9
 Section 11.10. Maintenance of Tax-Exemption.....9

ARTICLE XII 11

ISSUE OF 2021 BONDS 11

Section 12.01. Issuance of 2021 Bonds.....11
 Section 12.02. Application of Proceeds of Sale of 2021 Bonds.....11
 Section 12.03. 2021 Costs of Issuance Fund.....12
 Section 12.04. 2021 Improvement Account.....12
 Section 4. Attachment of Exhibit E.....14
 Section 5. Amendment and Restatement of Exhibit B.....14
 Section 6. Attachment of Exhibit F.....14
 Section 7. Limitation on Principal Amount of Parity Bonds.....14
 Section 8. Applicable Law.....14
 Section 9. Conflict with Act.....14
 Section 10. Conclusiveness of Evidence of Regularity.....14
 Section 11. Confirmation of Master Fiscal Agent Agreement; Conflict With Master Fiscal Agent Agreement.....14
 Section 12. Electronic Signatures.....14
 Section 13. Counterparts.....14

APPENDIX 1 EXHIBIT E - FORM OF SERIES 2021 BONDS

APPENDIX 2 EXHIBIT F - OFFICER'S CERTIFICATE REQUESTING
DISBURSEMENT FROM 2021 COSTS OF ISSUANCE FUND

APPENDIX 3 AMENDMENT AND RESTATEMENT OF EXHIBIT B

FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

THIS FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT, dated as of July 1, 2021 (the "**First Supplement to Fiscal Agent Agreement**"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" (the "**CFD**") with respect to its "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" (the "**Improvement Area No. 1**"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "**Fiscal Agent**");

WITNESSETH:

WHEREAS, the Board of Supervisors of the City (the "**Board of Supervisors**") previously conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "**Act**"), to form the CFD and the Improvement Area, to authorize the levy of special taxes ("**Special Taxes**") upon the land within the Improvement Area and to issue bonds secured by the Special Taxes for financing certain public improvements ("**Facilities**"), all as described in those proceedings; and

WHEREAS, pursuant to Resolution No. 12-17, which was approved by the Board of Supervisors on January 24, 2017 and signed by the Mayor on February 3, 2017 (the "**Original Resolution of Issuance**"), the Board of Supervisors authorized the issuance of up to \$250,000,000 of bonded indebtedness and other debt on behalf of the CFD with respect to Improvement Area No. 1; and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 411-20 (the "**First Supplemental Resolution of Issuance**"), and a Fiscal Agent Agreement, dated as of October 1, 2020 (the "**Master Fiscal Agent Agreement**"; as supplemented, the "**Agreement**"), the City previously issued the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020, in the initial principal amount of \$17,135,000 (the "**2020 Bonds**"); and

WHEREAS, the City wishes to provide for the issuance of a series of Parity Bonds and 2020 Related Parity Bonds (as defined in the Master Fiscal Agent Agreement) on behalf of the CFD with respect to Improvement Area No. 1 under Section 3.06 of the Master Fiscal Agent Agreement for the purpose of paying for the costs of acquiring and constructing the Facilities, which Parity Bonds shall be entitled "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021" (the "**2021 Bonds**"); and

WHEREAS, Section 8.01(B)(v) of the Master Fiscal Agent Agreement provides that the Master Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may be modified or amended at any time by a Supplemental Agreement in connection with the

issuance of Parity Bonds, without the consent of any Owners, but with the written consent of the Fiscal Agent, after the Fiscal Agent has been furnished an opinion of counsel that the amendment complies with the provisions of Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, the Fiscal Agent has received an opinion of counsel that this First Supplement to Fiscal Agent Agreement, to the extent it amends the Master Fiscal Agent Agreement as described in the preceding Whereas clause, complies with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, on _____, 2021, the Board of Supervisors adopted Resolution No. _____ (the “**Second Supplemental Resolution of Issuance**”; together with the Original Resolution of Issuance and the First Supplemental Resolution of Issuance, the “**Resolution of Issuance**”) authorizing the issuance of the 2021 Bonds for and on behalf of the CFD with respect to Improvement Area No. 1 (which Second Supplemental Resolution of Issuance was signed by the Mayor on _____, 2021); and

WHEREAS, in order to provide for the authentication and delivery of the 2021 Bonds, to establish and declare the terms and conditions upon which the 2021 Bonds are to be issued and to secure the 2021 Bonds by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2020 Bonds, the Board of Supervisors has authorized the execution and delivery of this First Supplement to Fiscal Agent Agreement; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this First Supplement to Fiscal Agent Agreement to provide for the issuance of the 2021 Bonds hereunder to finance the acquisition and construction of facilities for the CFD and to provide for the disbursement of Proceeds of the 2021 Bonds, the disposition of the special taxes securing the 2021 Bonds and the administration and payment of the 2021 Bonds; and

WHEREAS, the City has determined that all acts and proceedings required by law and the Master Fiscal Agent Agreement necessary to make the 2021 Bonds, when executed by the City, authenticated and delivered by the Fiscal Agent and duly issued, the valid, binding and legal special obligations of the City, and to constitute this First Supplement to Fiscal Agent Agreement a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this First Supplement to Fiscal Agent Agreement have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Authorization. Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this First Supplement to Fiscal Agent Agreement and has taken all actions necessary to authorize the execution of this First Supplement to Fiscal Agent Agreement by the officers and persons signing it.

Section 2. Equal Security. As Parity Bonds issued pursuant to Section 3.06 of the Master Fiscal Agent Agreement, the 2021 Bonds shall be secured by a lien and charge upon the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund equal to and on a parity with the lien and charge securing the outstanding 2020 Bonds.

In addition, as 2020 Related Parity Bonds, the 2021 Bonds shall be secured by a first pledge of all moneys deposited in the 2020 Reserve Fund. The moneys in the 2020 Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2020 Bonds, the 2021 Bonds and all 2020 Related Parity Bonds as provided in the Agreement and in the Act until all of the 2020 Bonds, the 2021 Bonds and all 2020 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

In addition, the 2021 Bonds shall be secured by a first pledge of all moneys deposited in the 2021 Capitalized Interest Account.

Section 3. Supplement to Master Fiscal Agent Agreement. In accordance with the provisions of Section 8.01(v) of the Master Fiscal Agent Agreement, the Master Fiscal Agent Agreement is hereby amended by adding a supplement thereto consisting of new articles to be designated as Article X, XI and XII. Such Articles shall read in their entirety as follows:

ARTICLE X

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2021 BONDS; EQUAL SECURITY

Section 10.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 10.01 shall, for all purposes of Articles X, XI and XII and for other purposes of this Agreement, to the extent applicable, have the respective meanings specified in this Section 10.01. All terms used in Articles X, XI and XII and not otherwise defined in this Section 10.01 shall have the respective meanings given to such terms in Section 1.03 of the Agreement.

“Interest Payment Date” for the 2021 Bonds means March 1 and September 1 of each year, commencing September 1, 2021. **[confirm]**

“Original Purchaser” and **“Participating Underwriter”** means Stifel, Nicolaus & Company, Incorporated and RBC Capital Markets, LLC, , as the first purchasers of the 2021 Bonds from the City.

“2020 Bonds” means the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020.

“2021 Bonds” means the Bonds so designated and authorized to be issued under Section 11.01 hereof.

“2021 Closing Date” means the date of initial issuance and delivery of the 2021 Bonds hereunder.

“2021 Capitalized Interest Account” means the account within the Bond Fund designated the “2021 Capitalized Interest Account” which fund is established pursuant to Section 12.02.

“2021 Costs of Issuance Fund” means the fund designated the “2021 Costs of Issuance Fund” which fund is established pursuant to Section 12.03.

“2021 Improvement Account” means the account within the Improvement Fund designated the “2021 Improvement Account” which fund is established pursuant to Section 12.04.

2021 Term Bonds means (i) the 2021 Bonds maturing on September 1, ____, September 1, ____, and September 1, _____.

Section 10.02. Rules of Construction. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to the Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE XI

ISSUANCE OF 2021 BONDS

Section 11.01. Terms of 2021 Bonds.

(A) Principal Amount; Designation. The 2021 Bonds in the aggregate principal amount of \$_____ are hereby authorized to be issued by the City under and subject to the Resolution of Issuance, the Act, other applicable laws of the State of California and the terms of the Agreement.

The 2021 Bonds shall be designated the "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021".

(B) Maturity Dates; Interest Rates. The 2021 Bonds shall be dated the 2021 Closing Date, issued in fully registered form without coupons in denominations of \$5,000, and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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(T)=2021 Term Bond

(C) Form; Denominations; Authentication. The 2021 Bonds shall be issued as fully registered Bonds without coupons. The 2021 Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The 2021 Bonds shall be issued in the denominations of \$5,000 or any integral multiple in excess thereof.

The 2021 Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibits E-1 and E-2 attached hereto and by this reference incorporated herein, with necessary or appropriate

variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Act.

(D) CUSIP Identification Numbers. “CUSIP” identification numbers may, at the election of the Original Purchaser of the 2021 Bonds, be imprinted on the 2021 Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2021 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2021 Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City’s contract with such Owners and shall not impair the effectiveness of any such notice.

(E) Interest. The 2021 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all 2021 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2021 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 2021 Bond, interest is in default thereon, such 2021 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the 2021 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 2021 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such 2021 Bonds are transferred to a new Owner. The interest, principal of and any premium on the 2021 Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2021 Bonds at the Principal Office of the Fiscal Agent. All 2021 Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2021 Bonds and issue a certificate of destruction of such Bonds to the City.

Section 11.02. Other Terms of the Bonds. Except as otherwise set forth in this Article XI, Sections 2.05-2.10 shall govern the 2021 Bonds.

Section 11.03. Redemption of 2021 Bonds.

(A) Optional Redemption. The 2021 Bonds maturing on or after September 1, _____ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, _____, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2021 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, ____ through August 31, ____	____ %
September 1, ____ through August 31, ____	____
September 1, ____ through August 31, ____	____
September 1, ____ and any date thereafter	____

(B) Mandatory Sinking Fund Redemption. The 2021 Term Bond maturing on September 1, ____, is 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, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payments</u>
---	---------------------------------

(maturity)

The 2021 Term Bond maturing on September 1, ____, is 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, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payments</u>
---	---------------------------------

(maturity)

Provided, however, if some but not all of the 2021 Term Bonds of a given maturity have been redeemed under subsection (A) above or subsection (C) below, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of 2021 Term 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, notice of which shall be given by the City to the Fiscal Agent and the notice shall include a revised sinking fund schedule.

(C) Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2020 Reserve Fund pursuant to Section 4.03(F) shall be used to redeem 2021 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), among series and maturities so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2021 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, ____ through August 31, ____	____ %
September 1, ____ through August 31, ____	____
September 1, ____ through August 31, ____	____
September 1, ____ and any date thereafter	____

(D) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under Section 11.03 (A) and (C) not less than forty-five (45) days prior to the applicable redemption date or such lesser number of days as shall be allowed by the Fiscal Agent.

(E) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 11.03, 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 2021 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 2021 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 2021 Bonds were to be redeemed in accordance with this Agreement. Any 2021 Bonds purchased pursuant to this Section 11.03(E) shall be treated as outstanding 2021 Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

(F) Redemption Procedure by Fiscal Agent. The provisions of Section 2.03(D) shall govern the procedure for redemption of the 2021 Bonds.

(G) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2021 Bonds so called for redemption shall have been deposited in the Bond Fund, such 2021 Bonds so called shall cease to be entitled to any benefit under the Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All 2021 Bonds redeemed by the Fiscal Agent under this Section 11.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2021 Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 11.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City on the 2021 Closing Date relating to the 2021 Bonds. Notwithstanding any other provision of the Master Fiscal Agent Agreement or this First Supplement to Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Fiscal Agent shall, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2021

Bonds, and upon receipt of indemnity satisfactory to the Fiscal Agent, or any holder or beneficial owner of the 2021 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 11.05. Private Activity Bond Limitations. The City shall assure that the proceeds of the 2021 Bonds are not so used as to cause the 2021 Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

Section 11.06. 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 2021 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

Section 11.07. 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 2021 Bonds. The Finance Director shall take note of any investment of monies hereunder in excess of the yield on the 2021 Bonds, and shall take such actions as are necessary to ensure compliance with this Section 5.11, such as increasing the portion of the Special Tax levy for Administrative Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this Section. If necessary to satisfy its obligations under this Section 5.11, the City may use:

(A) Amounts in the 2020 Reserve Fund if the amount on deposit in the 2020 Reserve Fund, following the proposed transfer, is at least equal to the 2020 Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2020 Related Parity Bonds to the extent permitted by the Supplemental Agreement;

(B) Amounts on deposit in the Administrative Expense Fund; and

(C) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A) and (B).

Section 11.08. 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 2021 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 2021 Bonds would have caused the 2021 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

Section 11.09. Yield of the 2021 Bonds. In determining the yield of the 2021 Bonds to comply with Sections 11.07 and 11.08, 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 2021 Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2021 Bonds, without regard to whether or not prepayments are received or 2021 Bonds redeemed.

Section 11.10. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the 2021 Bonds from the gross income of the Owners of the 2021 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 2021 Bonds.

ARTICLE XII

ISSUE OF 2021 BONDS

Section 12.01. Issuance of 2021 Bonds. Upon the execution and delivery of the First Supplement to Fiscal Agent Agreement and satisfaction of the requirements for issuance of Parity Bonds under Section 3.06, the City shall execute and deliver the 2021 Bonds in the aggregate principal amount set forth in Section 11.01 to the Fiscal Agent for authentication and delivery to the Original Purchaser thereof upon receipt by the Fiscal Agent of an Officer's Certificate requesting authentication and delivery.

The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2021 Bonds in accordance with the provisions of the Act, the Resolution of Issuance and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the Proceeds of the 2021 Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2021 Bonds to the Original Purchaser.

The Fiscal Agent is hereby authorized and directed to authenticate the 2021 Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2021 Bonds.

Section 12.02. Application of Proceeds of Sale of 2021 Bonds.

The Proceeds of the 2021 Bonds received from the Original Purchaser in the amount of \$_____ (which is equal to the principal amount of the 2021 Bonds, less an original issue discount of \$_____ and less an underwriter's discount of \$_____) shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the 2021 Closing Date, as follows:

- (i) \$_____ into the 2021 Costs of Issuance Fund;
- (ii) \$_____ into the 2020 Reserve Fund;
- (iii) \$_____ into the Bond Fund maintained and administered by the Fiscal Agent in accordance with Section 4.04 (which shall represent capitalized interest and be deposited into a 2021 Capitalized Interest Account, which is hereby established); and
- (iv) \$_____ into the 2021 Improvement Account to pay for Project costs.

Amounts on deposit in the 2021 Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2021 Bonds as follows: \$_____ shall be used on September 1, 2021 and, to the extent amounts remain in the 2021 Capitalized Interest Account on September 2, 2021, on March 1, 2022. When the amount in the 2021 Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

Section 12.03. 2021 Costs of Issuance Fund.

(A) Establishment of 2021 Costs of Issuance Fund. The 2021 Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposit shall be made as required by Section 12.02. Moneys in the 2021 Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance attributable to the issuance of the 2021 Bonds.

(B) Disbursement. Amounts in the 2021 Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance attributable to the issuance of the 2021 Bonds, as set forth in a requisition substantially in the form of Exhibit F hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. 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.

(C) Investment. Moneys in the 2021 Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the 2021 Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The Fiscal Agent shall maintain the 2021 Costs of Issuance Fund for a period of 90 days from the 2021 Closing Date and then the Fiscal Agent shall deposit any moneys remaining therein, including any investment earnings thereon, into the 2021 Improvement Account.

Section 12.04. 2021 Improvement Account.

(A) Establishment of the 2021 Improvement Account; Deposit. There is hereby established a separate account within the Improvement Fund to be held by the Fiscal Agent to be designated the "2021 Improvement Account," to the credit of which deposits shall be made as required by Section 12.02. Moneys in the 2021 Improvement Account shall be disbursed, except as otherwise provided in subsection (D) of this Section, for the payment or reimbursement of the costs of the Project.

(B) Procedure for Disbursement. Disbursements from the 2021 Improvement Account shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached hereto 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.

(C) Investment. Moneys in the 2021 Improvement Account shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be retained in the related fund or accounts to be used for the purpose of such fund or accounts.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund (including the 2021 Improvement Account), the Fiscal Agent shall transfer the amount, if any, remaining in the 2021 Improvement Account to the Bond Fund for application to Debt Service payments on the Bonds specified in the Officer's Certificate.

Section 4. Attachment of Exhibit E. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit E setting forth the form of the 2021 Bonds, which shall read substantially as set forth in Appendix 1 which is attached hereto and by this reference incorporated herein.

Section 5. Amendment and Restatement of Exhibit B. Exhibit B to the Master Fiscal Agent Agreement is hereby amended and restated in the form attached hereto as Appendix 2.

Section 6. Attachment of Exhibit F. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit F, which shall read substantially as set forth in Appendix 3 which is attached hereto and by this reference incorporated herein.

Section 7. Limitation on Principal Amount of Parity Bonds. Notwithstanding the provisions of Section 5.12 of the Master Fiscal Agent Agreement, following the issuance of the 2021 Bonds, the City will not issue more than \$_____ initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Section 8. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9. Conflict with Act. In the event of a conflict between any provision of this First Supplement to Fiscal Agent Agreement and any provision of the Act as in effect on the 2021 Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 10. Conclusive Evidence of Regularity. 2021 Bonds issued pursuant to this First Supplement to Fiscal Agent Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 11. Confirmation of Master Fiscal Agent Agreement; Conflict With Master Fiscal Agent Agreement. All representations, covenants, warranties and other provisions of the Master Fiscal Agent Agreement, unless specifically amended, modified or supplemented by this First Supplement to Fiscal Agent Agreement, are hereby confirmed as applicable to this First Supplement to Fiscal Agent Agreement. In the event of any conflict between the provisions of this First Supplement to Fiscal Agent Agreement and the Master Fiscal Agent Agreement, the provisions of this First Supplement to Fiscal Agent Agreement shall govern.

Section 12. Electronic Signatures. Any signature (including any electronic symbol or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record) hereto or to any other certificate, agreement or document related to this transaction, and any contract formation or record-keeping through electronic means shall have the same legal validity and enforceability as a manually executed signature or use of a paper-based recordkeeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the California Uniform Electronic Transaction Act, Government Code Section 16.5, or any similar state law, and the parties hereby waive any objection to the contrary.

Section 13. Counterparts. This First Supplement to Fiscal Agent Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this First Supplement to Fiscal Agent Agreement to be executed as of the date first written above..

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2016-1 (Treasure Island)

By _____
Director of the Office of Public Finance

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

APPENDIX 1

EXHIBIT E

FORM OF 2021 BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BOND, SERIES 2021**

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" (the "CFD") with respect to its "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" ("Improvement Area No. 1"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in Improvement Area No. 1 or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2021, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing September 1, 2021 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and 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 (defined below) 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 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. 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 or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by Resolution No. 12-17 of the Board of Supervisors of the City, as supplemented by Resolution No. _____ of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of July 1, 2021 (as supplemented, the "Agreement"), between the City and the Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within Improvement Area No. 1 (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds are payable on a parity basis with the following outstanding Parity Bonds (as defined in the Agreement): the \$17,135,000 Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020. The Bonds constitute "2020 Related Parity Bonds" under the Agreement and are secured on a parity basis with the 2020 Bonds by a first pledge of all moneys deposited in the 2020 Reserve Fund.

The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, _____ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, _____, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 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, ____ through August 31, ____	____ %
September 1, ____ through August 31, ____	____
September 1, ____ through August 31, ____	____
September 1, ____ and any date thereafter	____

Mandatory Sinking Fund Redemption. The Term Bond maturing on September 1, ____, is 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, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payments</u>
---	---------------------------------

(maturity)

The Term Bond maturing on September 1, ____, is 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, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date <u>(September 1)</u>	Sinking Fund <u>Payments</u>
---	---------------------------------

(maturity)

Provided, however, if some but not all of the 2021 Term Bonds of a given maturity have been redeemed under subsection (A) above or subsection (C) below, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of 2021 Term 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, notice of which shall be given by the City to the Fiscal Agent and the notice shall include a revised sinking fund schedule.

Redemption From Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2020 Reserve Fund pursuant to the Fiscal Agent Agreement

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, ____ through August 31, ____	____ %
September 1, ____ through August 31, ____	____
September 1, ____ through August 31, ____	____
September 1, ____ and any date thereafter	____

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the

City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX 2

EXHIBIT F

\$ _____
**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM 2021 COSTS OF ISSUANCE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered duly organized and existing under the Constitution and the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of October 1, 2020 (the "Master Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), which agreement was supplemented by the First Supplement to Fiscal Agent Agreement, dated as of July 1, 2021 (the "First Supplement"; together with the Master Fiscal Agent Agreement, the "Fiscal Agent Agreement") by and between the City and the Fiscal Agent;

(iii) Under Section 12.03 of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the 2021 Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth in an invoice submitted by each such payee but no more than the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the 2021 Costs of Issuance Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

PAYEE NAME AND ADDRESS	PURPOSE OF OBLIGATION	AMOUNT

APPENDIX 3

**AMENDED AND RESTATED
EXHIBIT B**

**\$ _____
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021
OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM IMPROVEMENT FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of October 1, 2020 (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent");

(iii) under the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Improvement Fund (and the specified account therein) established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(iv) the disbursements described on the attached Schedule A are properly chargeable to the Improvement Fund (and the specified account therein); and

(v) no portion of the amount herein requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

PAYEE NAME AND ADDRESS	PURPOSE OF OBLIGATION	ACCOUNT OR SUBACCOUNT

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

BOND PURCHASE AGREEMENT

_____, 2021

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Representative”), on behalf of itself and RBC Capital Markets, LLC (together, the “Underwriters”), hereby offers to enter into this agreement (this “Purchase Agreement”) with the City and County of San Francisco (the “City”) in connection with the sale by the City on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) of the Bonds (defined below). This offer is made subject to the acceptance by the City and execution and delivery of this Purchase Agreement on or before 11:59 p.m., California time, on the date hereof and, if not so accepted by the City, will be subject to withdrawal by the Underwriters upon written notice (by e-mail or otherwise) from the Underwriters delivered to the City at any time prior to the acceptance of this Purchase Agreement by the City. If the Underwriters withdraw this offer, or the Underwriters’ obligation to purchase the Bonds (defined below) is otherwise terminated pursuant to Section 11 hereof, then the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(a) hereof, and the City shall be free to sell the Bonds to any other party. Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth in the Official Statement (defined below) or in the Fiscal Agent Agreement (defined below).

The Underwriters represent and warrant that this Purchase Agreement, assuming due and legal execution and delivery thereof by, and validity against, the City, when executed by the Underwriters, will be a legal, valid and binding obligation of the Underwriters enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights generally.

The City acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length, commercial transaction between the City and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor, fiscal consultant or fiduciary of the City and the District; (b) the Underwriters have not assumed any advisory or fiduciary responsibility to the City or the District with respect to the Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an

Underwriter, has provided other services or is currently providing other services to the City or the District on other matters); (c) the Underwriters have financial and other interests that differ from those of the City or the District; and (d) the City and the District have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Agreement, the Underwriters hereby agree to purchase from the City, and the City agrees to sell and deliver on behalf of the District to the Underwriters, all (but not less than all) of the \$_____ aggregate principal amount of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “Bonds”).

Section 2. Purchase Price. The “Net Purchase Price” for the Bonds shall be \$_____ (calculated as the aggregate principal amount of the Bonds in the amount of \$_____, [plus/less] [net] an original issue [premium/discount] in the amount of \$_____ and less underwriters’ discount in the amount of \$_____).

The Bonds will be dated their date of delivery and will mature, subject to prior redemption, on September 1 in each year, in the amounts as set forth in Schedule I attached hereto. The Bonds will be subject to redemption prior to maturity as shown on Schedule I. The Bonds will bear interest at the interest rates set forth in Schedule I. Interest shall be payable on each March 1 and September 1, commencing [September 1, 2021] until maturity or earlier redemption.

Interest on the Bonds will be excluded from gross income for federal income tax purposes and exempt from State of California (the “State”) personal income taxes, all as further described in the Official Statement, dated the date hereof, and relating to the Bonds, as further defined below.

Section 3. Preliminary Official Statement and Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated _____, 2021 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the “Preliminary Official Statement”), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity date, delivery date, ratings and other terms of the Bonds permitted to be excluded from the Preliminary Official Statement by Rule 15c2-12 (the “Excluded Information”). The City shall provide the Underwriters, within seven business days from the date hereof (but in any event at least three business days prior to the Closing Date (as defined herein)) whichever occurs first, of the Official Statement, dated the date hereof in the form of the Preliminary Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any supplements to such Official Statement as have been approved by the City and the Underwriters (which approval shall not be unreasonably withheld), in sufficient quantities and/or in a designated electronic format (as defined in Municipal Securities Rulemaking Board Rule G-32) to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board (the “MSRB”). The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The

City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the MSRB, or its designees in accordance with MSRB Rule G-32. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the “Official Statement.”

Section 4. Authorization of the Bonds. The Bonds will be issued by the City on behalf of the District pursuant to the provisions of a Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of July, 2021 (together, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the “Act”) and Resolution No. 12-17, which was approved by the Board of Supervisors on January 24, 2017 and signed by the Mayor on February 3, 2017, as supplemented by Resolution No. 411-20 adopted by the Board of Supervisors on September 22, 2020 and signed by the Mayor on September 25, 2020, and Resolution No. ___ adopted by the Board of Supervisors on ____, 2021 and signed by the Mayor on ____, 2021 (collectively, the “City Resolution”).

Section 5. The Bonds. The proceeds of the Bonds are expected to be used to finance the acquisition of certain public facilities and improvements authorized to be financed by Improvement Area No. 1 of the District. In addition, the Bonds are being issued to (i) fund a deposit to a debt service reserve fund securing the Bonds; (ii) fund certain administrative expenses of the District; and (iii) fund costs of issuance, all as further described herein.

The Bonds will be issued under the Fiscal Agent Agreement on a parity with the outstanding Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “2020 Bonds”).

Section 6. City Representations, Covenants and Agreements. The City represents and covenants and agrees with the Underwriters that as of the date hereof:

(a) The City has full legal right, power and authority to enter into the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined) (the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents”) and to observe and perform the covenants and agreements in the City Documents; by all necessary official action of the City, the City has duly adopted the City Resolution prior to the acceptance hereof; the City Resolution and the resolutions and ordinance listed on Exhibit F (together with the City Resolution, the “Resolutions and Ordinance”) are in full force and effect and have not been amended, modified, rescinded or challenged by referendum; the City has recorded the notice of special tax lien (the “Notice of Special Tax Lien”) in the real property records of the City which established a continuing lien on the land within Improvement Area No. 1 securing the payment of the Special Tax; the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the City Documents; the City has duly authorized and approved the delivery of the Preliminary Official Statement and the execution and delivery of the Official Statement; and the City is in compliance in all material respects with the obligations in connection with the execution and delivery of the Bonds on its part contained in the Fiscal Agent Agreement.

(b) The District is a community facilities district duly organized and validly existing under the laws of the State.

(c) As of the date thereof and as of the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry-only system, information under the captions “INTRODUCTION – Treasure Island Project – *Treasure Island Project Overview*,” and “--*History of the Treasure Island Project*,” “INTRODUCTION – Improvement Area No. 1,” the second paragraph under “INTRODUCTION – Continuing Disclosure,” “THE TREASURE ISLAND PROJECT,” “IMPROVEMENT AREA NO. 1 – Ownership of Property in Improvement Area No. 1,” “—Acquisition Agreement,” “—Location and Description of Improvement Area No. 1 and the Immediate Area,” “—Tract Map Status of Improvement Area No. 1,” “—Phase Development and Financing Plan,” “—Utilities” and “—Merchant Builder Development and Financing Plans” and “CONTINUING DISCLOSURE – TI Series 1” and “– Merchant Builders” and “UNDERWRITING,” and the Excluded Information) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(d) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, information provided by the Underwriters for inclusion therein, including without limitation the information under the caption “UNDERWRITING” and information under the captions “INTRODUCTION – Treasure Island Project – *Treasure Island Project Overview*,” and “--*History of the Treasure Island Project*,” “INTRODUCTION – Improvement Area No. 1,” the second paragraph under “INTRODUCTION – Continuing Disclosure,” “THE TREASURE ISLAND PROJECT,” “IMPROVEMENT AREA NO. 1 – Ownership of Property in Improvement Area No. 1,” “—Acquisition Agreement,” “—Location and Description of Improvement Area No. 1 and the Immediate Area,” “—Tract Map Status of Improvement Area No. 1,” “—Phase Development and Financing Plan,” “—Utilities” and “—Merchant Builder Development and Financing Plans” and “CONTINUING DISCLOSURE – TI Series 1” and “– Merchant Builders” and the CUSIP numbers) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Agreement, the end of the underwriting period shall be deemed to be the Closing Date, unless the Underwriters shall have notified the City to the contrary on or prior to such date.

(e) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry-only system and information provided by the Underwriters for inclusion therein, including, without limitation, the information under the caption “UNDERWRITING” and information under the captions “INTRODUCTION – Treasure Island Project – *Treasure Island Project Overview*,” and “--*History of the Treasure Island Project*,” “INTRODUCTION – Improvement Area No. 1,” the second paragraph under “INTRODUCTION – Continuing Disclosure,” “THE TREASURE ISLAND PROJECT,” “IMPROVEMENT AREA NO. 1 –

Ownership of Property in Improvement Area No. 1,” “—Acquisition Agreement,” “—Location and Description of Improvement Area No. 1 and the Immediate Area,” “—Tract Map Status of Improvement Area No. 1,” “—Phase Development and Financing Plan,” “—Utilities” and “—Merchant Builder Development and Financing Plans” and “CONTINUING DISCLOSURE – TI Series 1” and “– Merchant Builders” and the CUSIP numbers, prices and yields on the Bonds) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) If between the date of delivery of the Official Statement and the date that is 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the City that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters thereof; and (ii) if in the reasonable opinion of the City or the Underwriters such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld.

(g) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or court decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject which violation, breach or default would have a material adverse effect on the City’s financial condition or its ability to collect and pledge the Special Tax, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions of the City Documents will not materially conflict with or constitute a material breach of or material default under any applicable constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is subject, or by which it or any of its properties is bound which conflict, breach or default would have a material adverse effect on the City’s financial condition or its ability to collect and pledge the Special Tax.

(h) Except as disclosed in the Preliminary Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City Attorney after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City Attorney, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the levy or collection of Special Tax Revenues pledged under the Fiscal Agent Agreement, the issuance of any of the Bonds or the City Documents, or the payment of the principal of and interest on the Bonds, or the application of the proceeds of the Bonds; (iii) in

any way contesting or affecting the validity of the Bonds, the City Documents, the District, the Resolutions or Ordinance, the tax-exempt status of the interest on the Bonds or contesting the powers of the City or any authority for the execution and delivery of the Bonds, the approval of the City Documents or the execution and delivery by the City of the City Documents, the delivery of the Preliminary Official Statement or the execution and delivery of the Official Statement; (iv) which would likely result in any material adverse change relating to the financial condition of the City; (v) which would materially impact the ability of the property owners within Improvement Area No. 1 to develop their property; or (vi) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(i) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Underwriters as may be reasonably requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Underwriters, and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The City Documents when executed or adopted by the City, will be legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors' rights generally, and to limitations on remedies against cities and counties under California law.

(k) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of, its respective obligations under City Documents have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(l) The City will undertake, pursuant to the Fiscal Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

(m) Except as described in the Official Statement, the City has complied with all previous continuing disclosure undertakings required pursuant to Rule 15c2-12 for the past five years.

(n) Between the date hereof and the Closing Date, the City will not supplement or amend the City Documents, the Resolutions and the Ordinance or the Official Statement in any respect that is material to the obligations of the City under this Purchase Agreement without the prior written consent of the Underwriters, which consent shall not be unreasonably withheld.

(o) The Bonds will be paid from Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the City and moneys held in certain funds and accounts established under the Fiscal Agent Agreement on a parity with the 2020 Bonds.

(p) The Special Taxes have been duly and lawfully authorized and may lawfully be levied in accordance with the Rate and Method of Apportionment of the Special Tax relating to Improvement Area No. 1 (the "Rate and Method") and the Resolutions and Ordinance, and, when levied, will constitute a valid and legally binding continuing lien on the property on which they are levied.

Section 7. Underwriters' Representations, Covenants and Agreements. The representations, covenants and agreements of the Underwriters attached hereto as Exhibit A are incorporated by reference as though fully set forth herein. The Underwriters further represent and covenant and agree with the City that:

(a) The Underwriters have been duly authorized to enter into this Purchase Agreement and to act hereunder.

(b) The Underwriters are not in material violation of, or in material breach of or in material default under, any applicable law, regulation, order or agreement to which such Underwriters are a party or by which such Underwriters are bound, which violation or breach would have a material adverse effect on such Underwriters' ability to execute, deliver and perform this Purchase Agreement.

Section 8. Offering. It shall be a condition to the City's obligations to sell and to deliver the Bonds on behalf of the District to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire \$_____ aggregate principal amount of the Bonds shall be executed, issued and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Underwriters will provide the City with information regarding the reoffering prices and yields on the Bonds, in such form as the City may reasonably request.

The Underwriters agree, subject to the terms and conditions hereof, to make a *bona fide* public offering of all the Bonds initially at prices not in excess of the initial public offering prices as set forth in Schedule I hereto. The Underwriters reserve the right to change the public offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price set forth in Schedule I hereto.

The Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. The Underwriters further agree that they will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

The Underwriters agree to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit L, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriters, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the City under this section to establish the issue price of the Bonds may be taken on behalf of the City by the City’s municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City’s municipal advisor.

The City will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriters shall report to the City the price or prices at which they have sold to the public each maturity of Bonds. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

The Underwriters confirm that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriters that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriters, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriters,

(B) to promptly notify the Underwriters of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriters shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriters or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriters

or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriters or the dealer and as set forth in the related pricing wires.

The City acknowledges that, in making the representations set forth in this section, the Underwriters will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that the Underwriters shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

Section 9. Closing. At 8:30 a.m., California time, on _____, 2021, or at such other time as shall have been mutually agreed upon by the City and the Underwriters (the “Closing Date” or the

“Closing”), the City will deliver or cause to be delivered to the account of the Underwriters, under the Fast Automated Securities Transfer System of DTC, the Bonds, in the form of a separate single fully registered bond for each series of Bonds, maturity date and interest rate of the Bonds duly executed by the City and authenticated by the Fiscal Agent, together with the opinions and documents set forth in Section 9 hereof. The Underwriters will, subject to the terms and conditions hereof, accept delivery of the Bonds and pay the Net Purchase Price of the Bonds as set forth in Section 2 hereof by wire transfer in immediately available funds on the Closing Date. The Bonds shall be made available to the Fiscal Agent not later than one business day before the Closing Date. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Fiscal Agent in the name of Cede & Co., as the nominee of DTC.

Payment for the delivery of the Bonds shall be coordinated at the offices of Jones Hall, A Professional Law Corporation, in San Francisco, California, or at such other place as shall have been mutually agreed upon by the City and the Underwriters. The Underwriters shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Agreement.

Section 10. Closing Conditions. The obligation of the Underwriters under this Purchase Agreement is subject to the performance by the City of its obligations hereunder and are also subject to the following conditions:

(a) the representations of the City herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

(b) at the time of the Closing, the City Documents, the Resolutions and Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters; and

(c) at or prior to the Closing, the Underwriters shall have received each of the following documents:

(i) the Official Statement, together with any supplements or amendments thereto if the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment, if any, signed on behalf of the City by its authorized officer;

(ii) the Fiscal Agent Agreement, signed on behalf of the City and the Fiscal Agent by their respective authorized officers;

(iii) a conformed map of the proposed boundaries of the District, recorded in the real property records of the City;

(iv) certified copies of the Resolutions and Ordinance;

(v) a conformed copy of the Notice of Special Tax Lien, recorded in the real property records of the City;

(vi) a certificate of the City dated the Closing Date and executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;

(vii) an opinion of the City Attorney (“Issuer Counsel”), addressed solely to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit C;

(viii) unqualified opinions of Jones Hall, APLC (“Bond Counsel”), dated the Closing Date and in substantially the form set forth in Appendix D to the Official Statement;

(ix) a supplemental opinion of Bond Counsel, addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit D;

(x) an opinion of Norton Rose Fulbright US LLP (“Disclosure Counsel”), addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit E;

(xi) an opinion of Stradling Yocca Carlson & Rauth, Underwriters’ Counsel (“Underwriters’ Counsel”), addressed to the Underwriters, dated the Closing Date, in form and substance acceptable to the Underwriters;

(xii) evidence of required filings with the California Debt and Investment Advisory Commission;

(xiii) an opinion of counsel to the Fiscal Agent, addressed to the City and the Underwriters, dated the Closing Date and in form and substance acceptable to the City and the Underwriters;

(xiv) a certificate of the Fiscal Agent, dated the Closing Date, to the effect that: (A) it is a national banking association duly organized and existing under the laws of the United States of America; (B) it has full corporate trust powers and authority to serve as Fiscal Agent under the Fiscal Agent Agreement; (C) it acknowledges and accepts its obligations under the Fiscal Agent Agreement and it has duly authorized, executed and delivered the Fiscal Agent Agreement and that such acceptance and execution and delivery is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which it is a party or any administrative or judicial decision by which it is bound; and (D) it has duly authenticated the Bonds in accordance with the terms of the Fiscal Agent Agreement;

(xv) the Continuing Disclosure Certificate duly executed by the City;

(xvi) a certificate from Goodwin Consulting Group, Inc. (“Special Tax Consultant”) to the effect that (i) the Special Tax if applied in accordance with the terms as set forth in the rate and method of apportionment of special taxes (the “Special Tax Formula”), will annually yield sufficient revenue to make timely payments of debt service on the Bonds, provided that information and other data

supplied by the City, the Co-Municipal Advisors, the Underwriters or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) the net Special Taxes, if collected in the maximum amounts permitted pursuant to the Special Tax Formula on the Closing Date, would generate at least 110% of the maximum debt service payable with respect to the Bonds payable from such Special Tax during each fiscal year, based on a debt service schedule supplied by the Underwriters and relied upon by the Special Tax Consultant, (iii) the information supplied by the Special Tax Consultant for use in the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date, and (iv) the description of the Special Tax Formula contained in the Official Statement is correctly presented in all material respects;

(xvii) a letter of representation of Treasure Island Series 1, LLC, a Delaware limited liability company (the "Phase Developer"), dated the date of the Preliminary Official Statement, substantially in the form attached hereto as Exhibit G;

(xviii) a certificate of the Phase Developer, dated the Closing Date, substantially in the form attached hereto as Exhibit H;

(xix) a letter or letters from counsel to the Phase Developer, dated the Closing Date and addressed to the Underwriters and the City, in form and substance acceptable to the Underwriters and the City, regarding the following: (i) negative assurance with respect to the Preliminary Official Statement and Official Statement; (ii) the validity and enforceability of the Continuing Disclosure Certificate, entered into by the Phase Developer; and (iii) litigation affecting the development of the property as described in the Official Statement or the payment of the Special Taxes;

(xx) a Continuing Disclosure Certificate, entered into by the Phase Developer, substantially in the form attached to the Preliminary Official Statement as Appendix E-2;

(xxi) a letter of representation of Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the "YBI Phase 1 Parent Company"), dated the date of the Preliminary Official Statement, substantially in the form attached hereto as Exhibit I;

(xxii) a certificate of the YBI Phase 1 Parent Company, dated the Closing Date, substantially in the form attached hereto as Exhibit K;

(xxiii) a letter or letters from counsel to the YBI Phase 1 Parent Company, dated the Closing Date and addressed to the Underwriters and the City, in form and substance acceptable to the Underwriters and the City, regarding the following: (i) negative assurance with respect to the Preliminary Official Statement and Official Statement; (ii) the validity and enforceability of the Continuing Disclosure Certificate entered into by the YBI Phase 1 Parent Company; and (iii) litigation affecting the development of the property as described in the Official Statement or the payment of the Special Taxes;

(xxiv) a Continuing Disclosure Certificate, entered into by the YBI Phase 1 Parent Company, substantially in the form attached to the Preliminary Official Statement as Appendix E-3;

(xxv) A certificate of the City, dated the Closing Date, to the effect that the Bonds satisfy the requirements of the Fiscal Agent Agreement to be issued as Parity Bonds; and

(xxvi) such additional legal opinions, bonds, instruments or other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Agreement and as of the Closing Date, of the City's representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 11 of this Purchase Agreement shall continue in full force and effect.

Section 11. Termination. The Underwriters shall have the right to cancel its obligation to purchase the Bonds by written notification from the Underwriters to the City if at any time after the date of this Purchase Agreement and prior to the Closing:

(a) any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Underwriters upon consultation with the City, Bond Counsel and Disclosure Counsel (both as hereinafter defined), either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and, in either such event, the City refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(b) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Underwriters has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended; or

(c) any of the following occurs and is continuing as of the Closing Date which, in the reasonable judgment of the Underwriters (set forth in a written notice from the

Underwriters to the City terminating the obligation of the Underwriters to accept delivery of and make payment for the Bonds), has a material adverse effect on the marketability or market price of the Bonds, at the initial offering prices set forth in the Schedule I attached hereto, or the Underwriters' ability to process and settle transactions:

(i) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon the interest that would be received by the holders of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof; or

(ii) an amendment to the Constitution of the State of California shall have been passed or legislation shall have been enacted by the California legislature, or a decision shall have been rendered by a court of the State of California, in each case which may have the purpose or effect of subjecting interest on the Bonds to State income tax; or

(iii) (A) The declaration of war by the United States of America, any major new outbreak or escalation of armed hostilities, an act of terrorism or any other major national calamity or crisis, (B) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations; or

(iv) the declaration of a general banking moratorium by any federal, New York or State of California authorities; or

(v) a general suspension of trading or other material restrictions on the New York Stock Exchange or other national securities exchange not in effect as of the date hereof; or

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect; or

(vii) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of

the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriters; or

(viii) litigation of the type identified in Section 6(h) hereof; or

(ix) a material disruption in municipal bond market securities settlement, payment or clearance services affecting the Bonds.

Section 12. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 12(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Agreement and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Issuer's Counsel, Bond Counsel, and Disclosure Counsel; (ii) the fees and disbursements of CSG Advisors, Incorporated, San Francisco, California and PFM Financial Advisors LLC, San Francisco, California (the "Co-Municipal Advisors"); (iii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iv) the costs of preparing and printing the Bonds; (v) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 6(e) hereof); and (vi) any fees charged by investment rating agencies for the rating of the Bonds.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters; (iii) all out of pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel.

Section 13. Notices. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to the Representative: Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Eileen Gallagher, Managing Director.

Section 14. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Agreement. All of the representations and agreements of the City contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriters; (b) delivery of and payment for the Bonds, pursuant to this Purchase Agreement; and (c) any termination of this Purchase Agreement.

Section 15. Invalid or Unenforceable Provisions. If any provision of this Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Agreement.

Section 16. Counterparts. This Purchase Agreement may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

Section 17. Governing Law; Venue. This Purchase Agreement shall be governed by and interpreted under the laws of the State of California. Venue for all litigation and other disputes relative arising from or related to this Purchase Agreement shall be in the City.

Section 18. City Contracting Requirements. The provisions for the City Contracting Requirements attached hereto as Exhibit A are hereby incorporated herein by reference as though fully set forth herein.

Section 19. Entire Agreement. This Purchase Agreement is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written. This Purchase Agreement may only be amended by a writing executed by the authorized representatives of the parties.

Section 20. Headings. The section headings in this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 21. Effectiveness. This Purchase Agreement shall become effective upon execution of the acceptance of this Purchase Agreement by the City and shall be valid and enforceable as of the time of such acceptance.

[Remainder of page intentionally left blank.]

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Representative

By _____
Eileen Gallagher
Managing Director

CITY AND COUNTY OF SAN FRANCISCO

By _____
Anna Van Degna
Director, Controller's Office of Public Finance

APPROVED AS TO FORM:

Dennis J. Herrera
City Attorney

By _____
Mark D. Blake, Deputy City Attorney

[Signature Page to Improvement Area No. 1 of the City and County of San Francisco Community Facilities
District No. 2016-1 (Treasure Island) Bond Purchase Agreement]

SCHEDULE I

Maturity Schedule

\$ _____
**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

<u>Maturity Date</u> (September 1)	<u>Principal</u> Amount	<u>Interest</u> Rate	<u>Yield</u>	<u>Price</u>	<u>10%</u> <u>Test</u> <u>Met</u>	Hold the Offering Price Rule Used
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^T Indicates Term Bond.

^C Priced to optional redemption on September 1, 20__ at a price of __% of par.

^{CC} Priced to optional redemption on September 1, 20__ at a price of __% of par.

^{CCC} Priced to optional redemption on September 1, 20__ at par.

Redemption Provisions

Optional Redemption. The Bonds maturing on or after September 1, 20__ are subject to redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturities, on any date on and after September 1, 20__, in whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 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, 20__ through August 31, 20__	103%
September 1, 20__ through August 31, 20__	102%
September 1, 20__ through August 31, 20__	101%
September 1, 20__ and any date thereafter	100%

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20__ 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:

20__ Term Bonds

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption

(maturity)

The Term Bonds maturing on September 1, 20__ 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:

20__ Term Bonds

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
(maturity)	

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed pursuant to optional redemption or Redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term 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 Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the 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, 20__	103%
On September 1, 20__ and March 1, 20__	102
On September 1, 20__ and March 1, 20__	101
On September 1, 20__ and any Interest Payment Date thereafter	100

EXHIBIT A

UNDERWRITERS' REPRESENTATIONS, COVENANTS AND AGREEMENTS AND CITY CONTRACTING REQUIREMENTS

Section 1. Underwriters' Representations, Covenants and Agreements. Each Underwriter, on its own behalf and not on behalf of any other Underwriter, represents and covenants and agrees with the City that:

(a) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such resolution, provide to the City a Business Tax Registration Certificate on or prior to the date hereof.

(b) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

(c) It represents and warrants to the City that the Underwriter has been duly authorized to enter into this Purchase Agreement and to act hereunder by and on behalf of it.

Section 2. City Contracting Requirement. Additionally, each Underwriter represents and covenants and agrees, as applicable that:

(a) ***Underwriter Shall Not Discriminate.*** In the performance of this Purchase Agreement, the Underwriter agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, weight, height, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or associated with members of such protected classes, or in retaliation for opposition to discrimination against such classes against any employee of, any City and/or City employee working with, or applicant for employment with such Underwriter in any of such Underwriter's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services or membership in all business, social or other establishments or organizations operated by such Underwriter.

(b) ***Subcontracts.*** The Underwriter shall incorporate by reference in all subcontracts made in fulfillment of its obligations hereunder the provisions of Section 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from purchasing) and shall require all subcontractors to comply with such provisions. The Underwriter's failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Agreement.

(c) ***Non-Discrimination in Benefits.*** The Underwriter does not as of the date of this Purchase Agreement and will not during the term of this Purchase Agreement, in any of its operations in San Francisco, California, or on real property owned by San Francisco, California, or where the work is being performed for the City and/or City elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or

between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) **HRC Form.** The Underwriter shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (Form HRC 12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Exhibit A by reference and made a part of this Purchase Agreement as though fully set forth herein. The Underwriter shall comply fully with and be bound by all of the provisions that apply to this Purchase Agreement under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Underwriter understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Purchase Agreement may be assessed against such Underwriter and/or deducted from any payments due such Underwriter; provided, however that such damages shall not be set off against the payment of rental or other contract related to the Bonds, certificates of participation or other debt obligation of the City or the City.

(f) **Drug-Free Workplace Policy.** The Underwriter acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City or District premises. The Underwriter agrees that any violation of this prohibition by such Underwriter, its employees, agents or assigns will be deemed a material breach of this Purchase Agreement.

(g) **Compliance With Americans with Disabilities Act.** Without limiting any other provisions of this Purchase Agreement the Underwriter shall provide the services specified in this Purchase Agreement in a manner that complies with the Americans with Disabilities Act (“ADA”) Title 24, and any and all other applicable federal, state and local disability rights legislation. The Underwriter agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Agreement and further agrees that any violation of this prohibition on the part of such Underwriter, its employees, agents or assigns shall constitute a material breach of this Purchase Agreement.

(h) **Sunshine Ordinance.** In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors’ bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization’s net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

(i) ***Prohibition on Political Activity With City Funds.*** In accordance with San Francisco Administrative Code Chapter 12.G, an Underwriter may not participate in, support or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services provided under this Purchase Agreement. The Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Underwriter violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City and/or City contract for a period of two years.

(j) ***MacBride Principles—Northern Ireland.*** The City and the District urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourage such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and the District urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

(k) ***Tropical Hardwood and Virgin Redwood Ban.*** The City and the District urge companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product or any virgin redwood or virgin redwood product.

(l) ***Repeal of Administrative Code Provisions.*** To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in this Exhibit A, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Purchase Agreement or the Underwriter.

(m) ***Limitations on Contributions.*** Through execution of this Purchase Agreement, the Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (i) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves; (ii) a candidate for the office held by such individual; or (iii) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Underwriter acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20% in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Additionally, the Underwriter acknowledges that such Underwriter must

inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

(n) ***Requiring Minimum Compensation for Covered Employees.*** The Underwriter agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (“MCO”), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Purchase Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Underwriter’s obligations under the MCO is set forth in this Exhibit A. The Underwriter is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Exhibit A. Capitalized terms used in this Exhibit A and not defined in this Purchase Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, the Underwriter agrees to all of the following:

(i) The MCO requires the Underwriter to pay such Underwriter’s employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and such Underwriter is obligated to keep informed of the then current requirements. Any subcontract entered into by an Underwriter shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Exhibit A. It is the Underwriter’s obligation to ensure that any subcontractors of any tier under this Purchase Agreement comply with the requirements of the MCO. If any subcontractor under this Purchase Agreement fails to comply, the City may pursue any of the remedies set forth in this Exhibit A against such Underwriter. Nothing in this Exhibit A shall be deemed to grant any Underwriter the right to subcontract.

(ii) No Underwriter shall take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Underwriter shall maintain employee and payroll records as required by the MCO. If such Underwriter fails to do so, it shall be presumed that such Underwriter paid no more than the minimum wage required under State law.

(iv) The City is authorized to inspect the Underwriter’s job sites and conduct interviews with employees and conduct audits of such Underwriter.

(v) The Underwriter’s commitment to provide the Minimum Compensation is a material element of the City’s consideration for this Purchase Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if such Underwriter fails to comply with these requirements. The Underwriter agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the

loss that the City and the public will incur for such Underwriter's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Underwriter understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Purchase Agreement for violating the MCO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If an Underwriter is exempt from the MCO when this Purchase Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but such Underwriter later enters into an agreement or agreements that cause such Underwriter to exceed that amount in a fiscal year, such Underwriter shall thereafter be required to comply with the MCO under this Purchase Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and this department to exceed \$25,000 in the fiscal year.

(o) ***Requiring Health Benefits for Covered Employees.*** The Underwriter agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Purchase Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Exhibit A and not defined in this Purchase Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Underwriter shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If such Underwriter chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if an Underwriter is a small business as defined in Section 12Q.3 (e) of the HCAO, it shall have no obligation to comply with part (i) above.

(iii) An Underwriter's failure to comply with the HCAO shall constitute a material breach of this Purchase Agreement. The City shall notify such Underwriter if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Purchase Agreement for violating the HCAO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City or the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5 (f) (1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City or the City.

(iv) Any subcontract entered into by an Underwriter shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Exhibit A. Such Underwriter shall notify City's Office of Contract Administration when it enters into such a subcontract and shall certify to the Office of Contract Administration that it has notified the subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on subcontractor through the subcontract. The Underwriter shall be responsible for its subcontractors' compliance with this Chapter. If a subcontractor fails to comply, the City may pursue the remedies set forth in this Exhibit A against the applicable Underwriter based on the subcontractor's failure to comply, provided that the City or the City has first provided such Underwriter with notice and an opportunity to obtain a cure of the violation.

(v) No Underwriter shall discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City or the City with regard to such Underwriter's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Underwriter shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the applicable contract.

(viii) The Underwriter shall keep itself informed of the current requirements of the HCAO.

(ix) The Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on subcontractors and subtenants, as applicable.

(x) The Underwriter shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Underwriter shall allow the City to inspect such Underwriter's job sites and have access to such Underwriter's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Underwriter to ascertain its compliance with HCAO. The Underwriter agrees to cooperate with the City when it conducts such audits.

(xiii) If an Underwriter is exempt from the HCAO when this Purchase Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but such Underwriter later enters into an agreement or agreements that cause such Underwriter's aggregate amount of all agreements with the City or the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and the District or the City to be equal to or greater than \$75,000 in the fiscal year.

(p) ***Prohibition on Political Activity With City or City Funds.*** In accordance with San Francisco Administrative Code Chapter 12.G, no Underwriter may participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Purchase Agreement. The Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Underwriter violates the provisions of this Exhibit A, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City contract for a period of two years. The Controller will not consider an Underwriter's use of profit as a violation of this Exhibit A.

(q) ***Protection of Private Information.*** The Underwriter has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Underwriter agrees that any failure of such Underwriter to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Purchase Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Purchase Agreement, bring a false claim action against such Underwriter pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar such Underwriter.

(r) ***Conflicts of Interest.*** Through its execution of this Purchase Agreement, the Underwriter acknowledges that it is familiar with the provisions of Section 15.103 of the City Charter, Article III, Chapter 2 of the City’s Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Purchase Agreement.

As to Exhibit A of this Purchase Agreement:

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher, Managing Director

RBC Capital Markets, LLC as Underwriter

By _____
Bob Williams, Managing Director

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

The undersigned _____, _____ and _____, respectively, of the City and County of San Francisco (the “City”), acting in their official capacities, hereby certify as follows in connection with the issuance of the \$_____ aggregate principal amount of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021(the “Bonds”):

1. The persons named below are now, and at all times from and after _____, 20____, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned’s name and office is the genuine signature of such person.

2. The representations of the City contained in the Bond Purchase Agreement, dated _____, 2021 (the “Purchase Agreement”), between Stifel, Nicolaus & Co. Incorporated, as the lead underwriter of the Bonds, and the City, are true, complete and correct as of the date hereof as if made on the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: _____, 2021.

Name

Office

Signature

EXHIBIT C

FORM OF OPINION OF ISSUER COUNSEL

[LETTERHEAD OF CITY ATTORNEY]

[Closing Date]

City and County of San Francisco
San Francisco, California

Stifel, Nicolaus & Co. Incorporated,
as Representative
San Francisco, California

Re: \$_____ Improvement Area No. 1 of the City and County of San Francisco
Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds,
Series 2021

Ladies and Gentlemen:

In connection with the issuance of the \$_____ Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “Bonds”) by the City and County of San Francisco (the “City”) acting on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”), I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion. Capitalized terms not defined herein shall have the meanings set forth in the Purchase Agreement (as defined below).

I am of the opinion that:

1. The City is a charter city, with full legal right, power and authority to enter into and perform its obligations under: (a) the Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of _____, 2021 (collectively, the “Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”); (b) the Bond Purchase Agreement, dated _____, 2021 (the “Purchase Agreement”), by and between Stifel, Nicolaus & Co. Incorporated, as Representative of the underwriters, and the City; and (c) the Continuing Disclosure Certificate, dated _____, 2021 (the “Continuing Disclosure Certificate”) of the City relating to the Bonds. The Fiscal Agent Agreement, the Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents.”

2. The Resolutions and Ordinance were each duly adopted at a meeting of the Board of Supervisors of the City. The meeting during which each of the Resolutions and Ordinance were

adopted was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

3. The City Documents have been duly authorized, executed and delivered by the City and assuming that such documents are valid and binding upon each of the other respective parties thereto, if any, each is valid and binding upon and enforceable against the City in accordance with its respective terms, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general, by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State of California.

4. The execution and delivery of the City Documents and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the City a breach or default under any existing law, regulation, court order or consent decree to which the City is subject or, to the best of my knowledge after due inquiry, any agreement or instrument to which the City is a party or by which the City is bound.

5. All actions on the part of the City necessary for the making and performance of the City Documents have been duly and effectively taken and no consent, authorization or approval or filing or registration with, any governmental or regulatory officer or body not already obtained or not obtainable in due course by the City is required for the making and performance of the City Documents.

6. Except as disclosed in the Official Statement, dated [Pricing Date] with respect to the Bonds (the "Official Statement"), no litigation, action, suit or proceeding is known to be pending (with service of process having been accomplished) or threatened (a) restraining or enjoining the execution or delivery of the Bonds or the City Documents, or the collection of the Special Tax Revenues pledged under the Fiscal Agent Agreement; (b) in any way contesting or affecting the validity of the Resolutions or the Ordinance, the Bonds, the City Documents or any proceedings of the City taken with respect to the foregoing; (c) restraining or enjoining the development of property within Improvement Area No. 1; or (d) which if determined adversely to the City would have a material adverse effect on its operations or finances.

Very truly yours,

By _____

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[LETTERHEAD OF BOND COUNSEL]

[Closing Date]

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

RBC Capital Markets, LLC
2 Embarcadero Center, Suite 1200
San Francisco, California 94111

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Zions Bancorporation, National Association
550 South Hope Street, Suite 2875
Los Angeles, CA 90071

SUPPLEMENTAL OPINION:

\$ _____ Improvement Area No. 1 of the City and County of San Francisco
Community Facilities District 2016-1 (Treasure Island) Special Tax Bonds, Series
2021 (the "Bonds")

Ladies and Gentlemen:

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 the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the "Community Facilities District"), of the captioned bonds, dated the date hereof (collectively, the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressee hereof.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), Resolution No. 12-17 of the Board of Supervisors of the City adopted on January 24, 2017 and signed by the Mayor on February 3, 2017, and supplemented by Resolution No. 411-20 of the Board of Supervisors adopted on September 22, 2020, and signed by the Mayor on September 25, 2020 and Resolution No. _____ of the Board of Supervisors adopted on _____, 2021, and signed by the mayor on _____, 2021 (collectively, the "City Resolution"), and a Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of _____ 1, 2021 (collectively, the "Fiscal Agent Agreement"), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"). Under the Fiscal Agent Agreement, the City has pledged certain revenues ("Special Tax Revenues") for the payment of principal, premium (if any) and interest on the Bonds when due.

Capitalized terms not defined here have the meanings given them in the Bond Purchase Agreement, dated _____, 2021 (the “Purchase Agreement”), by and between Stifel, Nicolaus & Company, Incorporated, as representative of itself and on behalf of RBC Capital Markets, LLC (together, the “Underwriters”) and the City. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressees hereof.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The statements contained in the Final Official Statement on the cover page and under the captions “INTRODUCTION,” “THE 2021 BONDS,” “SECURITY FOR THE BONDS” (excluding the subcaption “Rate and Method of Apportionment of Special Taxes”), “TAX MATTERS,” and in Appendices C and D thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Resolutions and the Ordinance, the Fiscal Agent Agreement, and Bond Counsel's opinion concerning certain federal tax matters relating to the Bonds, present a fair and accurate summary thereof.

2. The City has duly and validly executed and delivered the Purchase Agreement, and the Purchase Agreement constitutes the legal, valid and binding obligation of the City, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought.

3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This opinion letter is solely for your benefit in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval.

Respectfully submitted,

A Professional Law Corporation

EXHIBIT E

FORM OF OPINION OF DISCLOSURE COUNSEL

[LETTERHEAD OF DISCLOSURE COUNSEL]

Re: \$_____ Improvement Area No. 1 of the City and County of San Francisco Community Facilities District 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “Bonds”)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of San Francisco (the “City”) in connection with the \$_____ Improvement Area No. 1 of the San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “Bonds”). The Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of _____ 1, 2021 (collectively, the “Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the “Act”), and Resolution No. 12-17, which was approved by the Board of Supervisors on January 24, 2017 and signed by the Mayor on February 3, 2017, as supplemented by Resolution No. 247-17 and Resolution No. 411-20 adopted by the Board of Supervisors of the City on September 22, 2020 and signed by Mayor London N. Breed on September 25, 2020 (collectively, the “Resolution”). The terms and provisions of the Bonds are contained in the Fiscal Agent Agreement and are further described in the Official Statement relating to the Bonds, dated _____, 2021 (the “Official Statement”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Official Statement.

The Bonds were sold by the City pursuant to that Bond Purchase Agreement, dated _____, 2021 (the “Bond Purchase Agreement”), by and between Stifel, Nicolaus & Company, Incorporated, as representative (the “Representative”) of itself and on behalf of RBC Capital Markets, LLC (collectively, the “Underwriters”) and the City.

In rendering this opinion, we have reviewed the Fiscal Agent Agreement, the Resolution, such other records, documents, certificates and opinions, and have made such other investigations of law and fact as we have deemed necessary or appropriate.

This opinion is limited to matters governed by the federal securities law of the United States of America, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel to the City, we have rendered certain legal advice and assistance in connection with the preparation of the Preliminary Official Statement relating to the Bonds, dated _____, 2021 (the “Preliminary Official Statement”), and the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning

various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephone conferences with, among others, representatives of the City, the City Attorney, Bond Counsel, the Underwriters, Underwriters' Counsel and the City's Co-Municipal Advisors, at which meetings and conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Preliminary Official Statement and the Official Statement that causes them to believe that (a) the Preliminary Official Statement as of its date or as of the date of the Bond Purchase Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view, and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yield, interest rate, maturity, amortization, redemption provisions, underwriters' compensation and the CUSIP numbers), or (b) the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for 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 therein, and information in Appendices B and F thereof, as to all of which we express no view). In rendering such advice we conducted no independent diligence on the Electronic Municipal Market Access website and express no view regarding the City's or the Authority's compliance with any obligation to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12.

During the period from the date of the Preliminary Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

We are furnishing this opinion to you, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. The delivery of this opinion shall not create any attorney-client relationship between our firm and the addressees hereof, other than the City. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the remarketing relating to the Bonds, and we have no obligation to update this opinion.

Respectfully submitted,

EXHIBIT F

RESOLUTIONS AND ORDINANCE

1. Resolution No. 414-143, entitled “Resolution adopting amended and restated Local Goals and Policies to provide financial flexibility in connection with the formation of Special Tax Districts, pursuant to Administrative Code, Chapter 43, Article X”, adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on November 26, 2013.
2. Resolution No. 506-16, adopted by the Board of Supervisors on December 6, 2016, and approved by the Mayor on December 16, 2016.
3. Resolution No. 510-16, adopted by the Board of Supervisors on December 6, 2016, and approved by the Mayor on December 16, 2016.
4. Resolution No. 8-17, adopted by the Board of Supervisors on January 24, 2017, and approved by the Mayor on February 3, 2017.
5. Resolution No. 9-17, adopted by the Board of Supervisors on January 24, 2017, and approved by the Mayor on February 3, 2017.
6. Resolution No. 11-17, adopted by the Board of Supervisors on January 24, 2017.
7. Resolution No. 12-17, adopted by the Board of Supervisors on January 24, 2017, and approved by the Mayor on February 3, 2017, as supplemented by Resolution No. 411-20, adopted by the Board of Supervisors on September 22, 2020 and approved by the Mayor on September 25, 2020 and Resolution No. ____, adopted by the Board of Supervisors on ____, 2021 and approved by the Mayor on ____, 2021.
8. Ordinance No. 22-17 adopted by the Board of Supervisors on January 31, 2017.

EXHIBIT G

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

LETTER OF REPRESENTATIONS OF PHASE DEVELOPER

_____, 2021

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

RBC Capital Markets, LLC
2 Embarcadero Center, Suite 1200
San Francisco, California 94111

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “**Bonds**”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “**Purchase Agreement**”). This Letter of Representations of Phase Developer (the “**Letter of Representations**”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Treasure Island Series 1, LLC, a Delaware limited liability company (the “**Developer**”), the phase developer of the property within Improvement Area No. 1 (“**Improvement Area No. 1**”) of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer is a limited liability company validly existing and in good standing as a limited liability company under the laws of the State of Delaware and is duly registered to transact intrastate business in the State of California as a foreign limited liability company and is in good standing in the State of California and has all requisite right, power and authority: (i) to execute and deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part in the District as described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within Improvement Area No. 1 is held in the name of the Developer (herein the “**Property**”). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (defined below), (a) the Developer and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “**Material Agreements**”) to which the Developer or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Developer’s ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency, and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Developer, nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Developer’s ability to develop the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Developer’s ability to develop the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency.

6. As of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of the Property, the Developer’s and its Affiliates’ development plan and entitlements, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) as set forth under the caption “INTRODUCTION – Treasure Island Project – *Treasure Island Project Overview*,” and “–*History of the Treasure Island Project*,” “INTRODUCTION – Improvement Area No. 1,” and “–Continuing Disclosure” (as to the Developer in the second paragraph only), “THE TREASURE ISLAND PROJECT,” “IMPROVEMENT AREA NO. 1 – Ownership of Property in Improvement Area No. 1,” “–Acquisition Agreement,” “–Location and Description of Improvement Area No. 1 and the Immediate Area,” “–Tract Map Status of Improvement Area No. 1,” “–Phase Development and Financing Plan,” and “–Utilities” and “CONTINUING DISCLOSURE – TI Series 1” (but excluding any information cited as coming from a source other than the Developer or its Affiliates) is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District or

Improvement Area No. 1, to challenge the adoption of ordinance(s) of the City levying Special Taxes within Improvement Area No. 1, to invalidate the District or any of the Bonds or any refunding bonds related thereto, or to invalidate the Special Tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the Notice of Special Tax Lien relating thereto. The foregoing covenant shall not prevent the Developer or any Affiliate in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Special Taxes have not been levied in accordance with the methodologies contained in the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected, (c) the enforcement of the obligations of the City under the Fiscal Agent Agreement or any agreements between or among the Developer, an Affiliate, the City and/or the District under which the Developer or any Affiliate is a party or beneficiary.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Developer is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. To the Actual Knowledge of the Undersigned, in the last five years, neither the Developer nor any Affiliate has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Developer or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced in a court of law against the Developer or any such Affiliate.

10. The Developer intends to comply with the provision of the Mello-Roos Act of 1982, as amended, relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Developer is able to pay its bills as they become due and no legal proceedings are pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Developer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof (and subject to the limitations and exclusions contained in Paragraph 6), to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriters.

14. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached to the Purchase Agreement as Exhibit H.

15. As used in this Letter of Representations, the term "**Actual Knowledge of the Undersigned**" means the knowledge that the undersigned currently has or has obtained through (i) interviews with such current officers and responsible employees of the Developer as the undersigned has reasonably determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations including the chief financial officer of the Developer or, if the Developer does not have a chief financial officer, the person who performs the functions usually associated with such officer (unless the undersigned is the chief financial officer or such person), and (ii) reviews of documents reasonably available to the undersigned and which the undersigned reasonably deemed necessary for the undersigned to execute this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's current business and operations. The undersigned has not contacted any individuals who are no longer employed by, or associated with, the Developer.

16. As used in this Letter of Representations, the term "**Affiliate**" of the Developer means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Developer; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Developer; and (c) any Person directly or indirectly controlling, controlled by, or under common control with the Developer, in each such case, about whom information, including financial information or operating data, concerning such Person could be material to potential investors in their investment decision regarding the Bonds (i.e. information regarding such Person's assets or funds that would materially affect the Developer's ability to complete the development of Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to the delinquency). For purposes hereof, the term "**control**" (including "**controlling**," "**controlled by**" or "**under common control with**") means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of any official position with such Person. Notwithstanding the foregoing, for purposes of this Letter of Representations, none of the following entities shall be considered

Affiliates of the Developer: (i) Stockbridge/Wilson Meany YBI Investors, LLC, (ii) YBI Phase 1 Investors, LLC, (iii) YBI Phase 2 Investors, LLC, and (iv) any entity created by Stockbridge/Wilson Meany YBI Investors, LLC. For purposes of the definition, the term “Person” means any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary or other capacity.

17. On behalf of the Developer, the undersigned has reviewed the contents of this Letter of Representations and has met with counsel to the Developer for the purpose of discussing the meaning of its contents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

The undersigned has executed this Letter of Representations solely in his or her capacity as an authorized officer or representative of Developer and he or she will have no personal liability arising from or relating to this Letter of Representations.

TREASURE ISLAND SERIES 1, LLC,
a Delaware limited liability company

By: _____

Name: _____

Title: _____

EXHIBIT H

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

CLOSING CERTIFICATE OF PHASE DEVELOPER

_____, 2021

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “**Bonds**”) and to the Bond Purchase Agreement, dated _____, 2021, by and between Stifel, Nicolaus & Company, Incorporated, on behalf of the Underwriters, and the City (the “**Purchase Agreement**”). This Closing Certificate of Phase Developer (the “**Closing Certificate**”) is delivered pursuant to the Purchase Agreement by Treasure Island Series 1, LLC, a Delaware limited liability company (the “**Developer**”), the phase developer of the property within Improvement Area No. 1 (“**Improvement Area No. 1**”) of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”). Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Letter of Representations of Phase Developer, dated _____, 2021 (the “**Letter of Representations**”), delivered by the Developer or the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6

of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 6) relating to the Developer, its Affiliates, ownership of the Property, the Developer's and its Affiliates' development plan and entitlements, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the "**End of the Underwriter Period**" as defined in the Purchase Agreement to mean the Closing Date unless otherwise notified in writing by the Underwriter, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's and its Affiliates' development plan and entitlements, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement the Official Statement in order to make the information described in Paragraph 6 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 6) set forth in the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

4. The undersigned has executed this Closing Certificate solely in his or her capacity as an authorized officer or representative of Developer and he or she will have no personal liability arising from or relating to this Closing Certificate.

TREASURE ISLAND SERIES 1, LLC
a Delaware limited liability company

By: _____

Name: _____

Title: _____

EXHIBIT I

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

LETTER OF REPRESENTATIONS OF YBI PHASE 1 PARENT COMPANY

_____, 2021

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

RBC Capital Markets, LLC
2 Embarcadero Center, Suite 1200
San Francisco, California 94111

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “**Bonds**”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “**Purchase Agreement**”). This Letter of Representations of YBI Phase 1 Parent Company (the “**Letter of Representations**”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “**Company**”), the parent company/Managing Member of YBI Phase I Investors, LLC, a Delaware limited liability (the “**YBI Phase 1 Merchant Builder**”), and YBI Phase 2 Investors, LLC, a Delaware limited liability company (the “**YBI Phase 2 Merchant Builder**” and, together with the YBI Phase 1 Merchant Builder, the “**Merchant Builders**”), the merchant builders that own certain of the property within Improvement Area No. 1 (“**Improvement Area No. 1**”) of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) and the undersigned, on behalf of the Company, further certifies as follows:

1. The Company is a limited liability company validly existing and in good standing as a limited liability company under the laws of the State of Delaware and is duly registered to transact intrastate business in the State of California as a foreign limited liability company and is in good standing in the State of California and has all requisite right, power and authority: (i) to execute and

deliver this Letter of Representations; and (ii) to undertake all of the transactions on its part in Improvement Area No. 1 as described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within Improvement Area No. 1 is held in the name of the Merchant Builders (herein the “**Property**”). The undersigned, on behalf of the Company, in its capacity as the Managing Member of the Merchant Builders, makes the representations herein with respect to all such Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned (defined below), (a) the Company and its Affiliates (defined below) are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the “**Material Agreements**”) to which the Company or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Merchant Builders’ ability to develop the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Merchant Builders) prior to delinquency, and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

4. To the Actual Knowledge of the Undersigned, neither the Company, nor any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Merchant Builders’ ability to develop the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Merchant Builders) prior to delinquency.

5. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Company (with proper service of process to the Company having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Company or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Merchant Builders’ ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Merchant Builders) prior to delinquency.

6. As of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Company, its Affiliates, ownership of the Property, the Merchant Builders’ development plan and entitlements, the Merchant Builders’ financing plan, the Merchant Builders’ lenders, if any, and contractual arrangements of the Company or any Affiliates (including, if material to the Merchant Builders’ development plan or the Merchant Builders’ financing plan, other loans of such Affiliates) as set forth under the captions “INTRODUCTION—Improvement Area No. 1” (solely with respect to the third paragraph and solely as it pertains to information about the Company), “INTRODUCTION—Continuing Disclosure,” “IMPROVEMENT AREA NO. 1—Ownership of Property in Improvement Area No. 1,” “IMPROVEMENT AREA NO. 1—Merchant Builder Development and Financing Plans,” and “CONTINUING DISCLOSURE – Merchant Builders” (but excluding any information provided by a source other than the Company or its Affiliates) is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary

to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Company covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Company and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District or Improvement Area No. 1, to challenge the adoption of ordinance(s) of the City levying Special Taxes within Improvement Area No. 1, to invalidate the District or any of the Bonds or any refunding bonds related thereto, or to invalidate the Special Tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the Notice of Special Tax Lien relating thereto. The foregoing covenant shall not prevent the Company or any Affiliate in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Special Taxes have not been levied in accordance with the methodologies contained in the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected, (c) the enforcement of the obligations of the City under the Fiscal Agent Agreement or any agreements between or among the Company, an Affiliate, the City and/or the District, or under which the Company or any Affiliate is a party or beneficiary.

8. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Company is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

9. To the Actual Knowledge of the Undersigned, for the last five years, neither the Company nor any Affiliate has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Company or any Affiliate within the boundaries of a community facilities district or an assessment district within California that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced in a court of law against the Company or any such Affiliate.

10. The Company intends to comply with the provision of the Mello-Roos Act of 1982, as amended, relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

11. To the Actual Knowledge of the Undersigned, the Company is able to pay its bills as they become due and no legal proceedings are pending against the Company (with proper service of process to the Company having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Company may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

12. To the Actual Knowledge of the Undersigned, Affiliates of the Company are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the

Company (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Company may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

13. If between the date hereof and the Closing Date any event relating to or affecting the Company, its Affiliates, ownership of the Property, the Merchant Builders' development plan, the Merchant Builders' financing plan, the Merchant Builders' lenders, if any, and contractual arrangements of the Company or any Affiliates (including, if material to the Merchant Builders' development plan or the Merchant Builders' financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof (and subject to the limitations and exclusions contained in Paragraph 6), to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Company shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

14. The Company agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached to the Purchase Agreement as Exhibit K.

15. As used in this Letter of Representations, the term "**Actual Knowledge of the Undersigned**" means the knowledge that the undersigned currently has or has obtained through (i) inquiry of such current officers and responsible employees of the Company as the undersigned has reasonably determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in this Letter of Representations, and/or (ii) inspection of documents reasonably available to the undersigned and which the undersigned reasonably deemed necessary for the undersigned to execute this Letter of Representations. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Company's current business and operations. The undersigned has not contacted any individuals who are no longer employed by, or associated with, the Company.

16. As used in this Letter of Representations, the term "**Affiliate**" of the Company means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Company; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Company; and (c) any Person directly or indirectly controlling, controlled by, or under common control with the Company and, in each such case, about whom information, including financial information or operating data, concerning such Person could be material to potential investors in their investment decision regarding the Bonds (i.e. information regarding such Person's assets or funds that would materially affect the Merchant Builders' ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Taxes on the

Property (to the extent the responsibility of the Merchant Builders) prior to delinquency). For purposes hereof, the term “**control**” (including the terms “**controlling**,” “**controlled by**” or “**under common control with**”) means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. The term “**Affiliate**” specifically includes the Merchant Builders, but specifically excludes Treasure Island Series 1, LLC and Treasure Island Community Development, LLC. For purposes of the definition, the term “**Person**” means any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary or other capacity.

17. On behalf of the Company, the undersigned has reviewed the contents of this Letter of Representations and has met with counsel to the Company for the purpose of discussing the meaning of its contents.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

The undersigned has executed this Letter of Representations solely in his or her capacity as an authorized officer or representative of Company and he or she will have no personal liability arising from or relating to this Letter of Representations.

**STOCKBRIDGE/WILSON MEANY YBI
INVESTORS, LLC**
a Delaware limited liability company

By: _____
Darren Drake, Senior Vice President

EXHIBIT K

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

CLOSING CERTIFICATE OF YBI PHASE 1 PARENT COMPANY

_____, 2021

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

RBC Capital Markets, LLC
2 Embarcadero Center, Suite 1200
San Francisco, California 94111

Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104

Ladies and Gentlemen:

Reference is made to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “**Bonds**”) and to the Bond Purchase Agreement, dated _____, 2021, by and between Stifel, Nicolaus & Company, Incorporated, on behalf of the Underwriters, and the City (the “**Purchase Agreement**”). This Closing Certificate of YBI Phase 1 Parent Company (the “**Closing Certificate**”) is delivered pursuant to Purchase Agreement by Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “**Developer**”), pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Letter of Representations of YBI Phase 1 Parent Company, dated _____, 2021 (the “Letter of Representations” delivered by the Developer or the Purchase Agreement).

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph

6) relating to the Developer, its Affiliates, ownership of the Property, the Developer's and its Affiliate's development plan and entitlements, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. For the period through 25 days after the "End of the Underwriter Period" as defined in the Purchase Agreement to mean the Closing Date unless otherwise notified in writing by the Underwriter, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's and its Affiliates' development plan and entitlements, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the City, to amend or supplement the Official Statement in order to make the information described in Paragraph 6 of the Letter of Representations (as subject to the limitations and exclusions contained in Paragraph 6) set forth in the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the City and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance reasonably satisfactory to the Underwriter and Disclosure Counsel which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

4. The undersigned has executed this Closing Certificate solely in his or her capacity as an authorized officer or representative of Developer and he or she will have no personal liability arising from or relating to this Closing Certificate.

**STOCKBRIDGE/WILSON MEANS YBI
INVESTORS, LLC**
a Delaware limited liability company

By: _____
Authorized Representative

EXHIBIT L

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Representative”), on behalf of itself and RBC Capital Markets, LLC, hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) of the City and County of San Francisco (the “Issuer”).

1. Sale of the Bonds. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

IN WITNESS WHEREOF, the undersigned has executed this certificate on this ____ day of _____, 2021.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Representative

By: _____

Name: _____

By: _____

Name: _____

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES [AND INITIAL OFFERING
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES]

(Attached)

**[SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION**

(Attached)

NEW ISSUE - BOOK-ENTRY ONLY

NO RATING

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 2021 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

[\$41,340,000]*
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the "District") with respect to Improvement Area No. 1 of the District ("Improvement Area No. 1") will be issuing Special Tax Bonds, Series 2021 (the "2021 Bonds"). The 2021 Bonds are being issued on behalf of the District, which was established by the City, pursuant to a Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of July 1, 2021 (together, the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The 2021 Bonds are being issued to fund: (i) the acquisition of certain public facilities and improvements authorized to be financed by Improvement Area No. 1, (ii) a deposit to a debt service reserve fund, (iii) administrative expenses, and (iv) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

The 2021 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 2021 Bonds shall be payable on each March 1 and September 1, commencing [September 1, 2021] (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2021 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 2021 Bonds. Individual purchases of the 2021 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021 Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the 2021 Bonds will not receive physical delivery of the 2021 Bonds purchased by them.

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

The 2021 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 2021 Bonds.

The 2021 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2021 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2021 Bonds.

The 2021 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for Treasure Island Series 1, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2021 Bonds will be available for delivery through the book-entry facilities of DTC on or about July __, 2021.

STIFEL

RBC CAPITAL MARKETS

Dated: July __, 2021

* Preliminary, subject to change.

[\$41,340,000]*
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021
(Base CUSIP[†] 79773J)

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP[†]</u>
	\$	%	%		

\$ _____ % Term Bonds due September 1, 20__ – Yield: _____ % Price: _____ CUSIP[†]: 79773J _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisors, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2021 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021 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 2021 Bonds.

**CITY AND COUNTY OF SAN FRANCISCO
MAYOR**

London N. Breed

BOARD OF SUPERVISORS⁽¹⁾

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

Dennis J. Herrera

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*

Bob Beck, *Treasure Island Director, Treasure Island Development Authority*

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

Co-Municipal Advisors

CSG Advisors Incorporated
San Francisco, California

PFM Financial Advisors LLC
San Francisco, California

Fiscal Agent

Zions Bancorporation, National Association
Los Angeles, California

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

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General.....	1
Authority for the 2021 Bonds	1
Use of Proceeds	1
Parity Bonds.....	2
Treasure Island Project	2
Formation of the District and Improvement Area No. 1	3
Improvement Area No. 1	4
Appraisal.....	5
The 2021 Bonds	5
Security for the Bonds	6
Reserve Fund	6
Foreclosure Covenant	7
Limited Obligations	7
Continuing Disclosure	7
No Rating.....	7
Further Information.....	7
THE FINANCING PLAN	8
ESTIMATED SOURCES AND USES OF FUNDS	8
THE 2021 BONDS	8
Description of the 2021 Bonds	8
Redemption.....	9
The Fiscal Agent.....	11
Book-Entry System.....	11
Debt Service.....	12
SECURITY FOR THE BONDS	13
General.....	13
Limited Obligation.....	13
No Teeter Plan	14
Special Tax Fund	14
Bond Fund.....	15
Reserve Fund	16
Rate and Method of Apportionment of Special Taxes.....	17
Covenant for Superior Court Foreclosure.....	21
No Obligation of the City Upon Delinquency	22
Parity Bonds.....	22
FORMATION OF THE DISTRICT	26
THE CITY	27
THE TREASURE ISLAND PROJECT.....	28
Overview.....	28
History	29
TICD and the Treasure Island Project.....	31
Treasure Island Project Development Plan.....	32
Development Entitlement	33
Land Transfer and Mapping Process	33

TABLE OF CONTENTS

(continued)

	<u>Page</u>
Initial Phase Approvals and Land Transfers	35
IMPROVEMENT AREA NO. 1	35
Ownership of Property in Improvement Area No. 1	38
Acquisition Agreement	38
Location and Description of Improvement Area No. 1 and the Immediate Area	38
Tract Map Status of Improvement Area No. 1	39
Phase Development and Financing Plan	40
Utilities	44
Merchant Builder Development and Financing Plans	44
Expected Land Use and Expected Maximum Special Tax Revenues	47
Property Values	49
Projected Special Tax Levy, Assessed Values and Value to Lien Ratios	51
Estimated Effective Tax Rate	54
Delinquency History	54
Direct and Overlapping Debt	55
SPECIAL RISK FACTORS	55
Risks of Real Estate Secured Investments Generally	55
COVID-19 Pandemic	56
Parity Taxes and Special Assessments	57
Value to Lien Ratios	58
Billing of Special Taxes	58
Collection of Special Taxes	59
Maximum Special Tax Rates	59
Insufficiency of Special Taxes	59
Tax Delinquencies	60
Exempt Properties	60
Concentration of Property Ownership	60
Failure to Develop Properties	61
Disclosure to Future Property Owners	61
Potential Early Redemption of Bonds from Special Tax Prepayments	62
Future Indebtedness	62
Seismic Risks	62
Risk of Sea Level Changes and Flooding	63
Other Natural Disasters and Other Events	65
Hazardous Substances	66
Bankruptcy and Foreclosure	66
Property Controlled by FDIC and Other Federal Agencies	67
California Constitution Article XIIC and Article XIID	68
Validity of Landowner Elections	69
Treasure Island Related Complaint	70
Ballot Initiatives and Legislative Measures	72
No Acceleration	72
Limitations on Remedies	72
Limited Secondary Market	72

TABLE OF CONTENTS

(continued)

	<u>Page</u>
CONTINUING DISCLOSURE.....	73
City.....	73
TI Series 1.....	73
Merchant Builders.....	74
TAX MATTERS.....	74
UNDERWRITING.....	76
LEGAL OPINION AND OTHER LEGAL MATTERS.....	76
NO LITIGATION REGARDING THE SPECIAL TAXES OR 2021 BONDS.....	77
NO RATING.....	77
MUNICIPAL ADVISORS.....	77
MISCELLANEOUS.....	77
APPENDIX A – DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO.....	A-1
APPENDIX B – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.....	B-1
APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT.....	C-1
APPENDIX D – FORM OF BOND COUNSEL OPINION.....	D-1
APPENDIX E-1 – FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE.....	E-1-1
APPENDIX E-2 – FORM OF TI SERIES 1 CONTINUING DISCLOSURE CERTIFICATE.....	E-2-1
APPENDIX E-3 – FORM OF MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE.....	E-3-1
APPENDIX F – BOOK-ENTRY ONLY SYSTEM.....	F-1
APPENDIX G – APPRAISAL REPORT.....	G-1

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 2021 Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisors or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the 2021 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 2021 Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

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

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

IN CONNECTION WITH THE OFFERING OF THE 2021 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2021 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 2021 Bonds.

FORWARD LOOKING STATEMENTS

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

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



The above map shows the location of the Treasure Island Project. The 2021 Bonds will be secured by Special Taxes levied in Improvement Area No. 1 located on Yerba Buena Island. No property of Treasure Island, and no special taxes levied on any portion of Treasure Island outside of Improvement Area No. 1, is pledged to the repayment of the 2021 Bonds, nor shall any resources of the City be available to pay debt service on the 2021 Bonds.

OFFICIAL STATEMENT

[\$41,340,000]*
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco (the “City”) on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “2021 Bonds”).

Authority for the 2021 Bonds

The 2021 Bonds will be issued by the City on behalf of the District with respect to Improvement Area No. 1 of the District (“Improvement Area No. 1”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of October 1, 2020 (the “Original Fiscal Agent Agreement”), as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of July 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”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a resolution adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on January 24, 2017, and approved by Mayor Edwin Lee on February 3, 2017, as supplemented by a resolution adopted by the Board of Supervisors of the City on September 22, 2020 and approved by Mayor London N. Breed on September 25, 2020, and Resolution No. ____, which was adopted by the Board of Supervisors on _____, 2021 and approved by the Mayor on _____, 2021, approving the First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$_____ of special tax bonds in one or more series (together, the “Bond Resolution”).

Use of Proceeds

The 2021 Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by Improvement Area No. 1 of the District (the “Facilities”), (ii) a deposit to the 2020 Reserve Fund (as defined herein), (iii) administrative expenses and (iv) costs of issuance, all as further described herein. See “THE FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

* Preliminary, subject to change.
10199938.4

Parity Bonds

The 2021 Bonds are being issued under the Fiscal Agent Agreement on a parity with the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2020 (the “2020 Bonds”), currently outstanding in the aggregate principal amount of \$17,135,000. The 2021 Bonds, the 2020 Bonds and any Parity Bonds (as defined herein) are collectively referred to herein as the “Bonds.”

Treasure Island Project

Treasure Island Project Overview. The property in Improvement Area No. 1 is part of a larger development project (the “Treasure Island Project”) that entails the development of portions of the naturally-formed Yerba Buena Island (“Yerba Buena Island”) and the artificially created Treasure Island (“Treasure Island”), both located in the middle of the San Francisco Bay between downtown San Francisco and the City of Oakland. The two islands (the “Islands”) are accessible by Interstate Highway 80 via the San Francisco-Oakland Bay Bridge (which passes through Yerba Buena Island) and connected by a causeway. The Treasure Island Project consists of approximately 461 acres (the “Treasure Island Project Site”), of which approximately 15.5 gross acres is within Improvement Area No. 1. Improvement Area No. 1 is located entirely on Yerba Buena Island.

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

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

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

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

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

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

The Treasure Island Project will be carried out by or at the direction of TICD in accordance with the Disposition and Development Agreement between TIDA and TICD, dated as of June 28, 2011 (as amended from time to time, the “DDA”), and the Development Agreement between the City and TICD dated as of June 28, 2011 (as amended from time to time, the “DA”), and related Treasure Island Project approvals (including the Mitigation Monitoring and Reporting Program adopted by TIDA and the City in reliance of the Treasure Island/Yerba Buena Island Environmental Impact Report), the D4D, and the TI/YBI SUD.

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

Formation of the District and Improvement Area No. 1

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

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

Improvement Area No. 1 (the “Resolution of Formation”); and (ii) Ordinance No. 22-17 adopted by the Board of Supervisors on January 31, 2017, providing for the levy of the Special Taxes (the “Ordinance”).

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

As of the date of this Official Statement, there are two improvement areas in the District: Improvement Area No. 1 and Improvement Area No. 2 (consisting of certain property on Treasure Island). The special taxes collected in Improvement Area No. 2 are not available for payment of debt service on the 2021 Bonds. Moreover, the City may annex all or any portion of the Future Annexation Area as a separate improvement area, but the special taxes or other moneys derived from such subsequently-created improvement areas would not be available for payment of debt service on the 2021 Bonds. Special Taxes levied in Improvement Area No. 1 will not be available to pay debt service on bonds issued by the City for the District with respect to such other improvement areas. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 1.

Improvement Area No. 1

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

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

Development planned for Sub-Blocks 1Y, 3Y and 4Y (Townhomes and Flats) includes 55 stacked flats condominium units, 82 attached townhouses, and five single-family detached home sites, as more particularly described herein. Construction on these Sub-Blocks has not yet begun, but final build-out of this portion of the development is expected to be completed in [2025]. The hotel project is intended to be constructed in Sub-Block 2Y, but plans are still in development and schedules are unknown. Sub-Blocks 3Y, 4Y (Townhomes and Flats), and 4Y (Podium) have been transferred to merchant builders. Sub-Block 1Y remains owned by TI Series 1 but is under contract for sale to the YBI Phase Parent Company (as defined herein). Sub-Block 2Y is owned by TIDA and is subject to the Public Trust (as defined herein); planned hotel development on Sub-Block 2Y would be on a leasehold interest, and the leasehold interest would be subject to the Special Taxes described below. See the captions “TREASURE ISLAND PROJECT

—Initial Phase Approvals and Land Transfers” and “IMPROVEMENT AREA NO. 1—The Development Plan” herein.

Appraisal

The firm of Integra Realty Resources, Inc. (the “Appraiser”) has been retained by the City and has prepared an Appraisal Report dated April 14, 2021 (the “Appraisal Report”) with a valuation date of March 1, 2021, estimating the market value of the fee simple interest in the appraised parcels within Improvement Area No. 1 that are subject to the Special Taxes securing the 2021 Bonds. The Appraisal Report appraised the value of Sub-Blocks 1Y, 3Y and 4Y. Because Sub-Block 2Y is owned by TIDA and is subject to the Public Trust, it will not be considered a Taxable Parcel unless it is leased to a developer, and only the future leasehold interest in Sub-Block 2Y (if any) would be subject to Special Taxes, as described in the Rate and Method. Therefore, Sub-Block 2Y was not taken into account in determining the appraised value reflected in the Appraisal Report.

The Appraiser concluded in the Appraisal Report that the aggregate, or cumulative, value of the market values, by ownership, of the fee simple interest in the appraised properties in Improvement Area No. 1 is \$175,430,000 (representing an appraisal comprised of Sub-Blocks 1Y, 3Y and 4Y), subject to certain assumptions and limiting conditions set forth in the Appraisal Report. The Appraisal Report, which is included in Appendix G, should be read in its entirety by prospective purchasers of the Bonds.

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

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

The 2021 Bonds

The 2021 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 2021 Bonds shall be payable on each March 1 and September 1, commencing [September 1, 2021] (each an “Interest Payment Date”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2021 Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The 2021 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 2021 Bonds. Individual purchases of the 2021 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021 Bonds will be payable by DTC through the DTC participants. Purchasers of the 2021 Bonds will not receive physical delivery of the 2021 Bonds purchased by them. See “THE 2021 BONDS - Book-Entry System” herein.

Security for the Bonds

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

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

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

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

The 2021 Bonds and all 2021 Related Parity Bonds (defined herein) are also secured by a first pledge of all moneys deposited in the 2021 Reserve Fund. The moneys in the 2021 Reserve Fund (except as otherwise described herein) are dedicated to the payment of the principal of, and interest and any premium on, the 2021 Bonds and all 2021 Related Parity Bonds. See “ – 2021 Reserve Fund” below.

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

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

See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2021 Bonds.

Reserve Fund

The City, on behalf of the District, established the 2020 Reserve Fund as additional security for the 2020 Bonds and all 2020 Related Parity Bonds pursuant to the Fiscal Agent Agreement to be funded at the 2020 Reserve Requirement (defined below). The 2021 Bonds are designated as 2020 Related Parity Bonds under the First Supplement to Fiscal Agent Agreement. As 2020 Related Parity Bonds, the 2021 Bonds will be secured by a first pledge of all moneys deposited in the 2020 Reserve Fund. The moneys in the 2020 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 2020 Bonds, the 2021 Bonds and all 2020 Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2020 Bonds, the 2021 Bonds and all 2020 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – Reserve Fund” herein.

Foreclosure Covenant

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

Limited Obligations

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

Continuing Disclosure

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

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

No Rating

The 2021 Bonds are not rated. See “NO RATING” herein.

Further Information

Brief descriptions of the 2021 Bonds, the security for the Bonds, special risk factors, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2021 Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2021 Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the 2021 Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

THE FINANCING PLAN

The 2021 Bonds are being issued to finance: (i) the Facilities, (ii) a deposit to the 2020 Reserve Fund, (iii) administrative expenses, and (iv) costs of issuance. More specifically, proceeds of the 2021 Bonds are expected to be used to finance [land acquisition, sewer improvements, storm drain improvements, street facilities, curb, gutter and sidewalk improvements, including streetlights and traffic signals, as well as incidental expenses related to the planning, design and completion of such facilities]. Such backbone infrastructure has been completed by TICD, its predecessors, and its subsidiaries and a portion of the proceeds of the Bonds will be used to reimburse TICD for a portion of the costs thereof.

ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	
Principal Amount	\$
Premium	
Total Sources	\$
<u>Uses of Funds</u>	
Deposit to Improvement Fund	\$
Deposit to 2020 Reserve Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	\$

⁽¹⁾ Includes Underwriters' discount, fees and expenses for Bond Counsel, Disclosure Counsel, the Municipal Advisors, the Special Tax Consultant, the Fiscal Agent and its counsel, costs of printing the Official Statement, and other costs of issuance of the 2021 Bonds.

THE 2021 BONDS

Description of the 2021 Bonds

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

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

Redemption*

Optional Redemption. The 2021 Bonds maturing on or after September 1, 20__ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2021 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, 20__ through August 31, 20__	%
September 1, 20__ through August 31, 20__	
September 1, 20__ through August 31, 20__	
September 1, 20__ and any date thereafter	

Mandatory Sinking Fund Redemption. The Term 2021 Bonds maturing on September 1, 20__ (the “Term 2021 Bonds (20__)”) 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>
	\$

(maturity)

Provided, however, if some but not all of the Term 2021 Bonds (20__) have been redeemed pursuant to optional redemption or redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2021 Bonds (20__) so

* Preliminary, subject to change.

redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2020 Reserve Fund shall be used to redeem 2021 Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2021 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, 20__	%
On September 1, 20__ and March 1, 20__	
On September 1, 20__ and March 1, 20__	
On September 1, 20__ and any Interest Payment Date thereafter	

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 2021 Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its Electronic Municipal Market Access system (“EMMA”).

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2021 Bonds are to be called for redemption shall state as to any 2021 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2021 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 2021 Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of 2021 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 2021 Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

Selection of Bonds for Redemption. Except as provided under the Fiscal Agent Agreement provisions described above under the captions “ – Optional Redemption,” “ – Mandatory Sinking Fund Redemption” and “ – Redemption from Special Tax Prepayments,” whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2021 Bonds of any maturity or any given portion thereof, the City shall select the 2021 Bonds or portions thereof to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, and the Fiscal Agent shall select the Bonds or portions thereof to be redeemed by lot within a maturity and notify the City.

Purchase of Bonds in Lieu of Redemption. In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2021 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 2021 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. All 2021 Bonds purchased by the Fiscal Agent will be canceled by the Fiscal Agent.

The Fiscal Agent

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

Book-Entry System

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

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Debt Service

The following is the debt service schedule for the 2021 Bonds, assuming no redemptions other than mandatory sinking fund redemptions. The 2021 Bonds have been sized to provide [110]% debt service coverage from the net available Special Tax Revenues anticipated from the levy on _____. See also Table 9 in "IMPROVEMENT AREA NO. 1 - Projected Special Tax Levy, Assessed Values and Value to Lien Ratios" herein.

Debt Service Schedule

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
Total	\$	\$	\$

SECURITY FOR THE BONDS

General

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

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

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

The 2021 Bonds, the 2020 Bonds and all 2020 Related Parity Bonds will be secured by a first pledge of all moneys deposited in the 2020 Reserve Fund. The moneys in the 2020 Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2021 Bonds, the 2020 Bonds and all 2020 Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2021 Bonds, 2020 Bonds and all 2020 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2020 Related Parity Bonds” means the 2021 Bonds, the 2020 Bonds and any series of Parity Bonds for which (i) the proceeds are deposited into the 2020 Reserve Fund so that the balance therein is equal to the 2020 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2020 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the 2021 Bonds. The Facilities are not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Facilities.

Limited Obligation

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

No Teeter Plan

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

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

Special Tax Fund

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

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

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

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

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

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

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

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

Bond Fund

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

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

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

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

(i) Withdraw from the 2020 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds (including the proceeds of any Qualified Reserve Account Credit Instrument held therein) or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2021 Bonds, 2020 Bonds and any 2020 Related Parity Bonds. Amounts so withdrawn from the 2020 Reserve Fund shall be deposited in the Bond Fund.

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

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

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

Reserve Fund

The City will establish under the Fiscal Agent Agreement a 2020 Reserve Fund for the benefit of the 2021 Bonds, the 2020 Bonds and any 2020 Related Parity Bonds to be funded at the 2020 Reserve Requirement.

“2020 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2021 Bonds, the 2020 Bonds and any 2020 Related Parity Bonds, (b) 125% of average Annual Debt Service on the 2021 Bonds, the 2020 Bonds and any 2020 Related Parity Bonds, and (c) 10% of the outstanding principal of the 2021 Bonds, the 2020 Bonds and any other 2020 Related Parity Bonds; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2021 Bonds, the 2020 Bonds or any other 2020 Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2021 Bonds, the 2020 Bonds or any other 2020 Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2021 Bonds, the 2020 Bonds or any other 2020

Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

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

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

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2020 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2021 Bonds, the 2020 Bonds and any other 2020 Related Parity Bonds or, in accordance with the Fiscal Agent Agreement, for the purpose of redeeming 2021 Bonds, the 2020 Bonds and any other 2020 Related Parity Bonds from the Bond Fund.

The City has the right at any time to direct the Fiscal Agent to release funds from the 2020 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2021 Bonds, the 2020 Bonds or any other 2020 Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

Rate and Method of Apportionment of Special Taxes

The following is a brief summary of certain provisions of the Rate and Method. The summary is intended to provide an overview of the calculation and levy of the Facilities Special Tax. The Rate and Method also authorizes the levy of a Services Special Tax; however, under the terms of the Rate and Method, such Services Special Tax cannot be levied while the 2021 Bonds are outstanding. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B.

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

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

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

“Expected Taxable Property” means any Parcel within Improvement Area No. 1 that: (i) pursuant to the Development Approval Documents, was expected to be a Taxable Parcel, (ii) based on the Expected Land Uses and as determined by the Administrator, was assigned Expected Maximum Facilities Special

Tax Revenues, and (iii) subsequently falls within one or more of the categories that would otherwise be exempt from the Special Tax as described under “*Exemptions to the Special Tax*” below.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) replenish reserve funds created for the Bonds under the Fiscal Agent Agreement to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Expenditures, including park maintenance, Sea Level Rise Improvements, and capital reserves, in the priority set forth in the DDA Financing Plan, so long as such levy under clause (vi) does not increase the Facilities Special Tax levied on Undeveloped Property. Notwithstanding the foregoing, in any Fiscal Year in which any portion of a Developer Maintenance Payment is delinquent, the Maximum Facilities Special Tax shall be levied on Undeveloped Property until the amount collected from Undeveloped Property that is used to pay for park maintenance is equal to the aggregate amount of delinquent Developer Maintenance Payments. The amounts referred to in clauses (i) and (ii) of the definition of Facilities Special Tax Requirement may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Fiscal Agent Agreement; (b) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Facilities Special Taxes; and (c) any other revenues available to pay such costs, each as determined in the sole discretion of the Administrator.

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

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

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

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

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

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

“Vertical DDA” means a disposition and development agreement between TICD and/or TIDA and a developer that governs the development of Vertical Improvements (as defined in the DDA) or a

disposition and development agreement between TIDA and a developer that has a leasehold interest in property that is subject to the Public Trust, for a Taxable Parcel.

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

General. A Special Tax applicable to each Taxable Parcel in Improvement Area No. 1 shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount per square foot for the land use category of Taxable Parcel, as described below. All Taxable Parcels in the Improvement Area No. 1 shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including property subsequently annexed to the Improvement Area No. 1. During the term of the 2021 Bonds, only the Facilities Special Tax shall be levied. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. Each Fiscal Year, the Administrator is required to identify the current parcel numbers for all Taxable Parcels and determine: (i) whether each Taxable Parcel is Developed Property, Vertical DDA Property, Undeveloped Property, or Expected Taxable Property, (ii) within which Sub-Block each Assessor’s Parcel is located, (iii) for Developed Property, the Residential Square Footage, Commercial/Retail Square Footage, and/or Hotel Square Footage on each Parcel, (iv) for Residential Property, the Residential Product Type and number of Market Rate Units and Inclusionary Units, (v) whether there are any delinquent Developer Maintenance Payments, and (vi) the Special Tax Requirement for the Fiscal Year.

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

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

Base Facilities Special Tax Rates per Taxable Square Foot

<u>Land Use Category</u>	<u>FY 2016-17</u> <u>Base Facilities</u> <u>Special Tax</u>	<u>FY 2020-21</u> <u>Base Facilities</u> <u>Special Tax</u>
Low-Rise Unit	\$6.13	\$6.77
Mid-Rise Unit	\$7.10	\$7.84
Tower Unit	\$8.14	\$8.99
Treasure Island Townhome Unit	\$5.39	\$5.95
Yerba Buena Townhome Unit	\$5.82	\$6.43
Hotel Condominium	\$5.93	\$6.55
Commercial/Retail	\$1.50	\$1.66
Hotel	\$3.00	\$3.31

Source: Goodwin Consulting Group, Inc.

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

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

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

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

Step 1: In all Fiscal Years prior to and including the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the DDA Financing Plan, or (ii) 42 years after the 2021 Bonds were issued for Improvement Area No. 1, the Maximum Special Tax shall be levied on all Parcels of Developed Property regardless of debt service on Bonds (if any), and any Remainder Special Taxes collected shall be applied as set forth in the DDA Financing Plan.

In all Fiscal Years after the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the DDA Financing Plan, or (ii) 42 years after the 2021 Bonds were issued for Improvement Area No. 1, the Special Tax shall be levied Proportionately on each Parcel of Developed Property, up to 100% of the Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Special Tax Requirement.

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

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

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

Capital Reserve Requirement. The Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements to ensure that shoreline, public facilities, and public access improvements will be protected due to potential sea level rise at the perimeters of Treasure Island and Yerba Buena Island – “Sea Level Rise Improvements.” The target amount of capital for the reserves is \$250 million in Fiscal Year 2016-17 dollars, escalating, on each July 1, by the lesser of (i) the increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose region (base years 1982-1984=100) published by the Bureau of Labor Statistics of the United States Department of Labor, or, if such index is no longer published, a similar escalator that is determined by TIDA and the City to be appropriate, and (ii) five percent. Moneys in the reserves are intended to address future potential capital needs related to sea level rise, and are not available to pay debt service on the Bonds. See “SPECIAL RISK FACTORS – Sea Level Changes and Flooding” herein.

Covenant for Superior Court Foreclosure

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

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

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

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

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

(A) **Individual Delinquencies.** If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 1 is delinquent in the payment of two installments of Special Taxes for Developed Property consisting of a Residential Unit and one installment for all other Taxable Parcels, then the Finance Director must send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 90 days of such determination. Despite the requirement in the prior sentence, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 1 is then participating in the Teeter Plan, or equivalent procedure, (2) the amount in the 2020 Reserve Fund is at least equal to the 2021 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 2021 Related Parity Bonds is at least equal to the required amount.

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

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

No Obligation of the City Upon Delinquency

If a delinquency occurs in the payment of any Special Taxes, the City is under no obligation to transfer any funds of the City, other than Special Tax Revenues, into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds. Similarly, the City is under no obligation to levy any tax, other than the Special Tax, for the payment of the principal of or interest on the Bonds. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose Special Tax liens upon delinquencies, and “SECURITY FOR THE BONDS – Reserve Fund,” for a discussion of the 2021 Reserve Fund securing the 2021 Bonds, the 2020 Bonds or any other 2020 Related Parity Bonds.

Parity Bonds

The 2021 Bonds will be the second series of Bonds issued under the Fiscal Agent Agreement. The City covenants under the Fiscal Agent Agreement that the principal amount of the 2020 Bonds, the 2021 Bonds and any future Parity Bonds shall not exceed \$250 million (although Parity Bonds that constitute refunding bonds under the Act will not count against this \$250 million limit). The City may issue Parity Bonds on behalf of the District for Improvement Area No. 1, subject to the conditions set forth in the Fiscal Agent Agreement. TI Series 1 anticipates the issuance of approximately \$[___] million in Parity Bonds over the next five years based on the expected maximum special tax revenues from future development in Improvement Area No. 1.

The City may issue additional Parity Bonds in addition to the 2020 Bonds and the 2021 Bonds under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds, to the extent provided in the Fiscal Agent Agreement, shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all

other Bonds Outstanding under the Fiscal Agent Agreement. The City may issue such Parity Bonds, on a parity basis with the 2021 Bonds, subject to the following specific conditions precedent:

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

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

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

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

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

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

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

"Improvement Area No. 1 Value" means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all Taxable Parcels in Improvement Area No. 1 and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent Taxable Parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or

group of parcels by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Taxable Parcels as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged in the Fiscal Agent Agreement that, in determining the Improvement Area No. 1 Value, the City may rely on an appraisal to determine the value of some or all of the Taxable Parcels in Improvement Area No. 1 and/or the most recent City real property tax roll as to the value of some or all of the Taxable Parcels in Improvement Area No. 1. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any such appraiser pursuant to this definition.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FORMATION OF THE DISTRICT

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

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

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

On January 31, 2017, the Board of Supervisors adopted Ordinance No. 22-17, levying special taxes within Improvement Area No. 1 in accordance with the Rate and Method. The Mayor signed the Ordinance on February 9, 2017. On February 9, 2017, a Notice of Special Tax Lien was recorded against the property

in Improvement Area No. 1 by Instrument No. 2017K406814. The Notice of Special Tax Lien establishes the lien of special taxes pursuant to the Rate and Method against all of the property in Improvement Area No. 1. The District began levying Special Taxes during Fiscal Year 2019-20.

Only the property in Improvement Area No. 1 is subject to the Special Tax that secures payment on the 2021 Bonds. Land within Improvement Area No. 2 and the Future Annexation Area may be annexed into the District and become subject to a special tax only with the unanimous approval of the owner or owners of each parcel or parcels at the time of annexation into the District. The Future Annexation Area encompasses the entirety of the Islands other than Improvement Area No. 1 and Improvement Area No. 2.

Property owners may annex their property into Improvement Area No. 1 or another improvement area established in the District according to the procedures described in the Resolution of Formation. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 1. *Special taxes levied in each improvement area in the District will secure only bonds issued for that respective improvement area. In other words, special taxes levied on property outside of the boundaries of Improvement Area No. 1 are not and will not be security for the 2021 Bonds. Similarly, Special Taxes levied in Improvement Area No. 1 will not be available to pay for bonds issued by the City for the District with respect to other improvement areas.*

THE CITY

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, 2020, the State estimates the City’s population to be 897,806. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” hereto.

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

Impact of COVID-19 Pandemic on San Francisco Economy. Since late winter 2020, the City has been facing significant negative impacts of the global COVID-19 pandemic and efforts to contain it, including the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools throughout the City and the United States. The impacts on the City’s and the region’s economy have been material and adverse, including an economic recession. 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 has dropped substantially. From March 2020 through March 2021, more than 173,000 temporary or permanent layoffs have been reported in the Bay Area, with about 61,000 of those in the City. The unemployment rate in the City rose from 2.3% in February 2020 to a high of 12.7% in May 2020, before declining to 5.7% by February 2021. While many layoffs in the City have been classified as temporary, no assurances can be given as to the nature of any re-hiring that

may occur as public health orders are loosened and the economic recovery takes shape. Some of the City's largest private employers have instructed their employees to telecommute whenever possible and several high profile employers, such as Facebook, Twitter, Zillow, Square and Coinbase, have announced plans to allow employees to work remotely for extended periods or indefinitely. Any significant exodus of industries, companies, or jobs out of San Francisco without replacement of those jobs at similar wage levels may result in the reduction in commercial and residential rents and economic vitality in San Francisco.

The COVID-19 pandemic has negatively impacted values in the real estate market. The Appraisal Report describes adverse impacts of the COVID-19 Pandemic on residential and office rental markets. See "THE MISSION ROCK PROJECT - Property Values" herein and APPENDIX G – APPRAISAL REPORT" attached hereto.

The City cannot predict how long the current economic recession will last. While public health restrictions have been loosened 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, which may be material and adverse. See "SPECIAL RISK FACTORS – COVID-19 Pandemic" below.

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

THE TREASURE ISLAND PROJECT

TI Series 1 has provided the following information with respect to the Treasure Island Project. No assurance can be given by the City that all information is complete. The City has not independently verified this information and assumes no responsibility for its accuracy or completeness. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. See the section of this Official Statement captioned "SPECIAL RISK FACTORS" for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2021 Bonds. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner may be subject to the DA and DDA (as such terms are defined below) and will be subject to the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2021 Bonds.

Overview

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

Yerba Buena Island is a naturally occurring island that serves as the midpoint of the San Francisco-Oakland Bay Bridge, and hosts an active U.S. Coast Guard station and a former U.S. Army Base. Treasure

Island, in contrast, is a man-made island built by the United States Government in the 1930's that was originally intended to serve as San Francisco's second airport but was repurposed to serve as a U.S. Naval Station from 1941 until its closure in 1997. The two islands are connected via a causeway.

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

Improvement Area No. 1 includes approximately 15.50 acres of the approximately 461 acres of the Treasure Island Project, with the remainder, approximately 445 acres, included within Improvement Area No. 2 (created on May 15, 2020) and property identified as Future Annexation Area. ***Only the property in Improvement Area No. 1 that is subject to the levy of Special Taxes will serve as security for the 2021 Bonds. The information below is intended to provide the overall context of the entire Treasure Island Project, of which Improvement Area No. 1 is a part.***

History

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

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

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

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

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

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

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

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

Subdivision Mapping Process. As contemplated under the DDA, following the 2015 completion of the Public Trust exchange on the appropriate lands, various subdivision maps were processed to establish development parcels. Parcels established on Trust Termination Lands may be held in fee simple title and

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

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

TICD and the Treasure Island Project

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

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

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

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

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

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

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

Treasure Island Project Development Plan

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

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

Development Entitlement

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

Land Transfer and Mapping Process

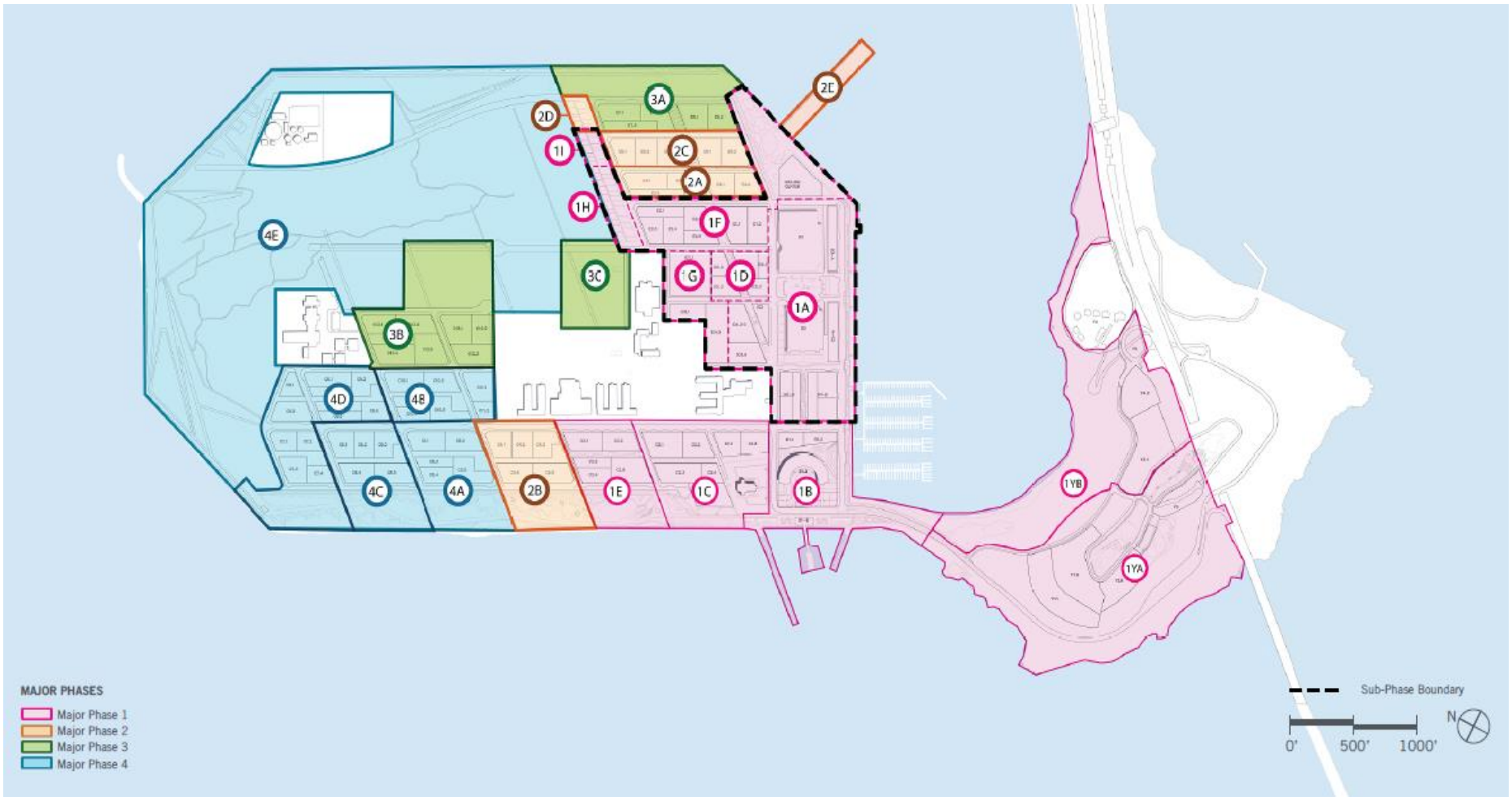
Treasure Island Project Phasing. The Treasure Island Project has been divided into four Major Phases and, within each Major Phase, various Sub-Phases. Subject to the terms and conditions of the DDA, TIDA will convey development blocks within the Treasure Island Project owned or acquired by TIDA from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

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

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

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

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Initial Phase Approvals and Land Transfers

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

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

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

The infrastructure improvements and fees required for the total development of the Treasure Island Project are estimated to cost approximately \$[1.97] billion. As of [____], 2021, TICD and TICD Developers have expended approximately \$[____] million on such costs (including the costs of Improvement Area No. 1), and they expect to spend the remainder of such costs over the next [15] years.

IMPROVEMENT AREA NO. 1

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

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

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. TI Series 1 and the Merchant Builders (defined below) have provided the information set forth in this section. No assurance can be given by the City that all information is complete. The City has not independently verified this information and assumes no responsibility for its accuracy or completeness. It is only provided as a convenience to enable investors to more easily commence their own independent investigations if they so choose. There may be material adverse changes in this information after the date of this Official Statement. In addition, any internet addresses included below are for reference only, and the information on those internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2021 Bonds. See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2021 Bonds.

The information in this Official Statement regarding Improvement Area No. 1 and the Treasure Island Project has considered the current Health Orders (as defined herein) and any other local restrictions in disclosing estimated time frames for development in the Improvement Area No. 1. However, the impact of COVID-19 and the Health Orders is likely to evolve over time, which could adversely impact the development within the Improvement Area No. 1 and the Treasure Island Project as a whole. See “SPECIAL RISK FACTORS – COVID-19 Pandemic” below. Neither TI Series 1 nor the Merchant Builders can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will have a material adverse effect on the ability to develop the Treasure Island Project as planned and described herein, or the availability of Special Taxes from Improvement Area No. 1 in an amount sufficient to pay debt service on the 2021 Bonds.

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- Townhomes
- Flats
- Single Family Home Lots

Ownership of Property in Improvement Area No. 1

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

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

YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC, YBI Phase 3 Investors, LLC, and YBI Phase 4 Investors, LLC are, and any future limited liability company created by the YBI Phase Parent Company (herein, individually a “Merchant Builder” and collectively the “Merchant Builders”) will be, direct or indirect wholly-owned subsidiaries of entities affiliated with Stockbridge and Wilson Meany.

Acquisition Agreement

In connection with the formation of the District, TICD, the City, and TIDA entered into an Acquisition and Reimbursement Agreement (Treasure Island/Yerba Buena Island), dated as of March 8, 2016 (as it may be amended from time-to-time, the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the City will purchase from TICD certain capital improvements and finance certain development impact fees for the construction of capital improvements (referred to herein as the “Authorized Improvements”). However, the City’s obligation under the Acquisition Agreement will be funded solely from the sources identified in the Acquisition Agreement, which include (but are not limited to) the Special Taxes levied in Improvement Area No. 1 and the net proceeds of bonds issued for Improvement Area No. 1. The net proceeds of the 2021 Bonds, certain investment earnings thereon and the Special Tax are also expected to be sufficient to fund a portion, but not all, of the Authorized Improvements.

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

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

Sub-Block 2Y is owned by TIDA, but is subject to the Public Trust, and is expected to be developed as a 50,000 square foot hotel project through a long-term ground lease between a future developer and TIDA. In 2019, TICD hired CBRE to perform a market demand and economic feasibility analysis on Sub-Block 2Y. The report concluded the best use to be a 50-key boutique luxury hotel and spa featuring views of the San Francisco skyline and Bay. TICD does not currently anticipate the construction of a hotel on Sub-Block 2Y until after buildout on Sub-Blocks 1Y, 3Y and 4Y is complete (currently anticipated to be in 2025), and does not believe that its absence on Yerba Buena Island would detract from the marketability

or place-making required to attract new homeowners. Sub-Blocks 1Y, 3Y and 4Y, together, constitute approximately 13.22 acres.

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

Table 2
Summary of Ownership and Expected Development
Improvement Area No. 1
(as of April 1, 2021)

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

⁽¹⁾ YBI Phase 4 Investors, LLC purchased Sub-Block 1Y on October 21, 2020.

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

Source: TI Series 1.

Tract Map Status of Improvement Area No. 1

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

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

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

A summary of the tract map status for Improvement Area No. 1 is shown below as of April 1, 2021:

Sub-Block	Final Map (Tentative Map)	Date of Recordation (Anticipated Date of Recordation)	Status
1Y	(TSM 9856)	(2022)	Two large parcels that require a phased final map before building can begin.
2Y	(TSM 9856)	TBD	One parcel that requires a phased final map before building can begin.
3Y	Final Map 9856	July 10, 2020	Authorizes the construction of up to 12 residential condominium units.
4Y (Townhomes and Flats)	Final Map 9856	July 10, 2020	Authorizes the construction of up to 53 residential condominium units.
4Y (Podium)	Final Map 9856	July 10, 2020	Authorizes the construction of up to 124 residential condominium units.

As a condition to TIDA’s conveyance of the YBI property to TI Series 1, TI Series 1 posted performance and payment bonds in an amount equal to 125% of the estimated cost of the backbone infrastructure. Subsequently, TI Series 1 entered into the 9228 Public Improvement Agreement with the City in which it was required to post additional performance and payment bonds, such that the total amount secured would equal 125% of the estimated cost of the backbone infrastructure that was not complete at the time the map was recorded. To date, TI Series 1 has posted various bonds with the City pursuant to, among other things, the 9228 Public Improvement Agreement totaling approximately \$280 million. The \$280 million secures the construction of infrastructure on both YBI and on Treasure Island. The remaining costs for the YBI Required Infrastructure (as defined in the 9228 Public Improvement Agreement to mean streets, sewer, water, utilities, etc.) are fully secured by the outstanding bonds.

The 9228 Public Improvement Agreement requires various infrastructure improvements to be constructed by certain dates. The YBI Required Infrastructure must be completed by December 31, 2021, except the YBI Required Infrastructure for the Hilltop Park must be completed by April 19, 2022 (although TI Series 1 anticipates completion in July 2022), and the YBI Required Infrastructure associated with the Small Lot Final Map must be completed by July 2022.

Phase Development and Financing Plan

Cost Estimates of Public Improvements Required for Improvement Area No. 1. For Improvement Area No. 1 of the Treasure Island Project, the table below identifies those public improvements that are

required to be constructed by the TICD Developer and related remaining costs to fully develop the property in Improvement Area No. 1 as of April 1, 2021.

Table 3
Cost Estimates of Public Improvements Required
For Improvement Area No. 1
(as of April 1, 2021)

	<u>Estimated Direct</u> <u>Infrastructure Costs</u>	<u>Percent</u> <u>Complete</u>	<u>Remaining</u> <u>Costs</u>
Hard Costs			
Causeway	\$14,746,589	17%	\$12,284,153
Treasure Island Street Improvements	10,270,310	65%	3,594,609
Yerba Buena Island Street Improvements	100,202,483	65%	35,336,807
Interim Gas Line	1,927,603	63%	713,216
Sanitary Sewer Pump Station	4,787,600	81%	916,600
Interim Sanitary Sewer Force Main	7,356,090	97%	189,106
Total Hard Costs	\$139,290,675	62%	\$53,034,491
Soft Costs			
Landscape Architect	\$1,511,565	71%	\$445,527
Civil Engineer	4,886,320	80%	964,966
Geotechnical Engineer	4,133,414	74%	1,072,550
Environmental Engineer	1,532,494	77%	355,834
Permits & Fees & Bonds	6,601,660	45%	3,626,109
Other (Utilities Consultants, Legal, etc.)	602,042	47%	321,480
Construction Management	6,696,949	79%	1,409,891
Total Soft Costs	\$25,964,444	68%	\$8,196,357
Total Estimated Project Costs	\$165,255,119	63%	\$61,230,848

Source: TI Series 1.

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

Financing Plan. To date, TI Series 1 has financed its land acquisition and various site development costs related to the property in Improvement Area No. 1 through internally generated funds, EB-5 loan proceeds (see discussion herein), and lot sales revenues. TI Series 1 estimates that, as of April 1, 2021, the remaining costs to be incurred by TI Series 1 to complete its planned development of public improvements within Improvement Area No. 1 will be approximately \$61.2 million. TI Series 1 expects to use lot sales revenues, internal funding, and reimbursement from 2021 Bond proceeds to complete its development in Improvement Area No. 1 and believes that it will have sufficient funds available to complete such development in accordance with the development schedule described in this Official Statement.

On March 4, 2016, Treasure Island Series 1, LLC obtained an EB-5 Loan, known as "TI Series 1 Loan" in the total amount of \$155,000,000. The proceeds of this TI Series 1 Loan are available to pay for

the costs of horizontal development associated with Sub-Phases 1YA, 1YB, 1B, 1C and 1E, which encompass most of the western portion of Treasure Island and encompass all of the Treasure Island Project lands on Yerba Buena Island (including Improvement Area No. 1) other than the TIDA-retained historic buildings and garages. The TI Series 1 Loan is secured by a deed of trust on the TI Series 1 property owned by Treasure Island Series 1, LLC (the “TI Series 1 Deed of Trust”), including Sub-Block 1Y in Improvement Area No. 1. The TI Series 1 Deed of Trust will be partially released in conjunction with the sale of parcels to a developer or builder, as it was released in connection with the sales to the Merchant Builders. The maturity date of the TI Series 1 Loan was March 4, 2021, but has recently been extended by the lender to March 4, 2022. As of April 1, 2021, the TI Series 1 Loan had an outstanding balance of \$155,000,000 and was in good standing.

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

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

Table 4
Improvement Area No. 1 Sources & Uses
(as of April 1, 2021)

	Actual as of <u>4/1/21</u> ⁽¹⁾	Projected Through <u>12/31/21</u>	Projected After <u>12/31/21</u>	<u>Totals</u>
Sources				
Net Land Proceeds ⁽²⁾	\$133,850,000	-	-	\$133,850,000
EB-5 Loan Proceeds ⁽³⁾	57,350,000	-	-	57,350,000
Bond Proceeds ⁽⁴⁾	15,755,000	20,390,000	71,271,000	107,416,000
Equity	-	-	-	-
TOTAL SOURCES	\$206,955,000	\$20,390,000	\$71,271,000	\$298,616,000
Uses				
Direct Infrastructure Costs ⁽⁵⁾	\$104,024,273	\$61,230,848	-	\$165,255,121
EB-5 Fees and Repayment ⁽⁶⁾	8,973,535	1,487,114	65,170,065	75,630,714
Miscellaneous Costs ⁽⁷⁾	5,661,000	999,000	-	6,660,000
TOTAL USES	\$118,658,808	\$63,716,962	\$65,170,065	\$247,545,835
NET CASH FLOW ⁽⁸⁾	\$88,296,192	(\$43,326,962)	\$6,100,935	\$51,070,165

Source: TI Series 1.

⁽¹⁾ Includes only revenues and costs associated with the construction of infrastructure as of April 1, 2021; does not include every source or cost incurred by TI Series 1 through April 1, 2021.

⁽²⁾ Represents an allocation of revenues derived from the Treasure Island Project (of which Improvement Area No. 1 is a part) to the costs to be incurred in Improvement Area No. 1 to illustrate how those costs will be funded. Land proceeds are shown net of anticipated closing costs and land transfer taxes. Net Land Proceeds shown to April 1, 2021 are derived from the sale of Sub-Blocks 1Y, 3Y, 4Y (Townhomes and Flats), and 4Y (Podium) to Merchant Builders.

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

⁽⁴⁾ TI Series 1 estimates that it will receive approximately 65% of the total infrastructure costs associated with the development of Improvement Area No. 1 from a combination of community facilities district and infrastructure and revitalization district (the “IRFD”) bonds for the Treasure Island Project. Each improvement area of the CFD and the IRFD are authorized to finance authorized facilities regardless of their location in the Treasure Island Project. Of the estimated amount, TI Series 1 anticipates that approximately \$60 million will be derived from Parity Bonds secured by the Special Taxes in Improvement Area No. 1.

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

⁽⁶⁾ TI Series 1 requested and the EB-5 lender approved an extension of the initial due date of the EB-5 Loan from March 4, 2021 to March 4, 2022. TI Series 1 will also seek additional extensions from the lenders; the table assumes that these other extensions are granted.

⁽⁷⁾ Miscellaneous Costs include TI Series I overhead and operating expenses.

⁽⁸⁾ Cash created from the development of the project may be applied by TI Series 1 and TICD to fund any aspect of the overall Treasure Island Project. This Table 4 is intended to illustrate that TI Series 1 anticipated that there will be a sufficient cash flow to fund the proposed development in Improvement Area No. 1. Cash flow does not represent cash balance. Actual cash balance as of April 1, 2021 was \$32,122,356.

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

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

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

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

Utilities

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

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

Merchant Builder Development and Financing Plans

A more detailed description of each of the phases within Improvement Area No. 1 is set forth below. *The Merchant Builders provide no assurance that construction and sales will be carried out on the schedule and according to the plans summarized below, or that construction and sale plans set forth below will not change after the date of this Official Statement. Additionally, unit sales may not result in closed escrows as sales contracts are subject to cancellation.*

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

**Table 5
The Bristol
Sub-Block 4Y (Podium)
(Market Rate Units Only)
(as of [_____] 1, 2021)**

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

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

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

Source: Merchant Builder.

The site permit was issued in June 2019, and the first addendum that allows for the vertical construction of 124 residential units was issued in November 2019. Addenda for site utilities and the building’s superstructure have also been issued. YBI Phase 1 Investors, LLC anticipates certificates of occupancy for all 124 Bristol units will be received by [fall 2021], and that the first sale will close in the [fourth quarter of 2021]. As of [_____] 1, 2021, YBI Phase 1 Investors, LLC has incurred approximately \$[60.5] million on site acquisition, pre-development, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional \$[105] million will be required to be expended on such costs to complete the Bristol. The foregoing costs are exclusive of internal financing repayment.

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

[_____] 1, 2021, the Bristol Loan was outstanding in the amount of \$20 million and was in good standing.]

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

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

The Residences. Development planned for Sub-Blocks 1Y, 3Y, and 4Y (Townhomes and Flats) is known as the “Residences.” Sub-Blocks 3Y and 4Y (Townhomes and Flats) are currently owned by YBI Phase 2 Investors, LLC and YBI Phase 3 Investors, LLC, respectively. On October 21, 2020, YBI Phase 4 Investors, LLC acquired Sub-Block 1Y from TI Series 1. Ultimately, the Residences are expected to include 5 single family detached homes, 55 condominium flat units, and 82 attached townhomes. There are no below-market units in the Residences. Grading on the Residences located on Sub-Block 4Y (Townhomes and Flats) commenced in the summer of 2020, but vertical construction on the Residences has not yet commenced but is expected to begin in the second quarter of 2021. Sales are expected to begin in 2021, with final buildout in Sub-Blocks 1Y, 3Y, and 4Y in 2025. The Merchant Builders anticipate constructing the Residences on a phased basis. Individual buildings are expected to be constructed over approximately fourteen months to sixteen months.

The following table provides additional information regarding the proposed development of the 142 units of the Residences as of April 1, 2021.

Table 6
The Residences
Sub-Blocks 1Y, 3Y, and 4Y (Townhomes and Flats)
(as of April 1, 2021)

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

Source: YBI Phase Parent Company.

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

Individual building permit applications have been submitted for a portion of 3Y and 4Y, and the permits for the initial construction are anticipated to be issued in the first half of 2021. Initial building permits for 1Y are not expected to be issued until 2022 or later. As of [_____] 1, 2021, none of YBI Phase 2 Investors, LLC, YBI Phase 3 Investors, LLC, nor YBI Phase 3 Investors, LLC has received any building permits for the construction of the Residences.

As of [_____] 1, 2021, YBI Phase 2 Investors, LLC, YBI Phase 3 Investors, LLC, and YBI Phase 4 Investors, LLC have incurred approximately \$____ million on site acquisition, pre-development costs, vertical construction, on-site infrastructure, and fees, and anticipate that an additional \$____ million will be required to be expended on such costs to complete the Residences. The foregoing costs are exclusive of internal financing repayment. Construction financing has not yet been obtained. The Merchant Builders anticipate that the first closings on such units will occur in the summer of 2022.

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

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

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

Expected Land Use and Expected Maximum Special Tax Revenues

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

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

Expected Land Uses and Expected Maximum Special Tax Revenues⁽¹⁾

<u>Project Name and Expected Land Uses</u>	<u>Planned Development</u>	<u>Sub-Block</u>	<u>Expected Number of Residential Units</u>	<u>Expected Square Footage</u>	<u>FY 2021-22 Base Facilities Special Tax Rate⁽⁴⁾</u>	<u>FY 2021-22 Expected Maximum Special Tax Revenues⁽⁴⁾</u>
The Bristol						
Low-Rise Market Rate Units	Podium Unit	4Y	110	132,302	\$6.77	\$895,422
Low-Rise Inclusionary Units	Podium Unit	4Y	14	16,005	0.00	0
The Residences						
Yerba Buena Townhome Units	Townhome/Flats	4Y	39	102,000	\$6.43	\$655,427
Low-Rise Units	Stacked Flats	4Y	14	38,548	6.77	260,893
<i>Subtotal - Sub-Block 4Y</i>			177	288,855		\$1,811,742
Yerba Buena Townhome Units	Three Story Townhomes	1Y	32	102,203	\$6.43	\$656,731
Yerba Buena Townhome Units	Single Family Homes ⁽²⁾	1Y	5	TBD	6.43	0
Low-Rise Units	Stacked Flats	1Y	41	108,786	6.77	736,265
<i>Subtotal - Sub-Block 1Y</i>			78	210,989		\$1,392,996
Yerba Buena Townhome Units	Three Story Townhomes	3Y	11	40,040	\$6.43	\$257,287
<i>Subtotal - Sub-Block 3Y</i>			11	40,040		\$257,287
Hotel						
Hotel Project ⁽³⁾	Hotel	2Y	N/A	50,000	\$0.00	\$0
<i>Subtotal - Sub-Block 2Y</i>			<u>N/A</u>	<u>50,000</u>		<u>\$0</u>
TOTAL			266	589,884		\$3,462,025

Sources: Goodwin Consulting Group, Inc.

⁽¹⁾ Based on the expected land uses at buildout as of February 23, 2021 per the TICD Developer.

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

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

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

Property Values

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

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

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

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

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

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

The Appraisal Report of all Taxable Parcels within Improvement Area No. 1 dated April 14, 2021, was prepared by the Appraiser in connection with the issuance of the 2021 Bonds. The purpose of the Appraisal Report was to estimate the market value, by ownership, and aggregate, or cumulative, value of the fee simple interest in all Taxable Parcels in Improvement Area No. 1 as of March 1, 2021, which is the effective date of the Appraisal Report. The inspection of the Taxable Parcels in Improvement Area No. 1 occurred on February 27, 2021. The values are subject to a hypothetical condition that the proceeds of the 2021 Bonds are available to reimburse for certain of the public improvements in Improvement Area No. 1 that have been completed to date.

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

The Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 109 thereof. See Appendix G.

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

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

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

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

According to the development budget provided by TICD to the Appraiser, total infrastructure costs associated with development of Improvement Area No. 1 are \$[130,172,342]. Further, according to TICD, the total infrastructure costs directly attributable to Yerba Buena Island are \$[_____], the difference representing such infrastructure costs proportionately obligated by future development of Treasure Island. It is noted, however, the Yerba Buena Island costs (\$[_____]) are attributable to Sub-Blocks 1Y, 2Y, 3Y and 4Y of Improvement Area No. 1; whereas, Sub-Block 2Y, as previously noted, is not a part of the Appraisal. As such, only the proportionate share (as set forth in the Appraisal Report) of infrastructure costs for Yerba Buena Island attributable to the appraised Sub-Blocks 1Y, 3Y and 4Y was considered in the valuation analysis in the Appraisal Report. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership. For purposes of that analysis, the remaining infrastructure development costs associated with the Sub-Blocks 1Y, 3Y and 4Y are estimated to be \$[_____] (excluding Sub-Block 2Y's obligation, which is not a part of the appraisal), and is considered by the Appraiser in the discounted cash flow analyses by ownership on a pro rata share as shown in the Appraisal Report. Of the approximate \$[_____] million of remaining infrastructure costs needed for occupancy within Sub-Block 4Y, \$[_____] of such costs are allocated to future development of Treasure Island or to Sub-Block 2Y in the discounted cash flow analyses.

Value Estimate. Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of March 1, 2021, the aggregate, or cumulative, value of the market values, by ownership, of the fee simple interest in the Taxable Parcels within Improvement Area No. 1 is \$175,430,000. The Appraisal Report is set forth in full in Appendix G.

The value of property within Improvement Area No. 1 is an important factor in determining the investment quality of the 2021 Bonds. If a property owner defaults in the payment of the Special Tax, the District's primary remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The Special Tax is not a personal obligation of the owners of the property. A variety of economic, political and natural occurrences incapable of being accurately predicted can affect property values. See "SPECIAL RISK FACTORS" herein.

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

The following table sets forth the projected Special Tax Levy, maximum Special Tax Revenue and a summary of value-to-lien ratios. Pursuant to the Act and the Rate and Method, the principal amount of the 2021 Bonds is not allocable among the parcels in Improvement Area No. 1 based on the value of the parcels. A downturn of the economy or other market factors may depress assessed values and hence the value-to-lien ratios. See "SPECIAL RISK FACTORS – Value to Lien Ratios" herein.

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

Fiscal Year 2020-21 Special Tax Levy, Maximum Special Tax Revenue and Summary of Value-to-Lien Ratios
(Development Status as of April 1, 2021)

<u>Development Status</u> ⁽¹⁾	<u>Taxable Parcels</u>	<u>Expected Residential Units</u> ⁽²⁾	<u>Square Footage</u> ⁽²⁾	<u>Appraised Value</u>	<u>Special Tax Levy</u>			<u>Maximum Special Tax Revenues</u>		
					<u>FY 2021-22 Special Tax Levy</u> ⁽¹⁾	<u>Allocated Bond Debt</u> ⁽³⁾	<u>Average Value-to-Lien</u> ⁽³⁾	<u>FY 2021-22 Maximum Special Tax Revenue</u>	<u>Allocated Bond Debt</u> ⁽⁴⁾	<u>Average Value-to-Lien</u> ⁽⁴⁾
<u>Mixed Property</u> ⁽⁵⁾										
Sub-Block 4Y										
Developed Property ⁽⁶⁾	--	110	132,302	--	\$ 895,422	\$19,828,848	--	\$ 895,422	\$15,124,037	--
Vertical DDA Property ⁽⁷⁾	--	53	140,548	--	623,053	13,797,318	--	916,320	15,477,013	--
Total	1	163	272,850	\$96,390,000	\$1,518,475	\$33,626,166	2.87	\$1,811,742	\$30,601,051	3.15
<u>Undeveloped Property</u>										
Sub-Block 1Y	1	73	210,989	\$70,760,000	\$ 947,170	\$20,974,782	3.37	\$1,392,996	\$23,528,268	3.01
Sub-Block 3Y	1	11	40,040	8,280,000	174,943	3,874,052	2.14	257,287	4,345,682	1.91
Total	2	84	251,029	\$79,040,000	\$1,122,112	\$24,848,834	3.18	\$1,650,283	\$27,873,949	2.84
TOTAL	3	247	523,879	\$175,430,000	\$2,640,587	\$58,475,000	3.00	\$3,462,025	\$58,475,000	3.00
<u>Future Development - Not Currently Subject to the Special Tax</u>										
Sub-Block 1Y ⁽⁸⁾	--	5	TBD	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Sub-Block 2Y ⁽⁹⁾	1	N/A	50,000	N/A	0	0	N/A	\$0	\$0	N/A
Total	1	5	50,000	N/A	\$0	\$0	N/A	\$0	\$0	N/A
Total Including Future Development		252	573,879					\$3,462,025		

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

Footnotes continued from previous page.

- (1) Based on building permits issued prior to April 1, 2021.
- (2) Does not include the 14 inclusionary units in the 124 unit podium building under construction, known as the Bristol. Pursuant to the Rate and Method, inclusionary units are not subject to the special tax.
- (3) Allocated based on the fiscal year 2021-22 Special Tax Levy.
- (4) Allocated based on the fiscal year 2021-22 Maximum Special Tax Revenue.
- (5) Pursuant to Section B of the Rate and Method, if a building permit has been issued for development of a structure, and additional structures are anticipated to be built within the Sub-Block as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth in the Rate and Method, categorize the building(s) for which the building permit was issued as Developed Property and any remaining buildings for which building permits have not yet been issued as Vertical DDA Property for purposes of levying the Special Tax.
- (6) Includes all of the market rate units in the 124 unit podium building currently under construction, known as the Bristol.
- (7) Planned for 37 townhomes, 2 flats, and 14 stacked flats as part of the larger project known as the Residences.
- (8) Includes the five planned single family detached homes which are expected during the last phases of construction of Improvement Area No. 1; no special tax capacity is included since planned square footage isn't known at this time. Appraised value of the five planned single-family lots is included in the value for Sub-Block 1Y above.
- (9) Sub-Block 2Y is a Public Trust property owned by TIDA, and is exempt from Special Taxes until it is subject to an LDDA (as defined in the Rate and Method) with a term of twenty years or it is developed within a Hotel Project (as defined in the Rate and Method). Therefore, Sub-Block 2Y is not Expected Taxable Property and no Expected Maximum Special Tax Revenues can be expected from the parcel unless and until TIDA enters an LDDA with a vertical developer or Sub-Block 2Y is developed with a Hotel Project.

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Estimated Effective Tax Rate

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

Table 10
Improvement Area No. 1 of the
City and County of San Francisco
Community Facilities District No. 2016-1
(Treasure Island)
Fiscal Year 2020-21 Illustrative Tax Bill

<u>Assumptions</u>		Low Rise Unit (Bristol)	YBI Townhome (Residences)
Estimated Base Value ⁽¹⁾		\$1,700,000	\$4,250,000
Homeowner's Exemption		(\$7,000)	(\$7,000)
Net Expected Assessed Value		\$1,693,000	\$4,243,000
<u>Ad Valorem tax Rate</u>⁽²⁾			
Base Tax Rate	1.0000%	\$16,930	\$42,430
General City Bond Debt Fund	0.1197%	2,027	5,080
S.F. Community College District Bond Fund	0.0197%	334	837
S.F. Unified School Dist. Bond Fund	0.0451%	764	1,914
San Francisco Bay Area Rapid Transit District	0.0139%	235	590
Total Ad Valorem Taxes	1.1985%	\$20,290	\$50,851
<u>Direct Charges</u>			
SF Bay RS Parcel Tax		\$ 12	\$ 12
SFCCD Parcel Tax		99	99
IA Treasure Island CFD No. 2016-1 ⁽³⁾		7,796	18,080
Total Direct Charges		\$ 7,907	\$18,191
Total Taxes and Direct Charges		\$28,197	\$69,042
Percentage of Estimated Base Value		1.66%	1.62%

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

⁽¹⁾ Based on the appraisal report.

⁽²⁾ Based on the fiscal year 2020-21 ad valorem tax rates. Ad valorem tax rates are subject to change in future years.

⁽³⁾ Reflects the fiscal year 2020-21 maximum special tax.

Delinquency History

Under the provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2021 Bonds are derived, will be billed to Property Owners on their regular property tax bills. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot generally be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See the caption "SPECIAL RISK FACTORS – Tax Delinquencies."

Special Taxes were levied for the first time in Fiscal Year 2019-20. There were no delinquencies with respect to the payment of the first installment of Special Taxes. Because the County’s Teeter Plan is not available for the Special Taxes, collections of the Special Taxes will reflect actual deficiencies. Neither the City, the Underwriter nor the District can predict the willingness or ability of the Property Owners to pay the Special Taxes.

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

Direct and Overlapping Debt

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

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

[To come.]

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 2021 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 1 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the 2021 Bonds, or could otherwise affect the market price and liquidity of the 2021 Bonds in the secondary market. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in Improvement Area No. 1 or the City’s ability to recover delinquent Special Taxes in foreclosure proceedings.

Risks of Real Estate Secured Investments Generally

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local real estate market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies and (iii) natural disasters (including, without limitation, earthquakes, subsidence, floods and fires), which could result in uninsured losses, or natural disasters elsewhere in the state, country or other parts of the world affecting supply of building materials that may cause delays in construction. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness

of property owners in Improvement Area No. 1 to pay their Special Taxes when due. See “THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy” herein.

COVID-19 Pandemic

On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of a new disease (“COVID-19”) caused by a strain of novel coronavirus, an upper respiratory tract illness which has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The 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.

As of April 12, 2021, there were over 35,600 reported cases of COVID-19 in the City, and health officials expect the number of cases to continue to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. On June 8, 2020 the National Bureau of Economic Research announced that the U.S. officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile at times since the onset of the pandemic.

From time to time, all counties in the Bay Area (including the City) have implemented and revised shelter-in-place (“Shelter-in-Place”) emergency orders, which directed individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place order. The Governor of the State announced similar Shelter-in-Place emergency orders effective for the entire State. The State and various counties, including the City have allowed limited reopening based on local performance against public health indicators.

On August 28, 2020, the State adopted a color coded, four-tiered framework to guide reopening statewide. Counties can be more restrictive than this State framework. As discussed below, San Francisco is currently designated to the orange tier (the third most restrictive tier).

In addition to the four-tier classification system, on December 3, 2020 the State announced a Regional Stay at Home Order, under which a county must enforce even stricter rules if hospital intensive care unit capacity drops below 15%. The City was, for a time, subject to those stricter rules. As of December 16, 2020 the Bay Area’s ICU capacity had fallen below 15% and triggered the State of California’s Regional Stay Home order. On December 17, 2020 the City announced a public health order placing a mandatory quarantine of 10 days on anyone traveling, moving, or returning to San Francisco from outside the Bay Area. Limited exceptions applied to people traveling for certain critical activities. The order also strongly discouraged any non-essential travel within the Bay Area region. On January 25, 2021, the City announced plans to reopen certain businesses and activities in response to the State lifting the Bay Area Regional Stay at Home Order. On February 23, 2021, as a result of the City’s progress in managing COVID-19, the City lifted the 10-day quarantine order but still urged against non-essential travel outside of the Bay Area. On March 3, 2021, the City announced the reopening of most business and activities permitted by the State, following the City’s assignment to the State’s red tier based on COVID-19 cases and hospitalization rates at that time. Effective April 15, 2021, with reassignment to the orange tier, the City reopened and expanded additional activities, including indoor live-audience events and performances and private events such as conferences and receptions. In alignment with the State’s guidelines, the City also expanded the number of individuals allowed to participate in indoor and outdoor social gatherings and loosened some restrictions on other activities, including dining, outdoor bars, retail, and recreation. Future updates to the Order are

uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.

Beginning December 15, 2020, the City began administering the first vaccines to frontline healthcare workers. On February 24, 2021, the City moved to Phase 1B, Tier 1 of the State's population prioritization plan and began vaccinating people who work in education and childcare, emergency services, and the food and agriculture sectors, while continuing to vaccinate healthcare workers and people age 65 and older. Between January 22, 2021 and February 16, 2021, the City launched three high-volume vaccination sites at Moscone Center, City College of San Francisco, and SF Market in the Bayview to serve anyone who meets the eligibility requirements regardless of health coverage, by appointment only. The high-volume sites are part of San Francisco's network of vaccination sites to facilitate the quick and efficient delivery of COVID-19 vaccines. As of April 13, 2021, more than 50% of San Francisco's population has received the first dose of vaccine. On April 15, 2021, under the State's population prioritization plan, vaccines became accessible to all persons age 16 and older without previous restrictions based on age, health condition or occupation.

The impact of COVID-19 and public health orders is likely to evolve over time, which could adversely impact the development within the District and the Mission Rock Project as a whole, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction; (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 Development Special Taxes and (ix) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus sufficient to counteract the economic impact of the pandemic.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Also uncertain are the additional 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 is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City, the District, TI Series 1 or the Merchant Builders.

The 2021 Bonds are limited obligations of the City, secured by and payable solely from Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 on the City's finances is for informational purposes only. The City has no obligation to pay debt service on the 2021 Bonds from any sources other Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the City, the Underwriter, TI Series 1 nor the Merchant Builders can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will not have material adverse effect on the ability to develop the Treasure Island Project, including Improvement Area No. 1, as planned and described herein, or the availability of Special Taxes from Improvement Area No. 1 in an amount sufficient to pay debt service on the 2021 Bonds. See "SECURITY FOR THE BONDS – Limited Obligation" and "THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy" herein.

Parity Taxes and Special Assessments

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

Value to Lien Ratios

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

Billing of Special Taxes

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

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

Foreclosure,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Collection of Special Taxes

The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the 2021 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. If such foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2021 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale would be sold or, if sold, that the proceeds of such sale would be sufficient to pay any delinquent Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the City with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Maximum Special Tax Rates

Within the limits of the Rate and Method, the City may adjust the Special Taxes levied on all property within Improvement Area No. 1 to provide the amount required each year to pay annual debt service on the 2021 Bonds, the 2020 Bonds and to replenish the 2020 Reserve Fund to an amount equal to the 2020 Reserve Requirement, but not more than a 10% increase on property used for private residential purposes above the amount that would have been levied in that Fiscal Year had there never been any delinquencies or defaults. However, the amount of Special Taxes that may be levied against particular categories of property is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for property in Improvement Area No. 1 would be sufficient to meet debt service obligations on the Bonds or the 2020 Bonds. The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the Bonds. See “SECURITY FOR THE BONDS –Special Tax Fund” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

Insufficiency of Special Taxes

Under the Rate and Method, the annual amount of Special Tax to be levied on each Taxable Parcel in Improvement Area No. 1 will be based primarily on the land use category and square footage. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes.” The Act provides that, if any property within Improvement Area No. 1 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. *Moreover, if a substantial portion of land within Improvement Area No. 1 became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2021 Bonds when due and a default could occur with respect to the payment*

of such principal and interest. The 2021 Bonds are payable only from the levy of Special Taxes, and no funds of the City or its taxing power is pledged to the repayment of the 2021 Bonds.

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2021 Bonds are derived, will be billed to the properties within Improvement Area No. 1 on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable consistent with, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

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

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

Exempt Properties

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

Concentration of Property Ownership

Failure of any significant owner of taxable property in Improvement Area No. 1 to pay the annual Special Taxes when due could result in the rapid, total depletion of the 2020 Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2021 Bonds. Development of property in Improvement Area No. 1 may not occur as currently proposed or at all. Improvement Area No. 1 has a significant concentration of ownership. As of _____, 2021, of the 4 Sub-Blocks in Improvement Area No. 1 that are subject to the Special Tax, one is owned by TI Series 1, and three are owned by the Merchant Builders. See “IMPROVEMENT AREA NO. 1” for information regarding property ownership and the status of development in Improvement Area No. 1.

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

Failure to Develop Properties

As of [_____], 2021, [124] of the [266] residential units are under construction. Unimproved or partially improved land is inherently less valuable than land with improvements on it, especially if there are restrictions on development, and provides less security to the Owners should it be necessary for the City to foreclose on the property due to the nonpayment of Special Taxes. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Taxes when due.

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

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

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

Disclosure to Future Property Owners

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

Potential Early Redemption of Bonds from Special Tax Prepayments

In the event that property within Improvement Area No. 1 is purchased by a public entity, the Fiscal Agent Agreement permits such public entity to prepay the Special Taxes relating to such purchased property. Such payments will result in a mandatory redemption of 2021 Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of such Special Tax Prepayment. The resulting redemption of 2021 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2021 Bonds. See “THE 2021 BONDS – Redemption –Redemption from Special Tax Prepayments” herein.

Future Indebtedness

The cost of any additional improvements may well increase the public and private debt for which the land in Improvement Area No. 1 provides security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the land in Improvement Area No. 1. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Special Taxes. The City is authorized to issue on behalf of the District for the benefit of Improvement Area No. 1 bonded indebtedness, including the 2021 Bonds, in an aggregate amount not to exceed \$250 million. See “IMPROVEMENT AREA NO. 1 – Financing for Improvement Area No. 1.”

Seismic Risks

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

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

Earthquake Safety Implementation Plan (“ESIP”). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (“CAPSS”), a 10-year-long study

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

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

Risk of Sea Level Changes and Flooding

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

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

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

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

Utilities Commission and other public agencies in moving several initiatives forward. This includes a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the city and in various neighborhoods that was released in February 2020.

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

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

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City’s control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the 2021 Bonds. While the effects of climate change may be mitigated by the City’s past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

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

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

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

Other Natural Disasters and Other Events

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

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting in numerous deaths and over \$16 billion in property damage) and 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 2019 the City experienced several black out days as a result of PG&E’s wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

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

As a result of the occurrence of events like those described in the preceding paragraphs, a substantial portion of the property owners in Improvement Area No. 1 may be unable or unwilling to pay the Special Taxes when due, and the 2020 Reserve Fund for 2021 Bonds, the 2020 Bonds or any other 2020 Related Parity Bonds may become depleted. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Hazardous Substances

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

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

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

Bankruptcy and Foreclosure

The payment of property owners’ taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2021 Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of a property owner (or a property owner's partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2021 Bonds and the possibility of delinquent tax installments not being paid in full.

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

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

Property Controlled by FDIC and Other Federal Agencies

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

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021 Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice amid the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is

secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

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

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2021 Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the 2020 Reserve Fund and perhaps, ultimately, a default in payment of 2021 Bonds, the 2020 Bonds or any other 2020 Related Parity Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021 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 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 Special Taxes by the City under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The City has completed its proceedings for the levy of Special Taxes in accordance with the

provisions of Section 4 of Article XIII A. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2021 Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2021 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2021 Bonds.

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

Validity of Landowner Elections

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

At the election to authorize such special tax, the San Diego Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located, thus, the election was an election limited to landowners and lessees of properties on which the special tax would be levied, and was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the

Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. In addition, Section 53326(b) of the Act provides that if there are fewer than 12 registered voters in the district, the landowners shall vote.

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

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

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

Treasure Island Related Complaint

[Section to be updated before posting.]

[On January 23, 2020, a complaint (“Complaint”) was filed by certain former and current residents of Treasure Island (i.e., a purported class of individuals who have been living, working, attending school or had substantial contact with Treasure Island from 2006 to the present) (collectively, the “Plaintiffs”) in the Superior Court of the State of California, County of San Francisco (Case No. 20-cv-01328-JD), against TIDA (“Defendant 1”), Treasure Island Homeless Development Initiative (“Defendant 2”), Shaw Environmental (“Defendant 3”), U.S. Navy Treasure Island Clean Up Director Jim Sullivan, in his individual capacity (“Defendant 4”), U.S. Navy Treasure Island Clean Up Lead Project Manager David Clark, in his individual capacity (“Defendant 5”), U.S. Navy Representative Keith Forman, in his individual capacity (“Defendant 6”), Tetra Tech EC, Inc. (“Defendant 7”), Dan L. Batrack, in his individual and official capacity (“Defendant 8”), State Department of Toxic Substances Control (“Defendant 9”), San

Francisco Department of Public Health (“Defendant 10”), Lennar Inc. (“Defendant 11”), Five Point Holdings, LLC (“Defendant 12”), John Stewart Company (“Defendant 13”) and Does 1-100 inclusive (“Defendant 14” and, together with Defendants 1 through 13, the “Defendants”). On February 21, 2020, the U.S. Navy Defendants (Defendants, 4, 5, and 6) removed the case to the United States District Court for the Northern District of California.

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

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

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

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

The parcels at issue in the Complaint are located on Treasure Island. However, apparently none of the parcels at issue in the Complaint are located in Improvement Area No. 1. Certain utility infrastructure that will service parcels located in Improvement Area No. 1 is being constructed on Treasure Island. If injunctive relief is granted and development on Treasure Island is delayed or prohibited, the delivery of utility services to the parcels located in Improvement Area No. 1 may be delayed until alternative utility infrastructure is put into place or the injunction is lifted. Further, if development on Treasure Island is enjoined, the delivery of certain elements of the overall Treasure Island Project may be delayed. If the development of the property is not completed, or is not completed in a timely manner, there could be an

adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2021 Bonds.

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

Ballot Initiatives and Legislative Measures

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

No Acceleration

The 2021 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 2021 Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2021 Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within Improvement Area No. 1. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

Limitations on Remedies

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2021 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2021 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 2021 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the City on behalf of the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure.”

Limited Secondary Market

As stated herein, investment in the 2021 Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand and appreciate the risk of such investments should consider an investment in the 2021 Bonds. The 2021 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 2021 Bonds or, if a secondary market exists, that the 2021 Bonds can or could be sold for any particular price.

CONTINUING DISCLOSURE

City

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2021 Bonds (the “City Disclosure Certificate”), the City has covenanted for the benefit of owners of the 2021 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, on behalf of the District, in order to assist the Underwriters 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.

TI Series 1

TI Series 1 is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the Bonds (the “TI Series 1 Disclosure Certificate”), TI Series 1 has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) certain information concerning TI Series 1, the infrastructure development of the property in Improvement Area No. 1, and the parcels that it owns within Improvement Area No. 1 (the “TI Series 1 Semiannual Report”); and (b) notice of certain enumerated events. Each TI Series 1 Semiannual Report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2022.

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

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

This is the second continuing disclosure undertaking for TI Series 1, the first being the undertaking for the 2020 Bonds.

Merchant Builders

YBI Phase Parent Company, as the parent company for each of the Merchant Builders and the parent company of any future owner of Sub-Block 1Y, is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the Bonds (the “Merchant Builder Disclosure Certificate”), YBI Phase Parent Company has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) certain information concerning the Merchant Builders and the parcels that they own within Improvement Area No. 1 (the “Merchant Builder Semiannual Report”); and (b) notice of certain enumerated events. Each Merchant Builder Semiannual Report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2022.

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

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

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

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2021 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 2021 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 2021 Bonds.

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

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

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

UNDERWRITING

Stifel, Nicolaus & Co. Incorporated and RBC Capital Markets, LLC (together, the “Underwriters”) purchased the 2021 Bonds at a purchase price of \$_____, representing the principal amount of the 2021 Bonds less an Underwriters’ discount of \$_____ and plus original issue premium of \$_____. The Underwriters intend to offer the 2021 Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2021 Bonds to the public. The Underwriters may offer and sell the 2021 Bonds to certain dealers (including dealers depositing 2021 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 2021 Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2021 Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2021 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 2021 Bonds.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, and Norton Rose Fulbright US LLP, as Disclosure Counsel, is contingent on the issuance of the 2021 Bonds.

Norton Rose Fulbright (US) LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2021 Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriters to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein, no facts have come to the attention of the personnel with Norton Rose Fulbright (US) LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2021 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addressee of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel. [specific exclusions to come]

NO LITIGATION REGARDING THE SPECIAL TAXES OR 2021 BONDS

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2021 Bonds will be furnished to the Underwriters at the time of the original delivery of the 2021 Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Special Taxes or to issue the 2021 Bonds.

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

NO RATING

The City has not made, and does not intend to make, any application to any rating agency for the assignment of a rating on the 2021 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 2021 Bonds. The lack of a bond rating could impact the market price or liquidity for the 2021 Bonds in the secondary market. See “SPECIAL RISK FACTORS - Limited Secondary Market.”

MUNICIPAL ADVISORS

The City has retained CSG Advisors Incorporated and Public Financial Management, Inc., as Municipal Advisors in connection with the issuance of the 2021 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 2021 Bonds. The Municipal Advisors are not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisors are each an independent financial advisory firm and are not engaged in the business of underwriting, trading or distributing the 2021 Bonds.

Compensation paid to the Municipal Advisors is contingent upon the successful issuance of the 2021 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 2021 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

APPENDIX A

DEMOGRAPHIC INFORMATION REGARDING 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 2021 Bonds, and the City has not undertaken in its Continuing Disclosure Certificate to update this information. The 2021 Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021 Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2021 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2021 Bonds.

APPENDIX B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Delivery Date]

Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

OPINION: \$_____ Improvement Area No. 1 of the City and County of San Francisco
Community Facilities District No. 2016-1 (Treasure Island)
Special Tax Bonds, Series 2021

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City of the special tax bonds captioned above, dated as of the date first written above (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, opinions, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “Act”), Resolution No. 12-17 adopted by the Board of Supervisors on January 24, 2017 and signed by the Mayor on February 3, 2017, as supplemented, including by Resolution No. ___ adopted by the Board of Supervisors on _____, 2021 and signed by the Mayor on _____, 2021 (together, the “Resolution”), and a Fiscal Agent Agreement dated as of October 1, 2020, (the “Master Fiscal Agent Agreement”), between the City and Zions Bancorporation, National Association, as Fiscal Agent (the “Fiscal Agent”), as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of July 1, 2021 (as supplemented, the “Fiscal Agent Agreement”).

Under the Fiscal Agent Agreement, the City has pledged certain revenues (“Special Tax Revenues”) for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds issued or to be issued in accordance with the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. 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,

APPENDIX E-1

FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) in connection with the issuance of the above captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 12-17 adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on January 24, 2017, and approved by Mayor Edwin Lee on February 3, 2017, as supplemented by Resolution No. 411-20 adopted by the Board of Supervisors of the City on September 22, 2020 and approved by Mayor London N. Breed on September 25, 2020, and Resolution No. ____, which was adopted by the Board of Supervisors on _____, 2021 and approved by the Mayor on _____, 2021 (together, “Resolution”) and Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of [_____] 1, 2021, by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which date shall be June 30 of each year), commencing with the report for the 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; provided the Annual Report for the 2020-21 Fiscal Year shall consist solely of the financial statements of the City and the Official Statement dated [_____], 2021 related to the Bonds (which need not be reposted to EMMA). If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB as required by Section 5(c).

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

The City’s annual financial statement is provided solely to comply with the Securities Exchange Commission staff’s interpretation of rule 15c2-12. The bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

(b) the principal amount and total debt service of the outstanding Bonds, as of each June 30 preceding the date of the Annual Report.

(c) the balance in the Improvement Fund as of June 30 preceding the date of the Annual Report (until such fund has been closed).

(d) the balance in the 2020 Reserve Fund and any reserve for any 2020 Related Parity Bonds and the then-current reserve requirement amount for the Bonds and any 2020 Related Parity Bonds as of June 30 preceding the date of the Annual Report.

(e) a completed table for the then current fiscal year (based on development status or mixed development status), as follows:

<u>Development Status</u>	<u>Taxable Parcels</u>	<u>Expected Residential Units</u>	<u>Square Footage</u>	<u>Assessed Value</u>	<u>Current FY Maximum Special Tax Revenue</u>	<u>Current FY Special Tax Levy</u>	<u>Allocated Bond Debt</u>	<u>Average VTL</u>
Developed Property ⁽¹⁾								
Vertical DDA Property ⁽¹⁾								
Undeveloped Property ⁽¹⁾								

⁽¹⁾ As applicable.

(f) for any delinquent parcels in Improvement Area No. 1:

- number of parcels delinquent in payment of the Special Tax,
- amount of total delinquency and delinquency as a percentage of total Special Tax, and

- status of the City's actions to pursue foreclosure proceedings upon delinquent properties pursuant to the Fiscal Agent Agreement,

in each case, for the most recently concluded Fiscal Year.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available (with ownership information based on the most recent information available, which is not necessarily the most up to date information as of the date of the report).

(h) any changes to the Rate and Method since the filing of the prior Annual Report.

(i) to the extent not otherwise provided pursuant to the preceding items (a)-(h), annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the City; or
10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding

under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 11-18 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bond holders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee; or
18. Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights or similar terms of Financial Obligation of the City, any of which affect security holders.

(c) The City shall give, or cause to be given, in a timely manner, notice (substantially in the form of Exhibit A) of a failure to provide the annual financial information on or before the date specified in Section 3.

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all

of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this

Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [_____], 2021

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: _____
Name: _____
Title: _____

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

**FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021

Date of Issuance: [____], 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 [____], 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: _____

stop

APPENDIX E-2

FORM OF TI SERIES 1 CONTINUING DISCLOSURE CERTIFICATE

§ _____
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021

TI SERIES 1 CONTINUING DISCLOSURE CERTIFICATE

This TI Series 1 Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of [____], 2021, is executed and delivered by Treasure Island Series 1, LLC, a Delaware limited liability company (the “**Developer**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) with respect to Improvement Area No. 1 of the District (“**Improvement Area No. 1**”), of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of October 1, 2020 as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of [____] 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 special taxes levied on property in Improvement Area No. 1, and the Developer is the master developer of property in Improvement Area No. 1.

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the owners and the beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“**Affiliate**” of the Developer means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Developer; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Developer; and (c) any Person directly or indirectly controlling, controlled by, or under common control with the Developer, and, in each such case, about whom information, including financial

information or operating data, concerning such Person could be material to potential investors in their investment decision regarding the Bonds (i.e. information regarding such Person's assets or funds that would materially affect the Developer's ability to complete the development of the Property as described in the Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Developer) prior to delinquency). For purposes hereof, the term "control" (including the terms "**controlling**," "**controlled by**" or "**under common control with**") means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Notwithstanding the foregoing, for purposes of this Disclosure Certificate, neither Stockbridge/Wilson Meany YBI Investors, LLC nor any entity created by Stockbridge/Wilson Meany YBI Investors, LLC (including, but not limited to, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC and YBI Phase 3 Investors, LLC) shall be considered Affiliates of the Developer.

"**Beneficial Owner**" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"**Bondowners**" shall mean the owner of any of the Bonds.

"**Dissemination Agent**" shall mean the Developer or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

"**District**" shall mean the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

"**EMMA**" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

"**Fiscal Year**" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

"**Improvement Area No. 1**" shall mean Improvement Area No. 1 of the District.

"**Listed Event**" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Official Statement**" shall mean the Official Statement, dated _____, 2021, relating to the Bonds.

"**Participating Underwriters**" shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and RBC Capital Markets, LLC.

"**Person**" shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“**Property**” means the real property within the boundaries of Improvement Area No. 1 that is owned by the Developer or any Affiliate at the time of the applicable Semiannual Report.

“**Repository**” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“**Semiannual Report**” shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**State**” shall mean the State of California.

SECTION 3. Provision of Semiannual Reports.

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing November 1, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Developer, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination is other than the Developer), the City, and the Participating Underwriters certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information in the Official Statement under the caption "IMPROVEMENT AREA NO. 1" (other than under "Merchant Builder Development and Financing Plans" for which no update is required).

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and the number of parcels for which sales have closed, all since the date of the information provided in the Official Statement or the most recent Semiannual Report.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer to or affecting the horizontal or vertical development of the Property or the time for construction of any public or private improvements to the property to be made by the Developer (the "**Developer Improvements**").

4. Any sale by the Developer or any Affiliate of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

SECTION 5. Reporting of Significant Events.

(a) Until the Developer's obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under

clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property for Improvement Area No. 1 on or prior to the delinquency date.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer or any Affiliate on any loan of the Developer or any Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Property.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or such Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts that, in the reasonable judgment of the Developer, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

7. The filing of any lawsuit against the Developer or any Affiliate that, in the reasonable judgment of the Developer, would materially adversely affect the completion of the Developer Improvements, or litigation which if decided against the Developer or any Affiliate that, in the reasonable judgment of the Developer, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriters, or (ii) file a notice of such

occurrence with the Repository, with a copy to the City, the Participating Underwriters, and the Dissemination Agent (if other than the Developer).

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) if, at any time, the Developer no longer owns any Property in Improvement Area No. 1 and the Total Estimated Project Costs in Table 3 is at least 90% complete, or
- (c) upon the delivery by the Developer to the City of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Certificate is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the City and the Participating Underwriters, and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted;
- (b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriters, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and
- (c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be

the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Transferees. The Developer shall, in connection with any sale or transfer of ownership of any Property which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within Improvement Area No. 1 in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the property acquired; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer: Treasure Island Series 1, LLC
c/o Lennar Corporation
15131 Alton Parkway
Irvine, CA 92618
Attention: Jorge Cardenas
Email: jorge.cardenas@lennar.com

Participating Underwriters: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Municipal Bond Division
Email: egallagher@stifel.com

RBC Capital Markets, LLC

Attention:
Email:

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
Jamie.querubin@sfgov.org

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

TREASURE ISLAND SERIES 1, LLC,
A Delaware limited liability company

By: _____

Name: _____

Title: _____

APPENDIX E-3

FORM OF MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE

§ _____
IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021

MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE

This Merchant Builder Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of [____], 2021, is executed and delivered by Stockbridge/Wilson Meany YBI Investors, LLC, a Delaware limited liability company (the “**Company**”), on behalf of itself and the Merchant Builders (defined herein), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) with respect to Improvement Area No. 1 of the District (“**Improvement Area No. 1**”), of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of October 1, 2020 as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of [____] 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 special taxes levied on property in Improvement Area No. 1, and the Company is the parent company of the Merchant Builders, the developers of property in Improvement Area No. 1.

The Company covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Company for the benefit of the owners and the beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“**Affiliate**” of the Company means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Company; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Company; and (c) any Person directly or indirectly controlling, controlled by, or under common control

with the Company, and, in each such case, about whom information, including financial information or operating data, concerning such Person could be material to potential investors in their investment decision regarding the Bonds (i.e. information regarding such Person's assets or funds that would materially affect the Merchant Builders' (defined below) ability to complete the development of the Property as described in the Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Merchant Builders) prior to delinquency). For purposes hereof, the term "**control**" (including the terms "controlling," "controlled by" or "under common control with") means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Notwithstanding the foregoing, for purposes of this Disclosure Certificate, neither Treasure Island Series 1, LLC nor Treasure Island Community Development, LLC shall be considered an Affiliate of the Company; provided, however, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC, YBI Phase 3 Investors, LLC, and any new entity created by the Company to hold title to any portion of the property in Improvement Area No. 1 (each, a "**Merchant Builder**" and, collectively, the "**Merchant Builders**") shall be considered Affiliates of the Company.

"**Beneficial Owner**" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"**Bondowners**" shall mean the owner of any of the Bonds.

"**Dissemination Agent**" shall mean the Company or any successor Dissemination Agent designated in writing by the Company and which has filed with the Company and the City a written acceptance of such designation.

"**District**" shall mean the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

"**EMMA**" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

"**Fiscal Year**" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

"**Improvement Area No. 1**" shall mean Improvement Area No. 1 of the District.

"**Listed Event**" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Official Statement**" shall mean the Official Statement, dated [____], 2021, relating to the Bonds.

“Participating Underwriters” shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and RBC Capital Markets, LLC.

“Person” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“Property” means the real property within the boundaries of Improvement Area No. 1 that is owned by the Company or any Affiliate.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“Semiannual Report” shall mean any report to be provided by the Company on or prior to May 1 and November 1 of each year pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

“State” shall mean the State of California.

SECTION 3. Provision of Semiannual Reports.

(a) Until the Company’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Company shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing November 1, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Company, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Company shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Company is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Company of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

(d) The Company shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Company (if the Dissemination is other than the Company), the City, and the Participating Underwriters certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information in the Official Statement under the captions "IMPROVEMENT AREA NO. 1 – Merchant Builder Development and Financing Plans".

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and the number of parcels for which sales have closed, all since the date of the information provided in the Official Statement or the most recent Semiannual Report.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Company to or affecting the horizontal or vertical development of the Property or the time for construction of any public or private improvements to be made on the Property (the "**Merchant Builder Improvements**").

4. Any sale by the Company or any Affiliate of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Company shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

SECTION 5. Reporting of Significant Events.

(a) Until the Company's obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Company shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property for Improvement Area No. 1 on or prior to the delinquency date.

2. Damage to or destruction of any of the Merchant Builder Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Company or any Affiliate on any loan with respect to the construction or permanent financing of the Merchant Builder Improvements.

4. Material default by the Company or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Company or any Affiliate on any loan of the Company or any such Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment of the Company, would materially adversely affect the financial condition of the Company or the development of the Property.

6. The filing of any proceedings with respect to the Company or any Affiliate, in which the Company or any such Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts that, in the reasonable judgment of the Company, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

7. The filing of any lawsuit against the Company or any Affiliate that, in the reasonable judgment of the Company, would materially adversely affect the completion of the Merchant Builder Improvements, or litigation which if decided against the Company or any Affiliate that, in the reasonable judgment of the Company, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

(b) Whenever the Company obtains knowledge of the occurrence of a Listed Event, the Company shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Company) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Company determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Company shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriters, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriters, and the Dissemination Agent (if other than the Company).

SECTION 6. Termination of Reporting Obligation. The Company's obligations under this Disclosure Certificate shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) the earlier of (i) the date that YBI Phase 1 Investors, LLC has sold and closed 100 of the 124 Bristol units to homebuyers or (ii) the date that the Company and its Affiliates collectively own property that is responsible for less than 20% of the special tax levy for Improvement Area No. 1, or
- (c) upon the delivery by the Company to the City of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Certificate is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Company or a private letter ruling obtained by a similar entity to the Company.

If such termination occurs prior to the final maturity of the Bonds, the Company shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Company may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Company, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Company pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Company, the City and the Participating Underwriters, and (ii) upon appointment of a new Dissemination Agent hereunder. The Company is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Company may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Company, or the type of business conducted;
- (b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal

Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriters, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Company, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Company chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Company shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

The Company acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Company, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Company under such laws.

SECTION 10. Default. In the event of a failure of the Company to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Company or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Company to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Company agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Company, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Company or an opinion of nationally recognized bond counsel. The obligations of the Company under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy

other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Company as constituting the Semiannual Report required of the Company in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Company in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Transferees. The Company shall, in connection with any sale or transfer of ownership of any Property which will result in the transferee (which term shall include any successors and assigns of the Company) becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within Improvement Area No. 1 in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Section 4 and 5 of this Disclosure Certificate with respect to the property acquired; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Company as Independent Contractor. In performing under this Disclosure Certificate, it is understood that the Company is an independent contractor and not an agent of the City or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Company: Stockbridge/Wilson Meany YBI Investors, LLC
c/o Wilson Meany
Four Embarcadero Center, Suite 3330
San Francisco, CA 94111
Attention: Daniel Fedder
Email: dfedder@wilsonmeany.com
agalovich@wilsonmeany.com

Participating Underwriters: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Municipal Bond Division
Email: egallagher@stifel.com

RBC Capital Markets, LLC

Attention:

Email:

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

Jamie.querubin@sfgov.org

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Company, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Company shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Company and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

STOCKBRIDGE/WILSON MEANY YBI INVESTORS, LLC,
A Delaware limited liability company

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

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 2021 Bonds. The 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the each issue of the 2021 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. *Information on such website is not incorporated by reference herein.*

Purchases of 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021 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 2021 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 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all 2021 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 2021 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 2021 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 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 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021 Bond documents. For example, Beneficial Owners of 2021 Bonds may wish to ascertain that the nominee holding the 2021 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 2021 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 2021 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021 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 2021 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

Appraisal of Real Property

**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)
Improvement Area No. 1 Special Tax Bonds, Series 2021**

Proposed Residential Property

Yerba Buena Rd.

San Francisco, San Francisco County, California 94130

Prepared For:

City and County of San Francisco

Effective Date of the Appraisal:

March 1, 2021

Report Format:

Appraisal Report – Standard Format

IRR - San Francisco

File Number: 192-2021-0119



DRAFT



**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)
Improvement Area No. 1 Special Tax Bonds, Series 2021**

Yerba Buena Rd.
San Francisco, California



April 14, 2021

Ms. Anna Van Degna
Director, Controller's Office of Public Finance
City and County of San Francisco
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

SUBJECT: Market Value Appraisal
City and County of San Francisco Community Facilities District No. 2016-1
(Treasure Island) Improvement Area No. 1 Special Tax Bonds, Series 2021
Yerba Buena Rd.
San Francisco, San Francisco County, California 94130
IRR - San Francisco File No. 192-2021-0119

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, by ownership, subject to a hypothetical condition, of the fee simple interest in the taxable properties within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1 (“CFD No. 2016-1”), under the assumptions and conditions set forth in the attached report. The client for the assignment is the City and County of San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City and County of San Francisco and CFD No. 2016-1 in the marketing of the Special Tax Bonds of CFD No. 2016-1 (“Bonds”) and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by

entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP. A more detailed description of the subject property is described in the attached report.

Please note, there is a fourth parcel, Parcel 2Y, within the boundaries of the City and County of San Francisco Communities Facility District No. 2016-1 (Treasure Island) Improvement Area No. 1. A 50-key boutique hotel is proposed for the site. However, this parcel is not currently subject to the Lien of the Special Tax; therefore, it 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.

We have been requested to provide the market value of the appraised properties as of the date of value (March 1, 2021). The market value of the appraised properties in CFD No. 2016-1 account for the impact of the Lien of the Special Tax securing the repayment of the Bonds.

As a result of the analyses herein, the market value of the appraised properties by parcel, subject to a hypothetical condition, as of March 1, 2021, is presented in the following table:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value of the CFD - Parcel 4Y	Fee Simple	March 1, 2021	\$96,390,000
Market Value of the CFD - Parcel 3Y	Fee Simple	March 1, 2021	\$8,280,000
Market Value of the CFD - Parcel 1Y	Fee Simple	March 1, 2021	\$70,760,000
Aggregate Value of CFD No. 2016-1	Fee Simple	March 1, 2021	\$175,430,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the March 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
-

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SAN FRANCISCO

DRAFT

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Table of Contents

Summary of Salient Facts and Conclusions	1	Valuation	74
General Information	2	Valuation Methodology	74
Identification of Subject	2	Market Valuation – Representative Floor Plans	75
Sale History	3	Below Market Rate Units – The Bristol, Parcel 4Y	87
Pending Transactions	3	Market Valuation – Parcel 1Y Homesites	88
Purpose of the Appraisal	3	Land Residual Analysis – Parcels 4Y, 3Y, and 1Y	89
Definition of Market Value	3	Market Value by Ownership	104
Definition of Property Rights Appraised	4	Conclusion of Value	105
Intended Use and User	4	Exposure Time	105
Applicable Requirements	4	Marketing Time	106
Report Format	4	Certification	107
Prior Services	5	Assumptions and Limiting Conditions	109
Scope of Work	5	Addenda	
Economic Analysis	7	A. Appraiser Qualifications	
Area Analysis - San Francisco	7	B. Definitions	
Surrounding Area Analysis	16	C. Property Information	
COVID-19 Impact On Valuation	23		
Residential Market Analysis	26		
Property Analysis	40		
Land Description and Analysis	40		
Timeline	47		
Proposed Improvements Description	51		
Real Estate Taxes	70		
Highest and Best Use	72		



Summary of Salient Facts and Conclusions

Property Name	City and County of San Francisco Community Facilities
Address	Yerba Buena Rd. San Francisco, San Francisco County, California 94130
Property Type	Proposed Residential Property - Condo/Townhouse, SFR
Owner of Record	YBI Phase 4 Investors, LLC, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC
Tax ID	8948-001, 8952-001 and 8954-002
Land Area	19.95 acres; 868,974 SF
Zoning Designation	YBI-R, Yerba Buena Island Residential
Highest and Best Use	Residential use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	March 1, 2021
Date of the Report	April 14, 2021
Property Interest Appraised	Fee Simple

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City and County of San Francisco and associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the March 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

General Information

Identification of Subject

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP. A legal description of the property is included in the addenda to this report.

Please note, there is a fourth parcel, Parcel 2Y, within the boundaries of the City and County of San Francisco Communities Facility District No. 2016-1 (Treasure Island) Improvement Area No. 1. A 50-key boutique hotel is proposed for the site. However, this parcel is still owned by Treasure Island Development Authority and, therefore, not currently taxable; thus, it is excluded from this appraisal.

Property Identification

Property Name	City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1 Special Tax Bonds, Series 2021
Address	Yerba Buena Rd. San Francisco, California 94130
Tax ID	8948-001, 8952-001 and 8954-002
Owner of Record	YBI Phase 4 Investors, LLC, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC

A summary of the three subject parcels is provided below. Further description of the land uses associated with each parcel will be provided later in the body of this report. Please note, YBI Phase 1 Investors, LLC, YBI Phase 2 Investors, LLC, and YBI Phase 4 Investors, LLC are entities of Stockbridge Capital Group, LLC and Wilson Meany, L.P., the vertical developers associated with the subject.

Land Area Summary

Tax ID	Developable		SF	Acres
	Parcel	Ownership Entity		
8948-001	1Y	YBI Phase 4 Investors, LLC	575,866	13.22
8952-001	3Y	YBI Phase 2 Investors, LLC	61,345	1.41
8954-002	4Y	YBI Phase 1 Investors, LLC	231,763	5.32
Total			868,974	19.95

Source: Public Records

Sale History

The most recent closed sales of portions of the subject are summarized below. Sale 1 includes Parcel 1Y, while Sale 2 includes Parcels 3Y and 4Y.

	Sale 1	Sale 2
Sale Date	October 15, 2020	June 22, 2018
Seller	Treasure Island Series 1, LLC	Treasure Island Series, LLC
Buyer	YBI Phase 4 Investors, LLC	YBI Phase 1 Investors, LLC
Sale Price	\$78,784,000	\$61,216,000
Recording Instrument Number	2020.33722	K629735
Notes	1Y Included	3Y & 4Y Included

Development of Yerba Buena Island (Improvement Area No. 1) involves multiple City and County of San Francisco agencies, master developer entities, and vertical developers. Transfers of land are anticipated to occur at varying stages throughout the development process, the specific details of which have not been provided for consideration herein. The transaction prices above are based on the condition of the appraised properties as if all infrastructure development, which is the obligation of the seller (master developer entity), is complete; whereas, the estimates of market value derived herein are based on the condition of each appraised parcel as of the effective date of value, with infrastructure development still remaining. Therefore, the prior sale prices are not considered indicative of market value as of the respective dates of transfer or current market value.

To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, by ownership, subject to a hypothetical condition, of the fee simple interest in the taxable properties within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1 as of March 1, 2021. The date of the report is April 14, 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[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client is City and County of San Francisco. The intended users are City and County of San Francisco and associated finance team. The appraisal is not intended for any other use or user. No party or parties other than City and County of San Francisco and associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending

on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records and a preliminary title report. Numerous documents were provided for the appraisal, including: developer’s budget, tentative map, project renderings, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Francisco County Assessor’s office.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area, newspaper articles, and interviews with various market participants, including property owners, property managers, brokers, developers, and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining entitlements, completion of spinal infrastructure and/or recordation of final subdivision maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the

particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, subject to the Lien of the Special Tax securing the Bonds, the market value of the taxable components comprising CFD No. 2016-1 were estimated using multiple approaches to value. For the subject's residential land, a land residual analysis is the most applicable method of valuation and is utilized. Comparable bulk land sales are also considered as secondary support. The sales comparison approach to value is utilized for the subject land associated with the five homesites.

In the land residual analysis (a variation of the cost approach and income capitalization approaches combined), all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the land. In the direct sales comparison approach, we adjust the prices of comparable transactions in the region based on differences between the comparable sales and the subject property. It should be noted, a portion of The Bristol residential project, which is located on Parcel 4Y, will include 14 units set aside to meet inclusionary housing requirements. These 14 units will not be subject to the Lien of the Special Tax securing the Bonds. Since the subject comprises land at this time (under development), the obligation to construct (cost) and sell (at a restricted price) such inclusionary housing units will be considered in the valuation of the underlying land.

All three Parcels are held by vertical developers, and it is our opinion the parcels could transfer within twelve months of exposure to the market; thus, no further discounting is necessary. As there remains additional backbone infrastructure to be completed, the allocable remaining infrastructure costs attributable to the Parcels are considered on a proportionate share basis based upon each parcel's proportionate share of aggregate value. While the completion of backbone infrastructure remains the obligation of the master developer, rather than the present owners (vertical developers), the purpose of this appraisal is to estimate the market value of the real property as of a specific point in time. Therefore, it is our opinion the proportionate allocation of remaining costs to each Parcel is appropriate.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Eric Segal, MAI, conducted an on-site inspection on February 27, 2021. Kevin Ziegenmeyer, MAI, and Laura Diaz have also inspected the subject property.

Economic Analysis

Area Analysis - San Francisco

Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and evolving. Healthcare and economic responses to this crisis are unfolding in the present, with limited quantifiable data available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis.

San Francisco is one of nine counties that comprise the greater San Francisco Bay Area. Spanning 47 square miles of peninsula land between the Pacific Ocean and San Francisco Bay, San Francisco County is unique in that it also defines the boundaries of the city of San Francisco. San Mateo County lies directly to the south, Marin County lies to the north, across the Golden Gate Bridge, and Alameda County lies to the east, across the Bay Bridge. San Francisco is the geographic and economic center of the Bay Area. Each day more than 400,000 workers commute to the city.

The topography of the 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 7.79 million residents and has shown moderate growth over the past five years, with an average annual growth rate of 0.5%. San Francisco County has had an average growth of 0.8%. The following table shows recent population trends for San Francisco County, as well as the other counties that make up the Bay Area.

Population Trends							
County	2015	2016	2017	2018	2019	2020	%/Yr
Alameda	1,613,528	1,632,599	1,646,711	1,655,306	1,664,783	1,670,834	0.7%
Contra Costa	1,113,341	1,128,405	1,138,861	1,145,141	1,150,621	1,153,561	0.7%
Marin	262,743	263,327	263,018	262,652	262,240	260,831	-0.1%
Napa	141,010	141,607	141,444	140,528	139,970	139,088	-0.3%
San Francisco	863,623	872,723	880,646	888,575	891,021	897,806	0.8%
San Mateo	761,748	767,921	770,785	772,984	774,231	773,244	0.3%
Santa Clara	1,912,180	1,931,565	1,942,176	1,951,088	1,954,833	1,961,969	0.5%
Solano	426,881	430,530	435,546	437,361	438,832	440,224	0.6%
Sonoma	500,640	502,602	503,842	501,129	496,947	492,980	-0.3%
Total	7,595,694	7,671,279	7,723,029	7,754,764	7,773,478	7,790,537	0.5%

Source: California Department of Finance

Employment & Economy

The California Employment Development Department has reported the following employment data for the City/County of San Francisco in the recent past.

Employment Trends						
	2015	2016	2017	2018	2019	2020
Labor Force	541,400	555,300	563,800	569,300	583,200	570,100
Employment	521,700	537,000	547,300	555,600	570,400	526,700
Job Growth	16,200	15,300	10,300	18,600	23,100	(28,900)
Unemployment Rate	3.6%	3.3%	2.9%	2.4%	2.2%	7.6%

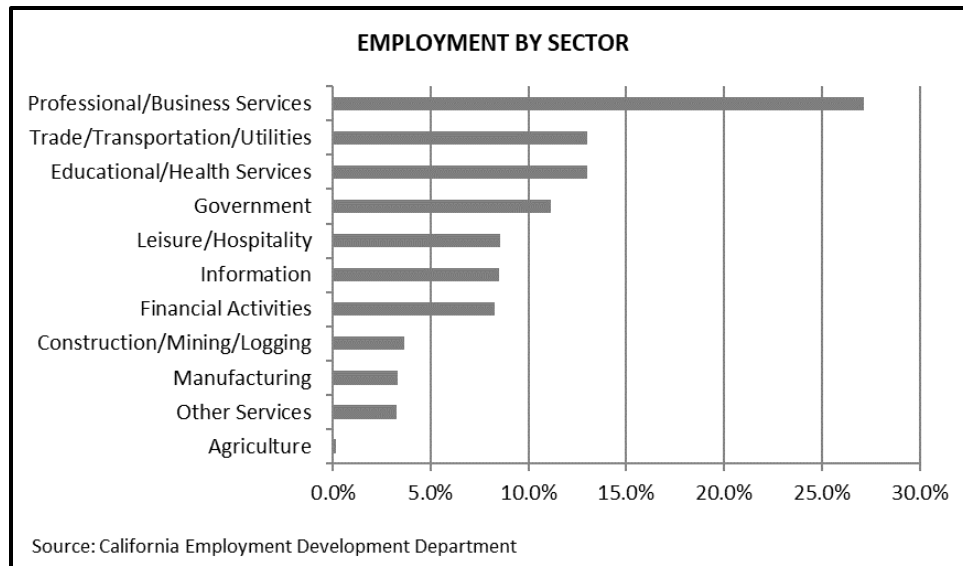
Source: California Employment Development Department

Most areas within the state and nation, including San Francisco County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019. However, this downward trend has shifted as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide Stay-At-Home Orders were issued by the governor on March 19th, which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment.

The average annual unemployment rate in San Francisco County was 2.2% in 2019 and remained in the 2.3% to 3.1% range during the first quarter of 2020, spiking to 12.6% in April 2020. California Employment Development Department reported an unemployment rate of 6.4% in San Francisco County in December 2020, compared to 8.8% for California and 6.5% for the nation.

As of December 2020, it was reported 118,500 jobs (9.9%) were lost in the San Francisco Metro (San Francisco and San Mateo Counties) year-over-year. The greatest job loss was in the Leisure/Hospitality sector with 57,300 jobs lost, followed by the Trade/Transportation/Utilities sector with 18,000 jobs lost.

The chart on the following page indicates the percentage of total employment for each sector within the city/county.



As illustrated above, San Francisco’s largest employment sector is Professional and Business Services, accounting for roughly 27.2% 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.

Largest Employers			
	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.

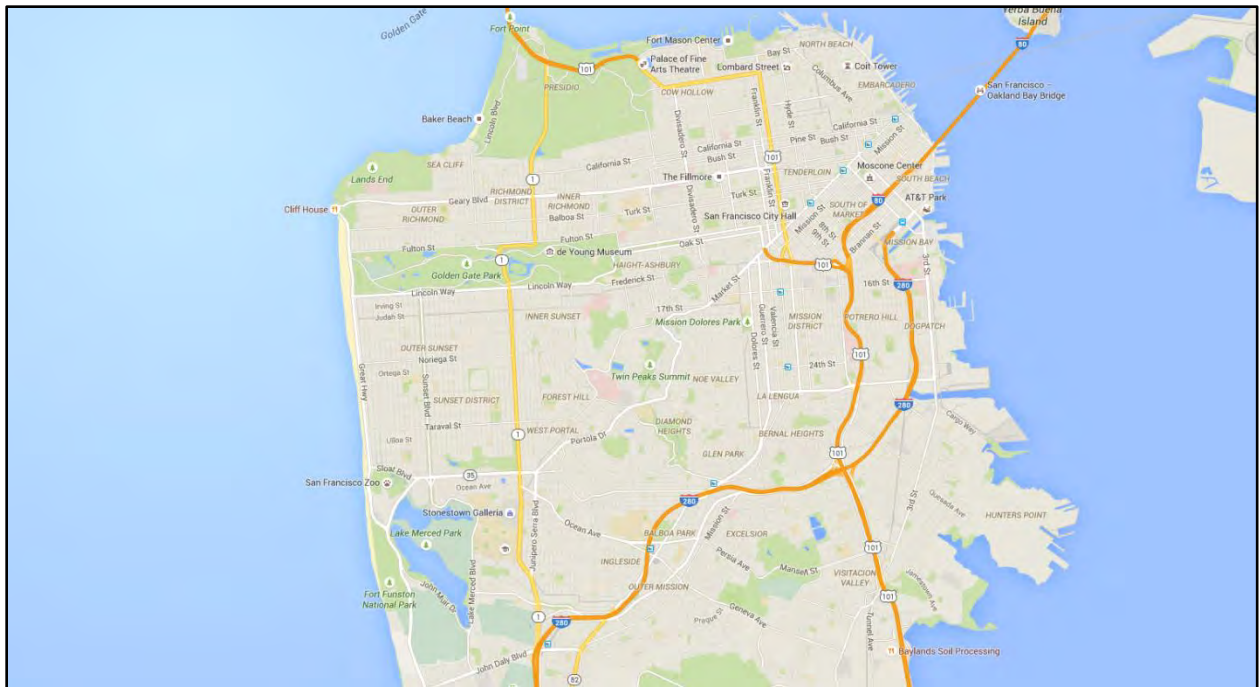
As indicated above, vehicular access to the city/county of San Francisco is provided by the Golden Gate Bridge from the north, the Bay Bridge from the east, and the southern peninsula (San Mateo and Santa Clara Counties) to the south. Public transportation is provided by Amtrak trains, bus service and 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 and Urban Bay Properties.



Castro/Upper Market: San Francisco's historic F-Line streetcars are one of the best ways to reach the Castro and Upper Market areas. The Castro, and nearby Noe Valley, offer village-like amenities including pedestrian-friendly streets, Victorian homes in historic Eureka Valley, an array of trendy stores and outdoor cafes for the "see and scene" crowd. The upper stretch of Market Street coils around the lower reaches of Twin Peaks. Noted for their sweeping vistas of the Bay Area, these crests are popular with sightseers. Glen Park on the lower slopes of Diamond Heights has a canyon park and is near a BART station.

Chinatown: The entrance to Chinatown at Grant Avenue and Bush Street is called the "Dragon's Gate." Inside are 24 blocks of hustle and bustle, most of it taking place along Grant, the oldest street in San Francisco. This city within a city is best explored on foot; exotic shops, food markets, temples and small museums are comprised within its boundaries. The former central telephone exchange of the Pacific Telephone and Telegraph Company stands at 743 Washington Street. Now a bank, it is the first Chinese-style building constructed in San Francisco, and the exact site where California's first newspaper was printed.

Civic Center: San Francisco's widest street, Van Ness Avenue, runs down the middle of Civic Center. A short distance from Civic Center is Hayes Valley, which boasts galleries, antique shops, restaurants and book nooks. A stretch of Larkin Street, starting just beyond the Asian Art Museum's front door at Larkin and McAllister up to O'Farrell, has been designated Little Saigon. Some 250 Vietnamese-owned businesses are concentrated in this and the nearby Tenderloin areas. The Polk Street district parallels Van Ness Avenue and extends all the way to Fisherman's Wharf, where it terminates in front of the historic Maritime Museum. Catering to a diverse population, Polk Street is one of the oldest shopping districts in San Francisco.

Embarcadero/Financial District: Lined with deep-water piers, The Embarcadero is literally where one embarks. At the foot of Market Street is the Ferry Building, which houses a food hall, restaurants and a farmer's market. The Ferry Building is also the terminal for ferries to Marin County, Vallejo, Oakland and Alameda. Across the bay is Treasure Island, a man-made island that was the site of the 1939 Golden Gate International Exposition. Much of Jackson Square, one of 11 historic districts, has many buildings dating from the mid-1800s.

Fisherman's Wharf: Fisherman's Wharf is home to fishing boats, seafood stalls, steaming crab cauldrons, seafood restaurants and sourdough French bread bakeries, as well as souvenir shops and museums. The historic F-Line streetcar and two cable car lines terminate in the area and sightseeing boats and boat charters link to Alcatraz, Angel Island and other points around San Francisco Bay.

Haight-Ashbury: One of the most photographed scenes in San Francisco, Alamo Square's famous "postcard row" at Hayes and Steiner Streets is a tight formation of Victorian houses back-dropped by downtown skyscrapers. The corner of Haight and Ashbury Streets still has its tie-dyed roots; vintage clothing, books and records are abundant here and along lower Haight Street. Locals will point out Buena Vista Park, with its city views, and, for architectural highlights, Masonic, Piedmont and Delmar Streets. Parnassus Heights is home to the University of California, San Francisco.

Japantown/Fillmore: Founded in 1906, Japantown is the oldest Japanese district in the United States and one of only three remaining. This small slice of Japanese life is near the Fillmore, the "Harlem of the West," which is witnessing a revival of its jazz heritage and is the setting for an annual open-air jazz festival.

Marina/Presidio: The Golden Gate Bridge is one of the world's most famous landmarks. Its southern approach via State Highway 1/U.S. Highway 101 traverses some of the city's most scenic and historic areas including the Presidio of San Francisco and the Marina, site of the 1915 Panama-Pacific International Exposition. The outdoor cafes of Union Street in Cow Hollow, former dairy land, are ideal spots for people watching and gazing up at the mansions of Pacific Heights. Outer Sacramento Street and Laurel Heights contain a variety of shopping areas.

Mission District: Boasting some of the best weather in the city, the Mission District, Bernal Heights and Potrero Hill take advantage of an abundance of fog-free days. New restaurants and night spots are a draw while Mission Dolores, 16th and Dolores Streets, is the oldest structure in San Francisco. Many of the city's pioneers are buried in an adjacent cemetery. The largest concentration of murals in the city adorns buildings, fences and walls throughout the District. Potrero Hill's Dogpatch neighborhood is one of 11 historic Districts in the city.

Nob Hill: Once the home of the silver kings and railroad barons, the "nabobs," Nob Hill's noble tenants include Grace Cathedral, a replica of Notre Dame in Paris; Huntington Park, site of many art shows and graced by a replica of a 16th century Roman fountain; Nob Hill Masonic Center, an architectural dazzler hosting various musical events; the Cable Car Barn, where the cable cars are stored when not in service, and grand hotels, including the Mark Hopkins (Intercontinental Hotel) and the famous Top Of The Mark restaurant/bar and the Fairmont. Russian Hill, named for burial sites of Russian hunters who were active in California waters in the early 1800s, is most famous for the winding curves of Lombard Street.

North Beach: North Beach is transformed into one of San Francisco’s most electric playgrounds with live music and dancing. Many local residents practice tai chi in Washington Square. Coit Tower atop Telegraph Hill offers marvelous views of the city. Thirty local artists painted murals on its ground floor walls in 1933.

Richmond District: Laid out in a grid of multifamily houses all the way to the Great Highway and Ocean Beach, the area is bordered by Golden Gate Park, Lincoln Park/Presidio and Lone Mountain. Shopping is concentrated along major thoroughfares, including Geary Boulevard and Clement Street. The Richmond District sprouted a second Chinatown along Clement Street in the early 1970s thanks to the numerous Asian restaurants and retail stores.

Soma/Yerba Buena: Yerba Buena Gardens, “the largest concentration of art west of the Hudson River,” is an oasis in the heart of the city. Moscone Center and more than a dozen museums are located here as well as a memorial to Dr. Martin Luther King, Jr. The University of California San Francisco, Mission Bay is the largest biomedical university expansion in the United States. The home of the San Francisco Giants, AT&T Park, is nearby. The South Beach area, recently transformed into a mixed-use waterfront neighborhood, includes the restored warehouses in the South End Historic District and several marinas.

Union Square: Virtually every fashion label in the world has set up shop in and around Union Square, a landmark park in the heart of the downtown shopping and hotel district. Granite plazas, a stage, a café and four grand entrance corner plazas bordered by the park’s signature palms, pay tribute to the Square’s distinctive history and offer a forum for civic celebrations. The cable cars head up Powell Street from here and flower stands populate every corner. Thousands originally from Laos, Cambodia and Vietnam have given the Tenderloin, a 20-square-block district west of Union Square, new life. A landmark church, an experimental theatre house, jazz and blues clubs, restaurants and cafes point to a neighborhood renaissance.

Mission Bay: Established as a redevelopment area by the City and County of San Francisco in 1998, this neighborhood was primarily undeveloped for several years, with warehouses, shipping yards and factories the primary land uses in the area. Now, since the construction of AT&T Park, home to the San Francisco Giants baseball team, the Mission Bay and Central Waterfront area of San Francisco is developing as a biotech research hub for the Bay Area. California’s Stem Cell Research headquarters is located in Mission Bay, as is a new University of California San Francisco (UCSF) Mission Bay campus. Newly constructed and proposed residential lofts and condos are also part of the neighborhood resurgence.

Bayview/Candlestick Point/Hunters Point: This area is primarily south of Interstate 280 and is home to the former Hunters Point shipyard. The Point, located within the former shipyard, is hyped as “America’s largest art colony,” and hosts several open art events and exhibitions during the year. The Bayview Opera House is the city’s first opera house. Candlestick Point was the former home of Candlestick Park stadium.

Treasure Island/Yerba Buena Island: Treasure Island and Yerba Buena Island are located in the San Francisco Bay west of Interstate 80/The Bay Bridge. Treasure Island was artificially created with bay sand and became a U.S. Naval Station in 1941. After World War II, the island was utilized as a naval

training and administrative center. Yerba Buena Island is a natural island which has historically been utilized by the U.S. Army, which established a post on the northeast portion of the island in 1867. In 1997, the Treasure Island Development Agency (TIDA) was created to oversee the reuse and redevelopment of the Treasure Island Naval Station, which had been closed by the Base Realignment and Closure Commission in 1993. Currently, the Treasure Island Development Project is underway which will eventually result in 461-acres of land across both islands being redeveloped for residential, office, retail, and hotel use with substantial infrastructure upgrades.

Recreation & Culture

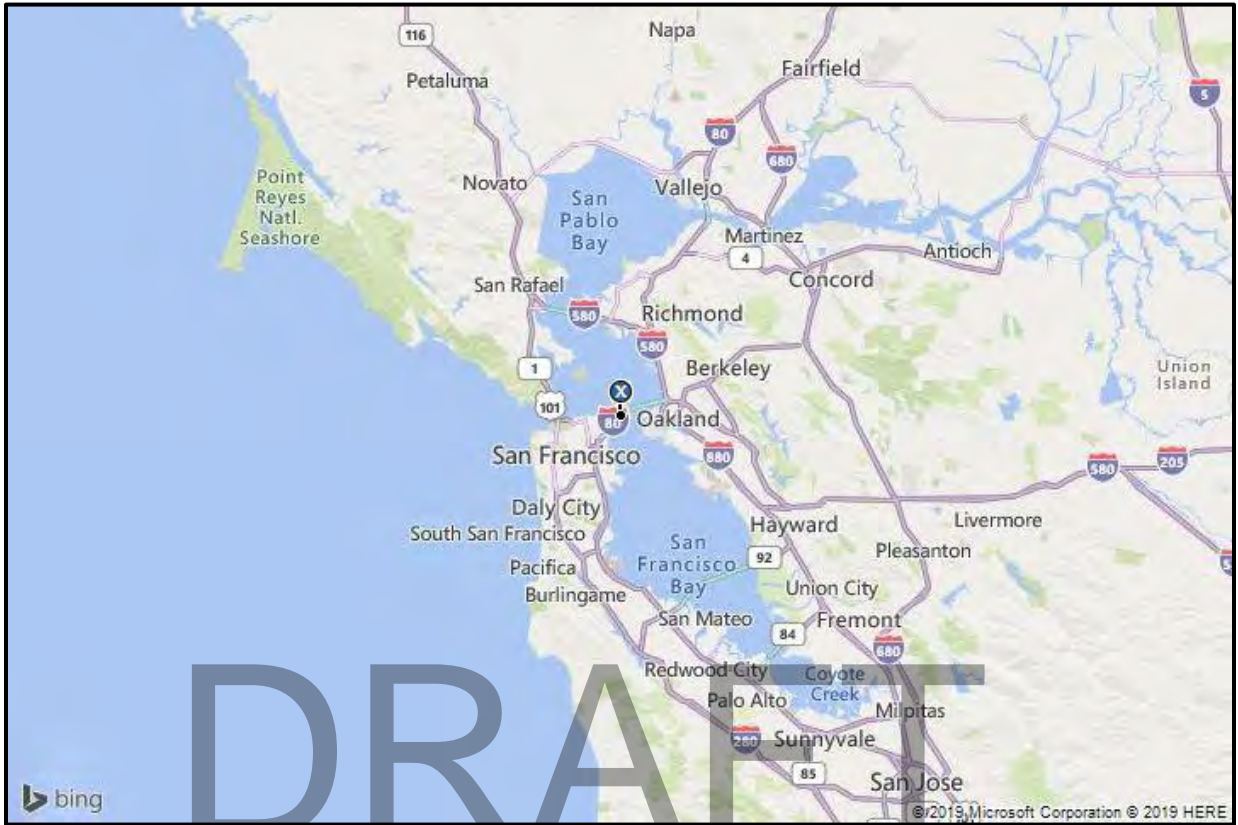
San Francisco is a city rich with cultural and recreational opportunities that attract residents and visitors alike. The city is home to live theater, symphony, ballet, opera, many diverse restaurants, professional sports teams, numerous public parks, a national recreation area, museums, beaches and a wide variety of residential neighborhoods. The city's main professional sports teams are the San Francisco 49ers (NFL football) and San Francisco Giants (major league baseball).

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. After a period of contraction in the economy and real estate markets around 2008-2010, the region experienced improvement in employment and economic conditions, and most real estate sectors showed signs of recovery or expansion. However, employment conditions declined sharply in April 2020 following stay-at-home mandates and non-essential business closures, though the near-term outlook looks to be improving from COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented. The historical stability of the local economy bodes well for the long-term outlook for the region.

Area Map



Surrounding Area Analysis

Boundaries

The subject is located on Yerba Buena Island, an island in the San Francisco Bay between the city of San Francisco and the city of Oakland. To the north, Yerba Buena Island is connected to the man-made Treasure Island via Treasure Island Road.

A map identifying the location of the property follows this section.

Access and Linkages

Vehicular access to Yerba Buena Island is provided by Interstate 80 via the Oakland-San Francisco Bay Bridge, which provides access to San Francisco and Oakland. Yerba Buena Tunnel runs through the island and connects it with the Bay Bridge. Interstate 80 connects to Highway 101 south of the subject property in San Francisco and connects to Interstates 580 and 880 east of the subject in Oakland. Access to the subject property from the I-80 ramp is provided by various local roads on Yerba Buena Island. San Francisco's central business district, the economic and cultural center of the region, is approximately three to four miles from the subject property. Downtown Oakland is located approximately eight miles east of Yerba Buena Island.

Upon completion of the proposed development, Yerba Buena Island is expected to enjoy bus service, with ferry service to San Francisco also available from Treasure Island. The San Francisco International Airport is approximately 18 miles south of the subject property, while the Oakland International Airport is 16 miles southeast of the subject.

Demand Generators

Access to employment centers in San Francisco and Oakland is a major demand generator. In San Francisco, the Financial District is a three to four-mile drive from Yerba Buena Island. Employers in the Financial District represent significant concentrations in the utilities, retail, financial services, healthcare and technology industries. The adjacent SOMA neighborhood has become the premier location for technology employers, with a combination of large, established technology firms, growth stage firms and newer start-ups.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics					
2021 Estimates	10-Minute Drive Time	15-Minute Drive Time	20-Minute Drive Time	San Francisco County	San Francisco-Oakland MSA
Population 2010	70,425	629,313	1,399,781	805,235	4,335,391
Population 2021	94,469	710,136	1,538,550	888,361	4,758,973
Population 2026	100,156	737,735	1,591,069	919,486	4,918,823
Compound % Change 2010-2021	2.7%	1.1%	0.9%	0.9%	0.9%
Compound % Change 2021-2026	1.2%	0.8%	0.7%	0.7%	0.7%
Households 2010	35,167	287,076	575,711	345,811	1,627,360
Households 2021	48,725	329,783	641,373	387,190	1,788,948
Households 2026	51,869	343,870	665,392	402,008	1,850,041
Compound % Change 2010-2021	3.0%	1.3%	1.0%	1.0%	0.9%
Compound % Change 2021-2026	1.3%	0.8%	0.7%	0.8%	0.7%
Median Household Income 2021	\$128,315	\$104,992	\$106,089	\$125,036	\$119,666
Average Household Size	1.8	2.1	2.3	2.2	2.6
College Graduate %	62%	57%	54%	59%	50%
Median Age	40	40	39	39	40
Owner Occupied %	26%	30%	38%	35%	54%
Renter Occupied %	74%	70%	62%	65%	46%
Median Owner Occupied Housing Value	\$1,277,374	\$1,130,131	\$1,052,002	\$1,399,513	\$992,890
Median Year Structure Built	1996	1956	1955	1943	1969
Average Travel Time to Work in Minutes	34	35	36	37	38

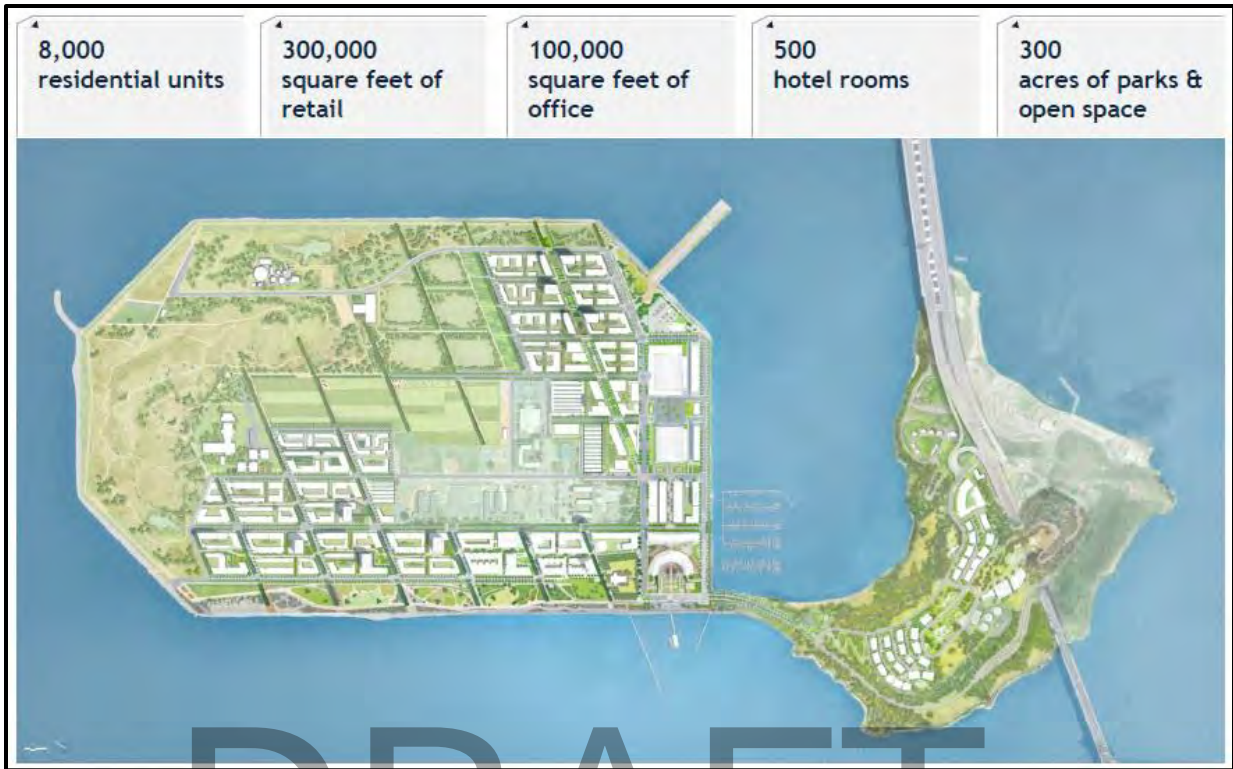
Source: Claritas

As shown above, the current population within a 15-minute drive time of the subject is 710,136, and the average household size is 2.1. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to San Francisco County overall, the population within a 15-minute drive time is projected to grow at a faster rate.

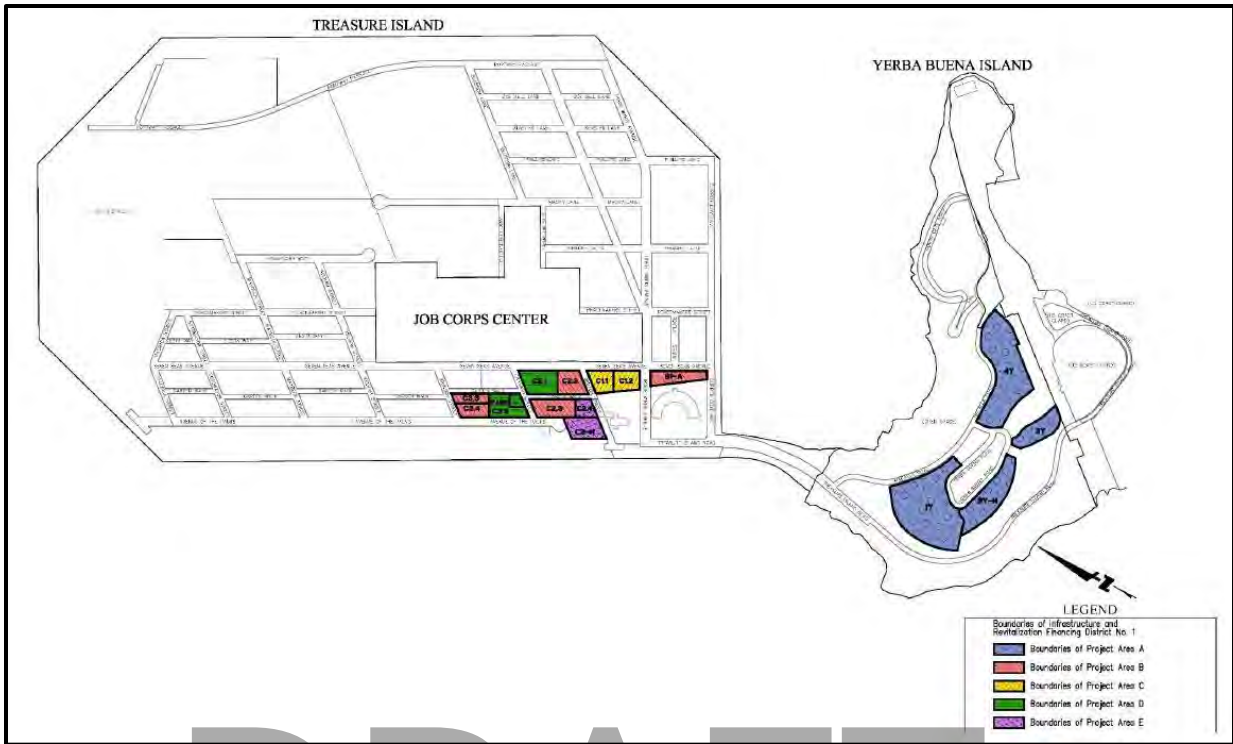
Median household income is \$104,992, which is lower than the household income for San Francisco County. Residents within a 15-minute drive time have a lower level of educational attainment than those of San Francisco County overall, and median owner occupied home values are considerably lower.

Land Use

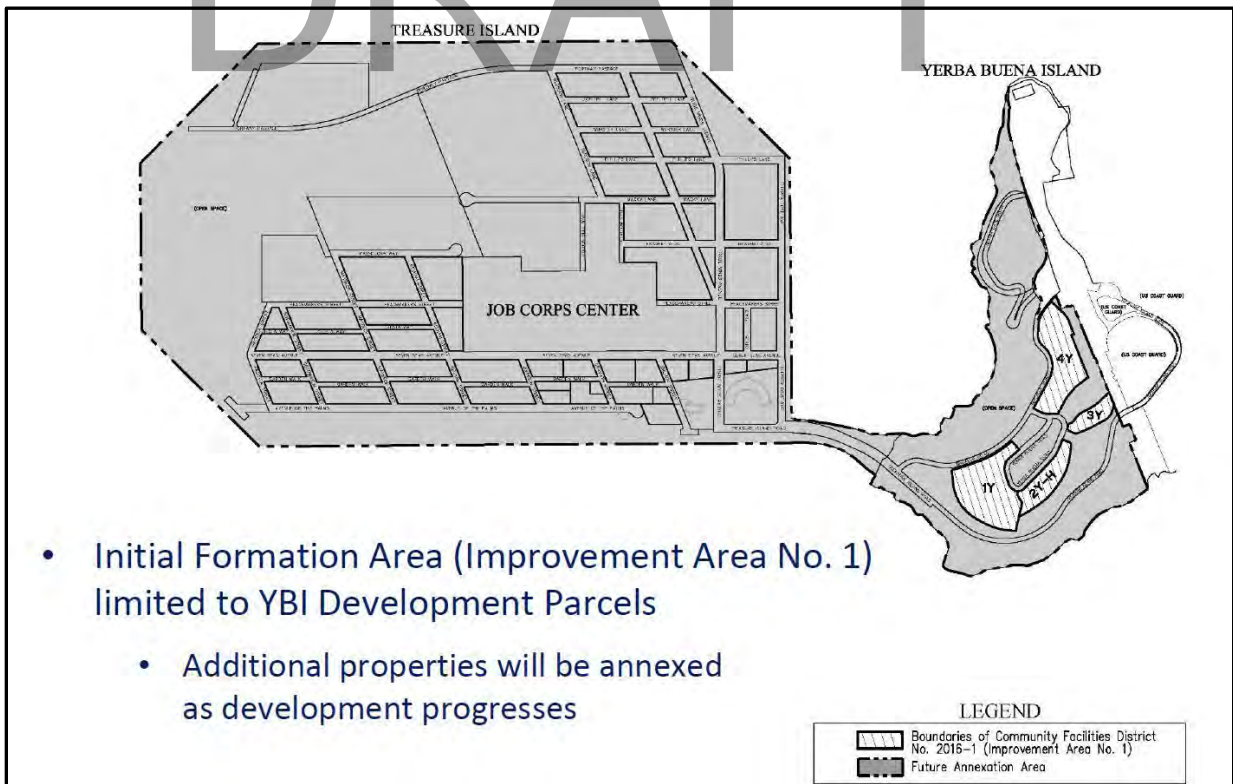
The subject property is the first phase of the larger Treasure Island Development Program, a proposed 461-acre project which, upon completion, will include up to 8,000 homes, 500 hotel rooms, 300,000 square feet of retail space, 100,000 square feet of office space, a marina, ferry terminal, open space/public parks and pedestrian trails. The project is located on a portion of a former United States Navy base which includes Treasure Island (artificially created with bay sand) and 89-acres of Yerba Buena Island. The following chart summarizes the overall proposal for the Development Program.



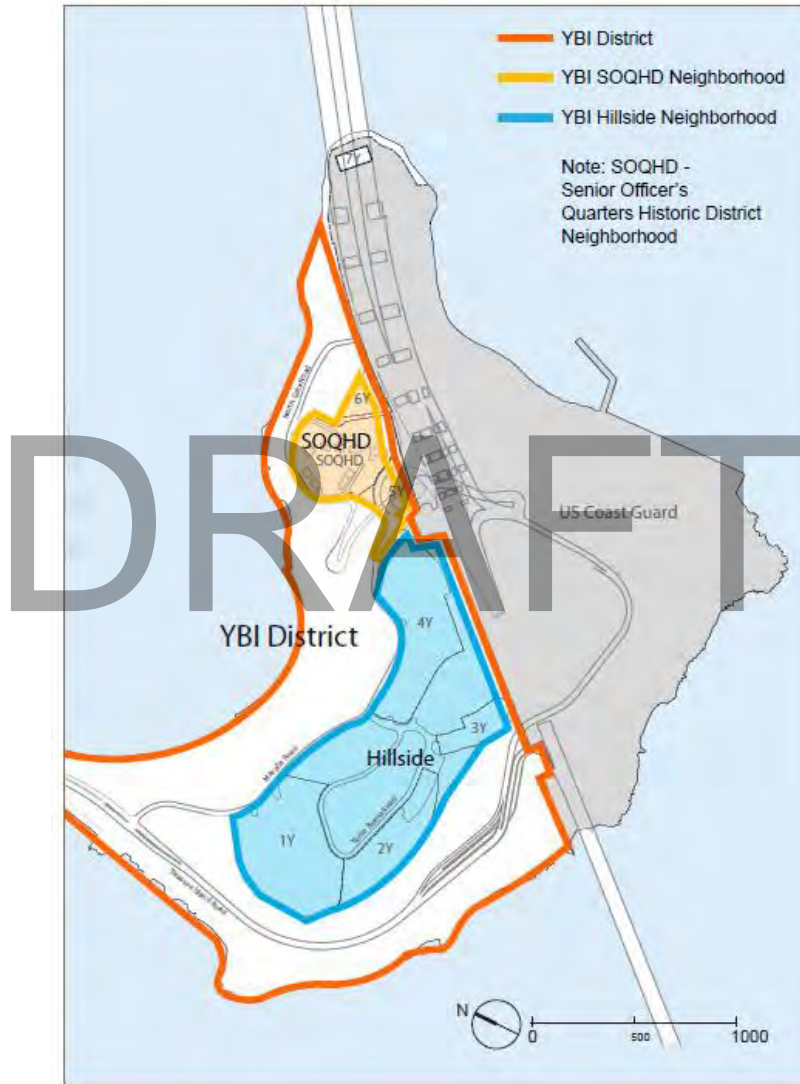
The subject is the first of at least five phases associated with the planned development (Phase A on the following map). As discussed, Parcel 2Y is not presently a part of the subject property, as it is still held by Treasure Island Development Authority, and is excluded from this appraisal.



The boundaries of CFD No. 2016-1, which include the three subject parcels, are presented below.



Currently, land use on Treasure Island includes a mix of residential, retail, and office uses, as well the Treasure Island museum and marina. Yerba Buena Island includes former military offices and improvements, many of which have been/will be demolished for the subject development. There are reportedly approximately 1,005 existing residences on Treasure Island and Yerba Buena Island combined, and 100 non-residential improvements. The eastern portion of Yerba Buena Island, east of the Bay Bridge, remains utilized by the United States Coast Guard. The subject is part of the Hillside area designated on the below map.



Note the U.S. Coast Guard on the eastern portion of the island; the historical Senior Officer's Quarters on the west side of the Bay Bridge will also remain intact.

Outlook and Conclusions

The area is in the growth stage of its life cycle. The plans for Yerba Buena and Treasure Islands include substantial development to an area previously largely only utilized for military purposes. Given its steep sloping topography and location in the Bay, Yerba Buena Island in particular benefits from sweeping views of the San Francisco Bay and skyline, Golden Gate Bridge, Bay Bridge, Treasure Island, Alcatraz, and Angel Island State Park. Yerba Buena Island also benefits from proximity to employment centers in San Francisco and Oakland, while offering a more secluded setting. Given the history of the surrounding area and growth trends, it is anticipated that property values on Yerba Buena and Treasure Islands will increase in the future, though the current COVID-19 pandemic casts some uncertainty over the immediate near term.

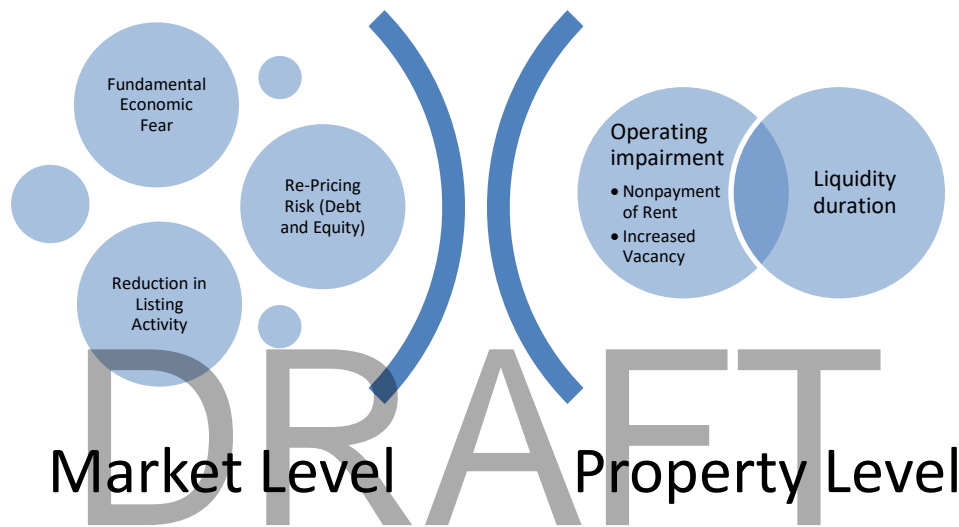
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Surrounding Area Map



COVID-19 Impact On Valuation

Transaction indicators are the best measure of any impact on values due to COVID-19. Given the unique nature and recency of this event, minimal activity is evident from which to draw benchmark comparisons based on transactional data. In the absence of transaction data, market and property specific empirical data can be gleaned to assist in estimating current value. In the initial phases of the pandemic, early emerging trends included:



As of Monday, January 25, 2021, Governor Newsom lifted the State of California’s Stay At Home order, effective immediately. California reverted to the previously established color tiered system as each county was moved back to the Purple Tier – Widespread. The four-tier colored system assists in the gradual reopening of the economy as movement through each tier is intended to reintroduce activities and sectors in a phased manner with necessary modifications to protect public health, and result in a lower risk for COVID-19 transmission and outbreak in a community. On March 2, 2021, San Francisco County moved into the Red Tier, or Tier 2.

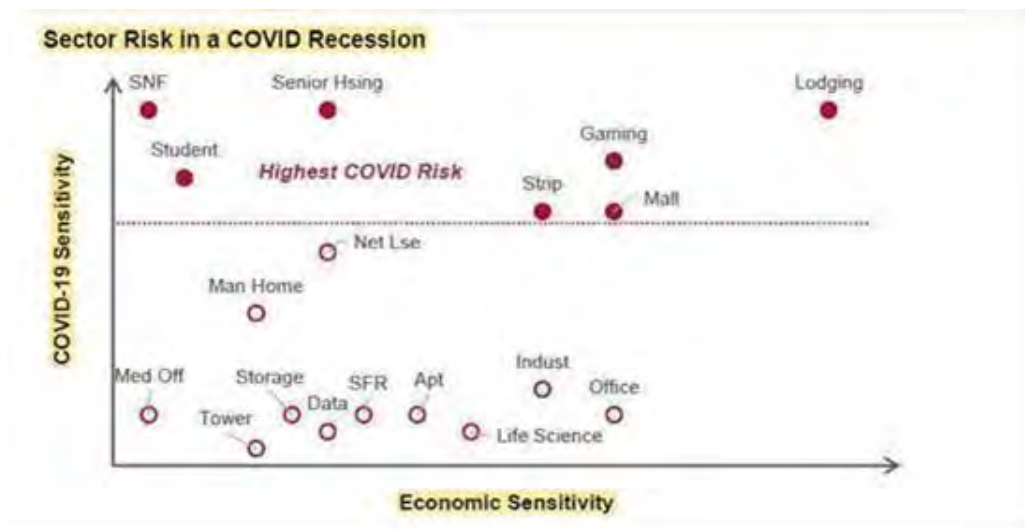
Under the Red Tier, the following sectors are allowed to resume and/or continue operations with the following modifications in conjuncture with state mandated social distancing, masking when applicable, and increased surface sanitization:

- **Retail:** Allows indoor operation at 50% capacity. Additionally, special hours should be instituted for seniors and others with chronic conditions or compromised immune systems.
- **Shopping centers:** Allows indoor access at 50% capacity. Common areas remain closed and food courts may operate at reduced capacity.

- **Hotels and lodging:** Allows for COVID-19 mitigation and containment measures, treatment measures, provide accommodation for essential workers, or providing housing solutions, including measures to protect homeless populations. As well as leisure travel is now open.
- **Entertainment production:** Industries, studios, and other related establishments such as establishments that provide content for professional broadcast can operate.
- **Libraries:** Are now allowed open for indoor activities with a maximum 25% capacity.
- **Personal Care Services:** Nail salons hair salons, barbershops, electrolysis operations, etc. can operate indoors.
- **Professional sports:** Can take place without live audience.
- **Restaurants:** Indoor service may be conducted at 25% capacity, or 100 people, whichever is fewer.
- **Gyms and Fitness centers:** May operate indoors at 10% capacity.
- **Movie theaters:** Maximum 25% capacity or 100 people, whichever is fewer
- **Museums, zoos and aquariums:** May reopen, with up to 25% capacity for indoor zoos and aquariums
- **Places of Worship:** Maximum 25% capacity or 100 people, whichever is fewer
- **Playgrounds, dog parks, skate parks, and recreational facilities**

Impact by Property Type, Class & Location

Below is a graph from Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is challenging.



Market Segmentation Analysis – Single-Family Residential Development

To assess the current sentiment of market participants, we have completed a market survey of land developers, merchant builders, land brokers and developer consultants throughout California participating in ongoing residential developments.

Conversations with market participants during the early months after the announcement of the declared pandemic included an array of responses, but the overall sentiment was the impacts of the COVID-19 pandemic is an interruption in “business as usual,” as many municipalities statewide developed varying restrictions on development.

Interviews with merchant builders with new home communities marketed towards entry-level homebuyers reported initially the interruption in sales pace was limited. Early on, there were instances of cancellations. However, overall closing activity remained at levels similar to the pace of sales prior to the pandemic. This was in large part due to the Builders’ ability to market new home communities from an on-line platform and “by appointment only”. Conversely, new home communities with product lines targeting move-up homebuyers initially reported more disruption. Currently, Builders targeting the full array of new homebuyers (entry level to move-up homes) report robust sales, in terms of both pricing and pace. Several Builders report they are regulating pace of sales in an effort to manage buyer expectations (due to problems delivering homes above a pace of 4-units per month). This also enables them to escalate pricing upon each new phase release, maximizing profits.

With respect to developable residential land, in the midst of some stagnation in the global and national economy and many segments of the commercial market, several builders remain focused on their supply of buildable residential lots over the next 12 to 36 months. Thus, recent evidence demonstrates ongoing interest in a future supply of single-family residential lots in primary market areas, with sales occurring, post COVID-19 pandemic, at price points commensurate with pre-pandemic prices.

Residential Market Analysis

Given prevailing land use patterns, the subject's entitlements for development of the Yerba Buena Island, and current market conditions, the maximally productive use of the property is for residential development. In the following paragraphs, we examine supply and demand indicators for residential development in the subject's area.

The subject is located on Yerba Buena Island in the San Francisco Bay, and is considered to have good transportation linkages to both San Francisco and Oakland. The neighborhood is characterized as a suburban area that appeals those who want both proximity to and seclusion from the city. Based on the characteristics of Yerba Buena Island, the subject characteristics best support a project designed for established home buyers.

Single-Family Building Permits

Single-family and multifamily building permits for San Francisco are shown in the table below.

Building Permits - San Francisco		
Year	Single Family	Multi-family
2008	57	2,238
2009	17	283
2010	22	757
2011	31	1,787
2012	24	3,293
2013	54	4,420
2014	35	2,676
2015	64	2,601
2016	123	3,964
2017	43	4,211
2018	28	5,150
2019	22	3,178
2020	21	1,983
2021 (Jan)	3	525

Source: SOCDs Building Permits Database

Building permits in 2020 were impacted by the COVID-19 pandemic, as planning progress was temporarily halted due to shelter-in-place orders.

Future Development – San Francisco

The following table summarizes the development pipeline according to the San Francisco Planning Department. The units are often part of mixed-use buildings with ground-floor commercial space. It is noted that the pipeline data does not differentiate between for-sale and for-rent projects.

Development Pipeline (net units)

Planning Status	Total No. of	Total Affordable	
	Residential Units	Units	% Affordable
Planning Application Filed	10,685	1,745	16%
Planning Application Approved	32,121	6,792	21%
Building Permit Filed	9,863	1,099	11%
Building Permit Approved	1,337	38	3%
Building Permit Issued	6,783	2,142	32%
Under Construction	9,247	1,603	17%
Total	70,036	13,419	19%

Source: San Francisco 3Q 2020 Development Pipeline data

The following section discusses the impacts on COVID-19 on the San Francisco condominium market.

Impact of COVID-19 on Residential Market

Throughout 2020, home sales activity across the Bay Area remained robust, despite the COVID-19 pandemic. After a temporary dip in sales activity in March and April due to shelter-in-place orders, the residential market rebounded with strong absorption numbers and no discernable discount to pre-pandemic pricing. Multiple sales agents and brokers we interviewed across the Bay Area reported an uptick in sales activity in the Summer of 2020 as buyers, benefitting from historically low interest rates, sought additional space due, in part, to the new prevalence of working remotely. However, the exception to this trend was the San Francisco condominium market, which generally lagged behind the house market. The following excerpt from a July 2020 report entitled “*San Francisco Market Continues to Rebound*”, published by real estate firm Compass, describes this phenomenon:

“Despite the ongoing health and economic crisis precipitated by COVID-19, the SF real estate market made a large recovery from the steep declines in March and April. The SF median house price hit a new monthly high in June (\$1,800,000), and high-end houses, in particular, have seen very strong demand –this applies to virtually every market in the Bay Area. More affluent buyers – the demographic least affected by COVID-19, unemployment, and also having the greatest financial resources—have been jumping back into the market to a greater degree than other segments.

The condo market has been weaker than the house market, as measured by both supply and demand metrics and median sales price. It may be that prospective condo buyers—often younger and less affluent than house owners—have been more affected by the huge jump in unemployment.”

Similarly, a recent real estate report by Compass states,

“Of Bay Area counties, San Francisco was most negatively affected in the months immediately following the implementation of shelter-in-place. Inventory soared and sales plunged, especially in its condo market. In the second half of the year, buyers rushed back into the market.”

The general consensus among market participants is that the condominium market is beginning to recover. A recent February 2021 Business Journals article, entitled “*High-rises and high flyers: will luxury property lead a recovery in San Francisco?*” discusses a recent increase in interest in the San Francisco condominium market from luxury buyers. The article notes there was a discernible change in market sentiment regarding the condominium market in November 2020, as the United States election was decided and promising news regarding COVID-19 vaccines was published.

The following pages provide data on the San Francisco residential market from sales and marketing firms Polaris Pacific and Compass. Charts and tables are courtesy of “*The Polaris Pacific Report*” (February 2021 publication for San Francisco) and the Compass *San Francisco Real Estate* reports for February and March 2021. Data will be presented on median sale prices, current inventory, and sales activity. Overall, the data show some declines in median condominium sale prices and an increase in inventory after a slow first half of 2020. However, this is somewhat offset by strong sales activity in the second half of 2020 and beginning of 2021. The following page provides an infographic from Polaris Pacific, which summarizes the San Francisco condominium market as of February 2021.

DRAFT

MARKET SNAPSHOT SAN FRANCISCO / FEB 2021



LOW-RISE BUILDING PSF
4 STORIES OR LESS

\$1,345

ANNUAL CHANGE

-6.8%



MID-RISE BUILDING PSF
5-12 STORIES

\$1,388

ANNUAL CHANGE

-8.4%



HIGH-RISE BUILDING PSF
13 STORIES OR MORE

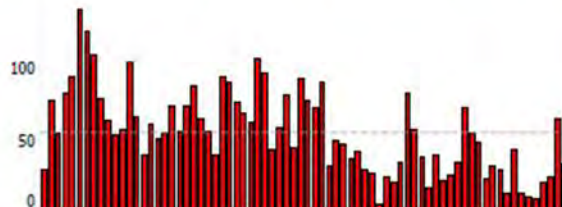
\$1,402

ANNUAL CHANGE

-10.6%

The median price of an existing condominium in San Francisco during the three months ending January 31 was \$1,121,833, a 9.2 percent decrease from last year. The decline in median price resulted in a 72.9 percent increase in resales from a year ago. Resale inventory also increased compared to last year, but the dramatic rise in sales over the past few months has continued to push the Months of Remaining Inventory (MRI) down to 2.8 months, a substantial drop from its high of 4.4 months in October 2020. As resale inventory increased, new-construction inventory followed suit and rose 18.2 percent from last year to 1,058 unsold units.

NEW CONSTRUCTION ESCROWS (2015 - 2021)



33 New Construction Condo Sales
Avg New Construction Sales (2015 - 2021): 56 Condos

PENDING CONDO RESALES (2015 - 2021)



264 Pending Condo Resales
Avg Pending Condo Sales (2015 - 2021): 200 Condos

MEDIAN RESALE PRICE (2015 - 2021)

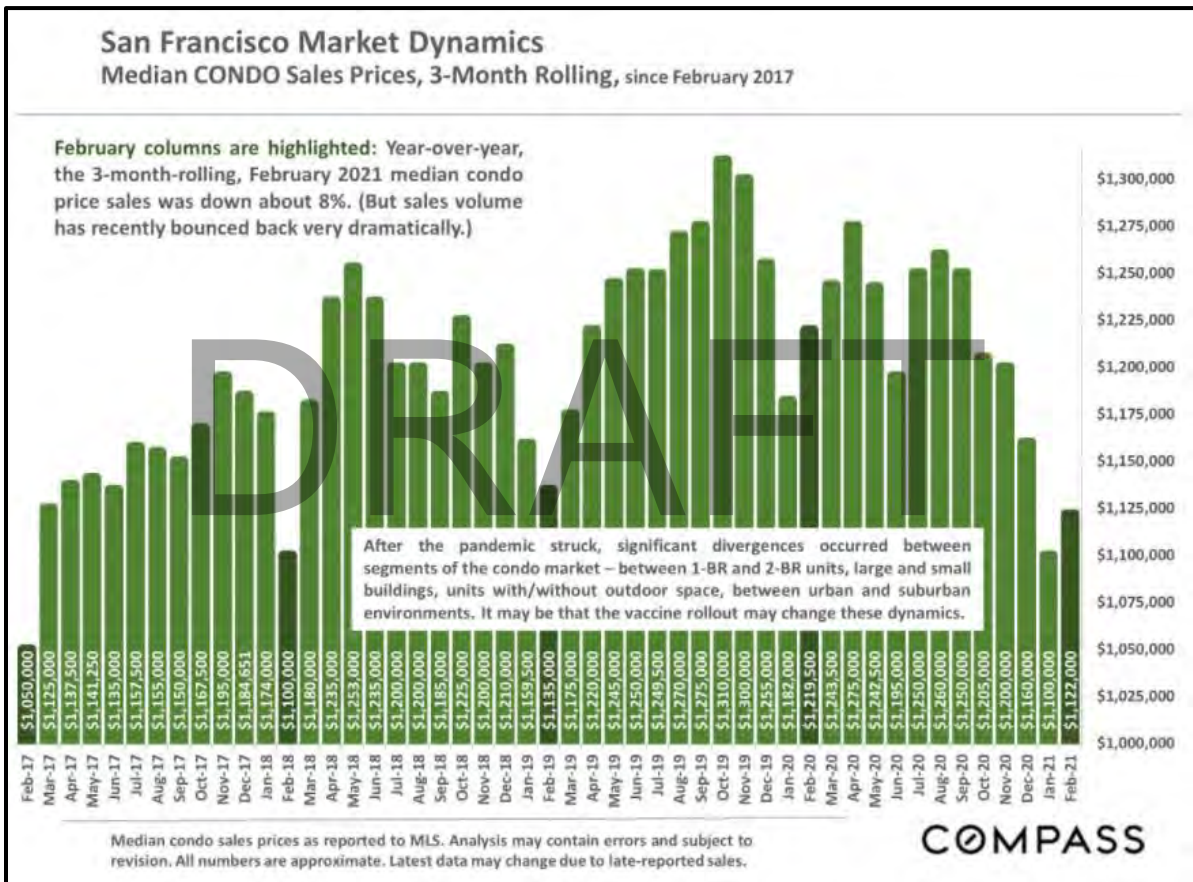


\$1,121,833 Median Resale Price
▼ 9.2% from January 2020
Avg Median Resale Price (2015 - 2021): \$1,157,103

Source: SFMLS, Polaris Pacific. PSF dollar amounts are for buildings built after 2004.

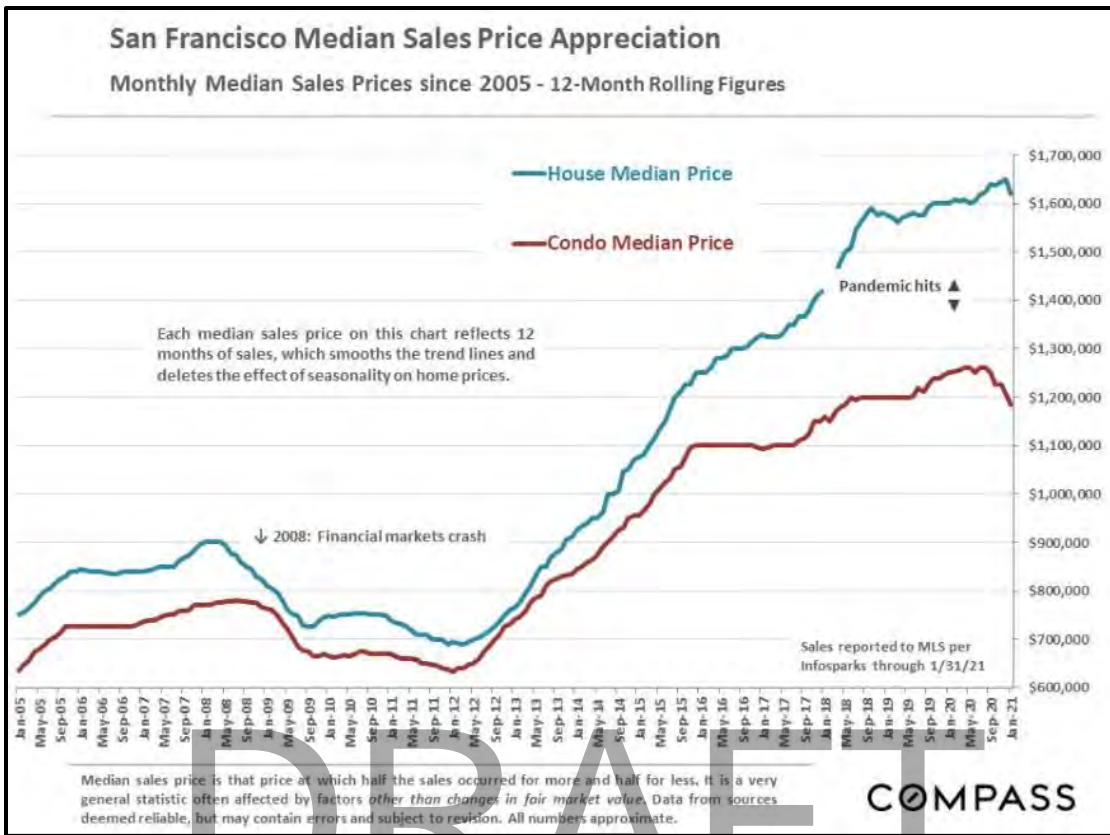


According to Compass and Polaris Pacific, median condominium sale prices fell between approximately 8% to 9%. The following chart demonstrates a decline of approximately 8% from prices twelve months ago. The chart also notes “significant divergences” between segments of the market, and highlights factors such as unit size, the existence of private outdoor space, and urban versus suburban character. This information is consistent with our conversations with local sales agents, who often noted the growing popularity of larger units, private outdoor space, and suburban settings. Demand for these characteristics is a positive sign for the subject project, as the subject’s average unit size is larger than the typical San Francisco condo, many of the units offer outdoor space (either private yards or balconies/terraces), and the subject enjoys a suburban location on Yerba Buena Island.

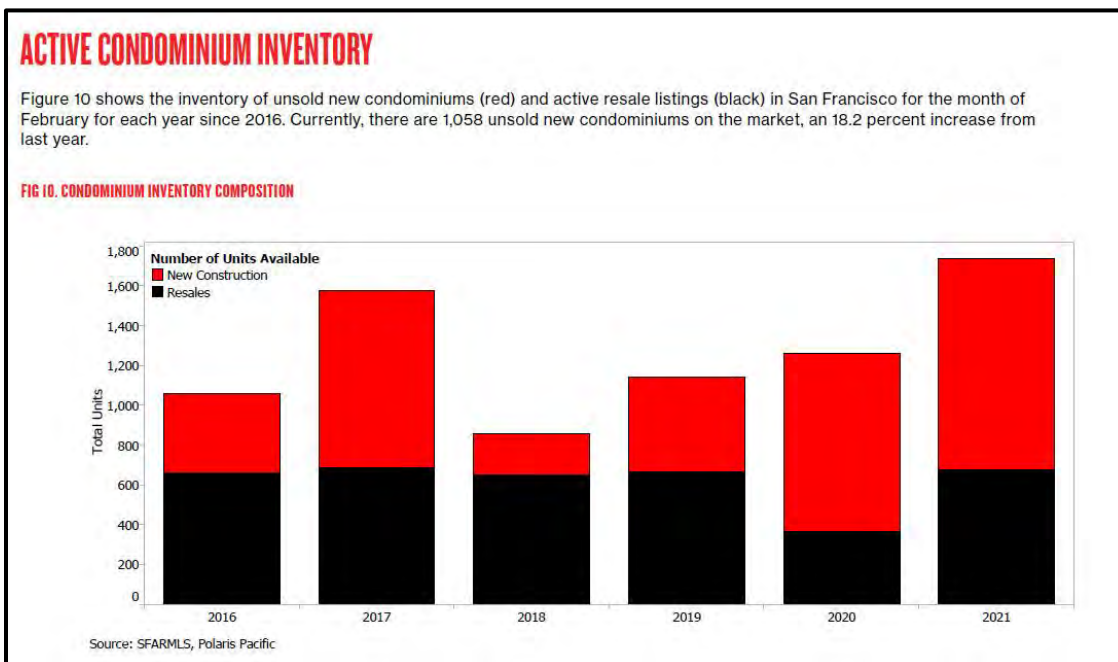


Declines in median condominium sales pricing are further illustrated on the following page.

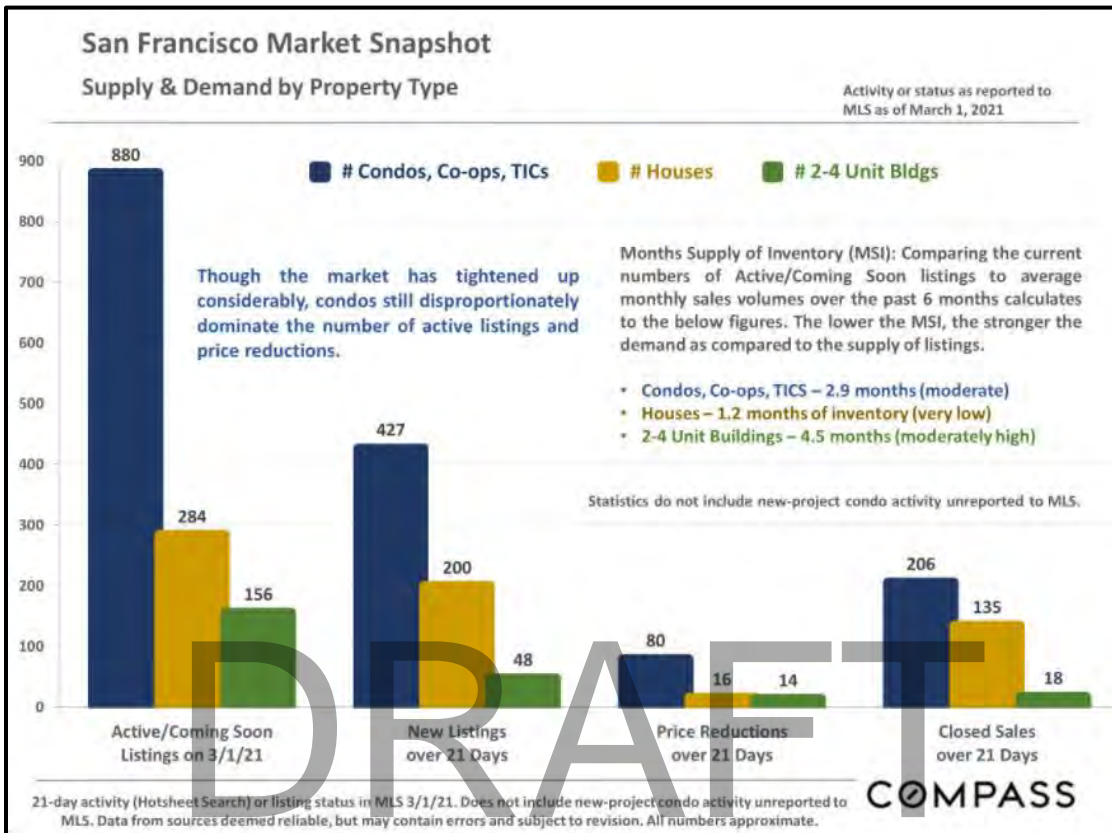




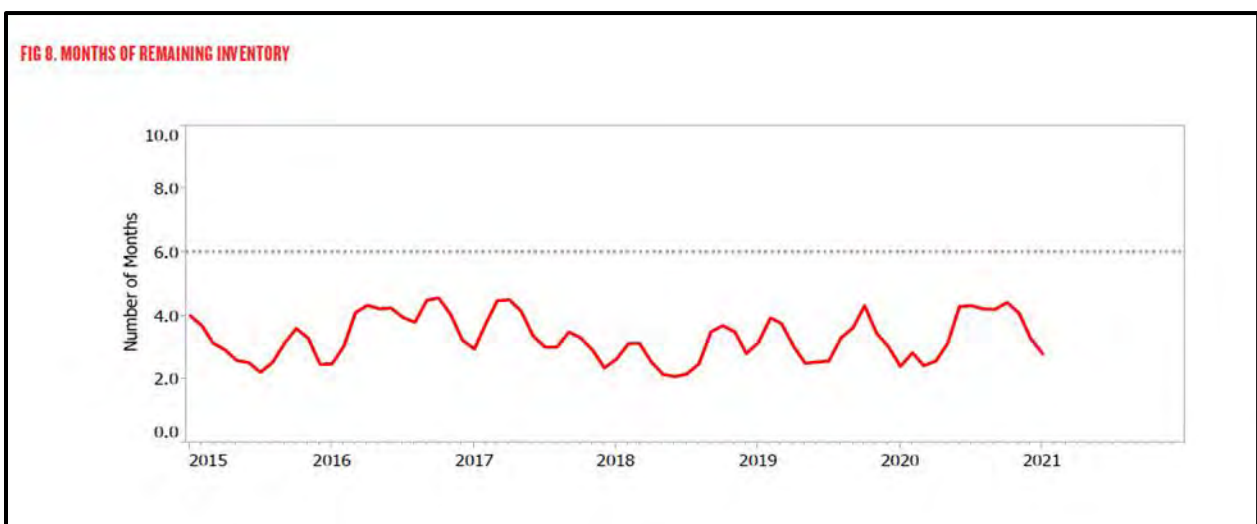
As will be demonstrated later in this section, average absorption rates for active condominium projects in San Francisco fell significantly in 2020 compared to year end 2019. The below chart demonstrates an 18.2% increase in active condominium listings over the previous year.



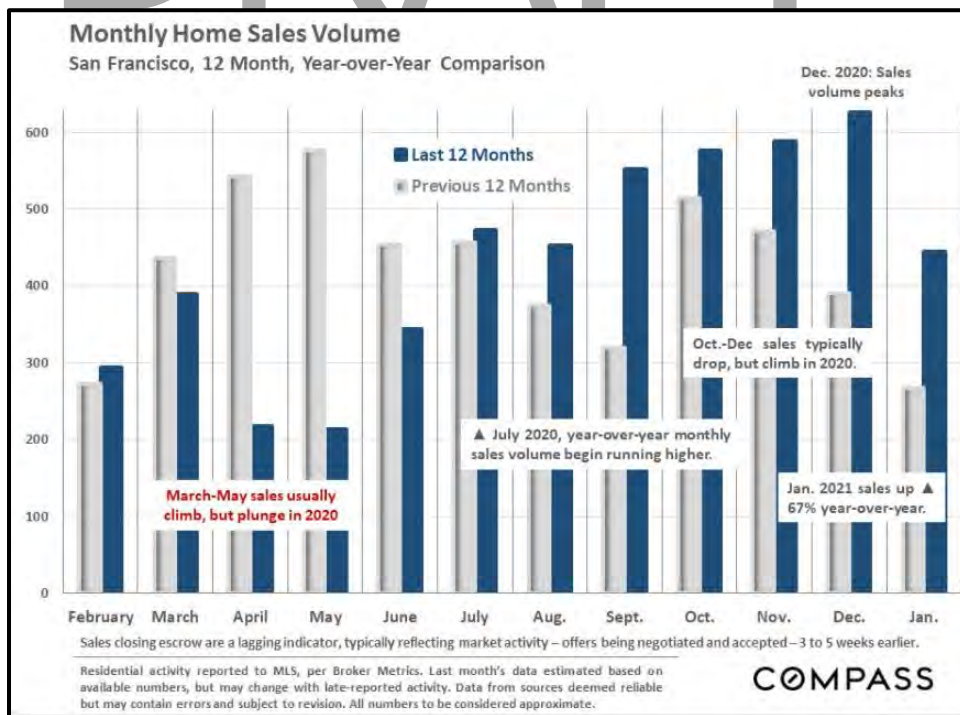
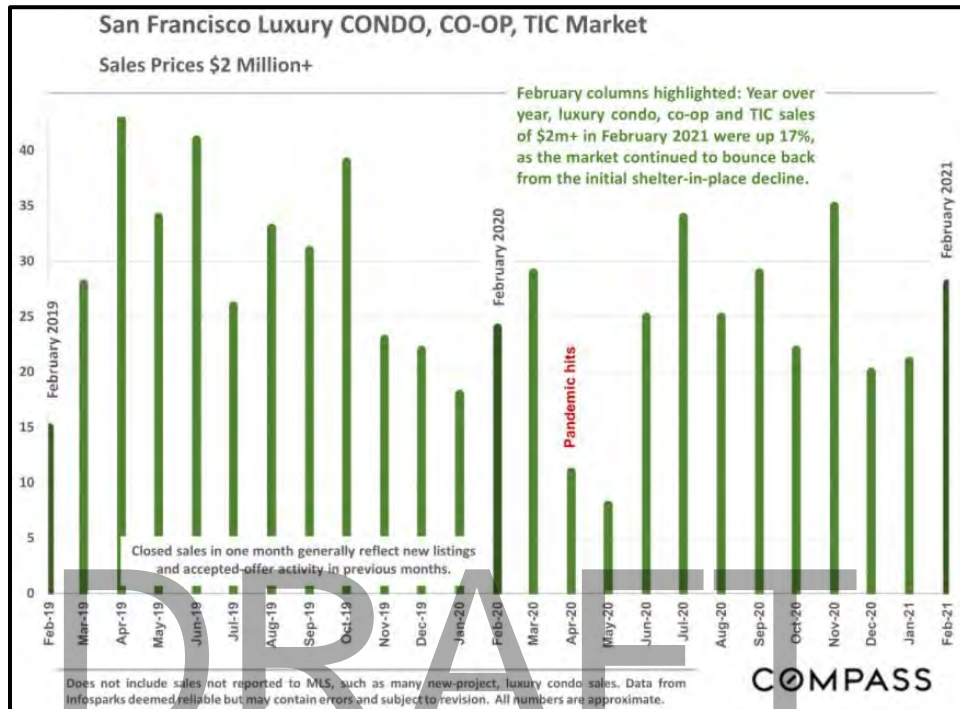
Despite this, as evidenced below, condominium inventory remains well below the six month mark of a balanced market, at 2.9 months.



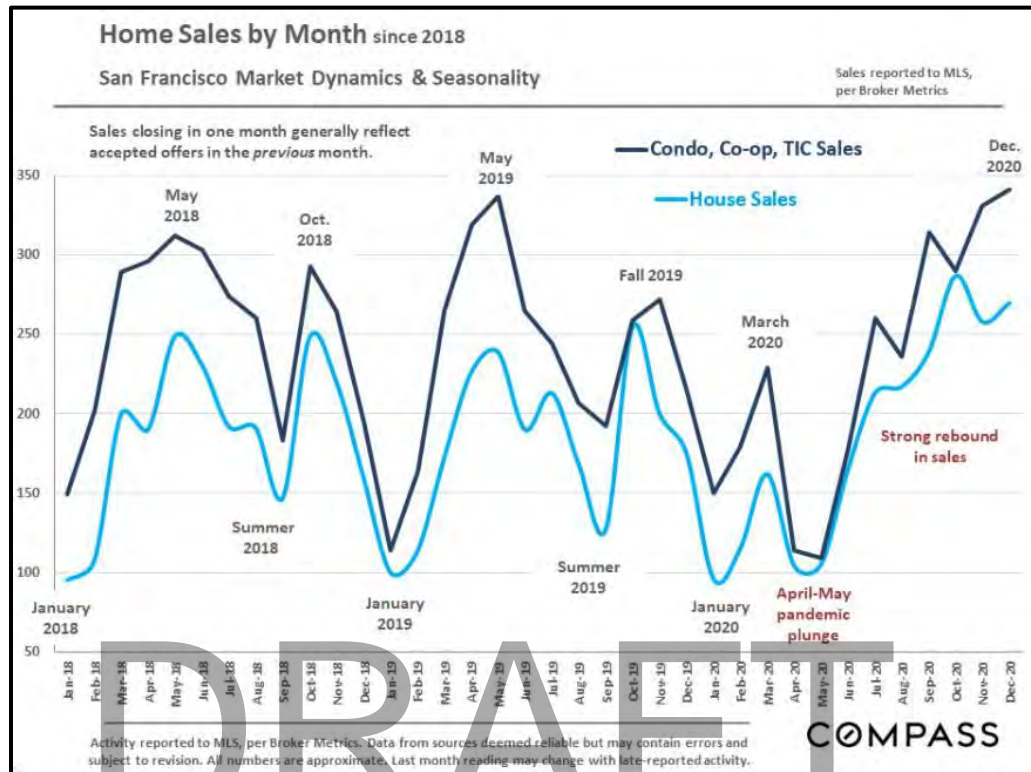
The below chart from Polaris Pacific demonstrates the drop in number of months of condominium inventory in the second half of 2020 and beginning of 2021. In addition, Polaris Pacific reports average days on market is at 55 days, still below the 60-day benchmark.



Sales activity in the condominium market (and broader San Francisco residential market) was strong in February 2021. Luxury condominium sales were up 17% over the previous year. In addition, residential sales across all property types peaked in December 2020 (Compass reports this is the first time for a December peak), and sales were up 67% in January 2021.



The rebound in sales activity after shelter-in-place orders is again demonstrated below across all residential property types.



Active New Home Projects Pricing and Absorption

The following tables include active newly constructed condominium projects for which we were able to obtain absorption data. The comparables are located in various San Francisco neighborhoods, but all reflect recent construction. Because the COVID-19 pandemic was disruptive to the San Francisco condominium market in particular, we present absorption data for active 2021 projects, as well as year end 2019 data for comparison. Projects highlighted in gray have sold out since the time of reporting.



Active Projects - Feb 2021

Project	Neighborhood	Developer	No. of Units	Year Bt	Sale Price		Avg. \$/SF	Stories	Monthly HOA	Date on Market	Sales per Month
					(Low)	(High)					
Murano	Cow Hollow	Centrix Builders	22	2021	\$1,049,000	\$1,649,000	\$1,374 to \$1,455	4	\$958 to \$1,580	2/1/2021	--
Elevant	Civic Center	JS Sullivan	55	2020	\$600,000	\$800,000	\$1,039 to \$1,047	11	--	11/1/2020	1.0
Mission Modern	Inner Mission	March Capital	24	2020	\$785,000	\$1,389,000	\$1,249 to \$1,459	6	\$463 to \$568	3/1/2020	0.8
Crescent	Nob Hill	Grosvenor	44	2020	\$1,325,000	\$4,900,000	\$1,469 to \$2,505	6	--	3/1/2020	0.6
One Steuart Lane	SOMA	Paramount Group	120	2021	\$1,600,000	\$10,000,000	\$1,907 to \$3,333	20	\$2,000	2/1/2020	--
Maison au Pont	Marina	JS Sullivan	43	2020	\$700,000	\$1,608,000	\$1,409 to \$1,631	4	\$650	2/1/2020	2.5
Union House*	Cow Hollow	DM Development	41	2020	\$1,500,000	\$5,500,000	\$1,714 to \$2,625	6	\$900 to \$1,500	2/1/2020	1.3
950 Tennessee	Leap Development	Leap Development	100	2019	\$664,000	\$1,430,000	\$1,278 to \$1,659	4	\$435 to \$680	11/1/2019	2.1
2177 Third Street*	Dogpatch	Align Partners	114	2019	\$700,000	\$1,300,000	\$867 to \$1,400	6	\$742 to \$983	11/1/2019	2.1
One Eleven	SOMA	Z&L Properties	39	2020	\$599,000	\$1,050,000	\$1,076 to \$1,195	8	\$525 to \$640	10/1/2019	0.6
The Westerly	Sunset	Propriis	56	2019	\$797,000	\$1,354,000	\$998 to \$1,223	5	\$450 to \$550	9/1/2019	0.9
Four Seasons Private Residences	Yerba Buena	Westbrook Partners	146	2020	\$2,300,000	\$49,000,000	\$2,140 to \$4,900	43	\$3,140 to \$6,200	5/1/2019	--
Mira	Transbay	Tishman Speyer	392	2020	\$1,000,000	\$7,250,000	\$1,500 to \$3,000	40	\$900 to \$1,475	10/1/2018	--
The Avery	Yerba Buena	Related	118	2019	\$1,750,000	\$8,770,000	\$1,827 to \$2,362	55	\$1,530 to \$1,900	5/1/2018	0.8
181 Fremont	Yerba Buena	Jay Paul Company	67	2017	\$1,400,000	\$8,750,000	\$2,275 to \$3,176	17 (residential)	\$2,000 to \$3,500	5/1/2018	1.2
One Mission Bay	Mission Bay	CIM Group	348	2017	\$582,000	\$3,950,100	\$900 to \$2,162	16	\$622 to \$825	4/1/2016	6.0
The Harrison	Rincon Hill	Maximus Real Estate	299	2016	\$740,000	\$7,500,000	\$729 to \$2,333	49	\$1,240 to \$1,480	4/1/2016	5.0
555 Fulton	Hayes Valley	Fulton Street Ventures	139	2016	\$691,380	\$1,344,801	\$1,097 to \$1,388	5	\$490 to \$600	7/1/2015	1.3
Average											1.9

Source: The Polaris Pacific Report - San Francisco February 2021; IRR research

*2177 Third Street absorption is IRR estimate; Union House absorption is as of October 2020

Active Projects - Year End 2019

Project	Neighborhood	Developer	No. of Units	Year Bt	Sale Price		Avg. \$/SF	Stories	Monthly HOA	Sales per Month	
					(Low)	(High)					
Four Seasons Private Residences	Yerba Buena	Westbrook Partners	146	2021	\$2,300,000	\$13,000,000	\$1,356 to \$2,198	--	\$3,140 to \$6,200	4.1	
1433 Bush Street	Lower Nob Hill	JS Sullivan	40	2019	\$580,000	\$1,435,000	\$1,286 to \$1,514	8	\$470 to \$615	7.6	
The Avery	Yerba Buena	Related	118	2019	\$1,785,000	\$5,100,000	\$1,890 to \$2,124	55	\$1,530 to \$1,900	1.1	
950 Tennessee	Dogpatch	Leap Development	100	2019	\$664,000	\$1,430,000	\$1,278 to \$1,659	4	\$435 to \$680	12.0	
The Westerly	Sunset	Propriis	56	2019	\$797,000	\$1,354,000	\$998 to \$1,223	5	\$450 to \$550	3.3	
2177 Third Street	Dogpatch	Align Partners	114	2019	\$795,000	\$2,150,000	\$1,377 to \$1,590	6	--	15.0	
One Eleven	SOMA	Z&L Properties	39	2019	\$825,000	\$1,171,000	\$1,199 to \$1,647	9	\$525 to \$640	4.0	
99 Rausch	SOMA	Belrich Partners	112	2018	\$580,000	\$2,600,000	\$1,285 to \$1,545	6	\$515 to \$900	3.6	
One Mission Bay	Mission Bay	CIM Group	348	2017	\$582,000	\$3,000,000+	\$1,221 to \$1,569	16	\$622 to \$825	7.9	
The Austin	Lower Nob Hill	Pacific Eagle	103	2017	\$615,000	\$2,045,000	\$1,340 to \$1,428	12	\$650 to \$1,050	3.1	
181 Fremont	Yerba Buena	Jay Paul Company	67	2017	\$1,400,000	\$8,750,000	\$2,275 to \$3,176	17 (residential)	\$2,000 to \$3,500	1.7	
Stage 1075	Mid Market	Encore Housing	90	2017	\$539,000	\$1,259,000	\$1,294 to \$1,336	8	\$585 to \$820	3.5	
555 Fulton	Hayes Valley	Fulton Street Ventures	139	2016	\$691,380	\$1,344,801	\$1,097 to \$1,388	5	\$490 to \$600	0.9	
The Harrison	Rincon Hill	Maximus Real Estate	278	2016	\$740,000	\$7,500,000	\$1,359 to \$2,163	49	\$1,240 to \$1,480	7.0	
Lumina	Rincon Hill	Tishman Speyer	656	2016	\$7,375,000	\$11,495,000	--	37 to 42	\$930 to \$1,350	--	
Average											5.3

Source: The Polaris Pacific Report - San Francisco December 2019; IRR research

The average absorption rate for active condominium projects as of February 2021 was 1.9 sales per month, significantly lower than the average of 5.3 sales per month at the end of 2019. It should be noted, with the exception of Cow Hollow, the subject's location is superior to many of the comparable neighborhoods. Among projects active as of February 2021, One Mission Bay and The Harrison stand out as the only two projects with monthly absorption rates over 2.5 sales per month.

The projects with lower price points generally reflect higher absorption rates. Active 2021 projects with sale prices under \$1,250,000 (at the low end of the range) are reporting sales between 0.6 and 2.5 sales per month, averaging 2.2 sales per month. Active projects with base sale prices over \$1,250,000 range from 0.6 to 1.3 sales per month, averaging just under 1.0 sales per month.

In addition, the following table reflects recently constructed condominium projects which achieved sell out over the past several years.

Recently Sold Out Projects (2016 or later)												
Project	Neighborhood	Developer	No. of Units	Year Bld	Monthly HOA	Sale Price (Low)	Sale Price (High)	Avg. \$/SF	Stories	Sold Out Date	Sales per Month	
99 Rausch	SOMA	Belrich Partners	112	2018	\$515 to \$900	\$580,000	\$2,600,000	\$1,105 to \$1,783	6	Feb-21	2.5	
540 De Haro Street	Potrero Hill	Aralon Properties	16	2020	\$450 to \$588	\$1,100,000	\$2,600,000	\$1,178 to \$1,538	4	Jan-21	2.0	
The Austin	Lower Nob Hill	Pacific Eagle	103	2017	\$650 to \$1,050	\$615,000	\$2,045,000	\$951 to \$1,909	12	Jan-21	2.1	
Lumina	Rincon Hill	Tishman Speyer	656	2016	\$930 to \$1,350	\$990,250	\$4,000,000	\$1,080 to \$1,806	37 to 42	Dec-20	3.0	
1433 Bush Street	Lower Nob Hill	JS Sullivan	40	2019	\$470 to \$615	\$580,000	\$1,435,000	\$1,286 to \$1,514	8	Jul-20	2.8	
Stage 1075	Mid Market	Encore Housing	90	2017	\$585 to \$820	\$539,000	\$1,259,000	\$1,294 to \$1,336	8	Jan-20	3.2	
719 Larkin	Tenderloin	JS Sullivan	42	2019	\$517 to \$548	\$650,000	\$815,000	\$1,194 to \$1,206	8	Nov-19	6.0	
901 Tennessee	Dogpatch	Local Development Group	44	2019	\$622 to \$825	\$499,000	\$1,779,000	\$1,327 to \$1,675	4	Nov-19	4.9	
Sutter North	Lower Nob Hill	Marc Dimalanta	37	2018	\$490 to \$575	\$599,000	\$999,000	--	9	Aug-19	1.5	
1868 Van Ness	Nob Hill	Peter Iwate	35	2017	\$695 to \$842	\$789,000	\$1,189,000	\$1,276 to \$1,371	8	Jun-19	1.2	
The Alexandria	Central Richmond	Time Space San Francisco	43	2018	\$410 to \$540	\$780,000	\$1,200,000	\$1,185 to \$1,370	4	May-19	3.0	
288 Pacific	Jackson Square	Grosvenor	33	2018	--	+/- \$2,300,000	+/- \$2,300,000	+/- \$1,906	7	Apr-19	2.4	
1598 Bay St	Marina	Presidio Development Partners	28	2018	\$700 to \$865	\$845,000	\$1,950,000	\$1,365 to \$1,577	4	Mar-19	2.5	
815 Tennessee	Dogpatch	DM Development	68	2017	--	--	--	--	5	Nov-18	5.2	
1188 Valencia	Mission	JS Sullivan	49	2018	\$480 to \$620	--	--	--	5	Sep-18	4.7	
The Pacific	Pacific Heights	Trumark Urban	76	2016	--	--	--	--	9	Jul-18	3.3	
1450 Franklin	Lower Pacific Heights	Village Properties	67	2016	\$700 to \$875	--	--	--	13	Jun-18	3.1	
The District	Lower Pacific Heights	KB Homes	81	2016	\$680 to \$950	\$860,000	\$1,562,500	\$1,084 to \$1,192	6	May-18	2.8	
72 Townsend	South Beach	KB Homes	74	2016	\$700 to \$1,100	--	--	--	9	Mar-18	2.0	
The Rockwell	Lower Pacific Heights	Oyster Development	259	2016	\$500 to \$900	\$784,500	\$3,100,000	\$1,240 to \$1,467	13	Jan-18	8.0	
La Maison	SOMA	JS Sullivan	28	2017	--	--	--	--	5	Jan-18	2.3	
Knox	Dogpatch	Trumark Urban	91	2016	--	--	--	--	4 to 5	Nov-17	11.1	
Rowan	Inner Mission	Trumark Urban	70	2015	\$572 to \$778	--	--	--	9	Nov-17	5.3	
Luxe	Pacific Heights	Belrich Partners	34	2016	\$800 to \$1,000	--	--	--	7	Mar-17	0.5	
Summit 800	Duboce Triangle	Comestock Homes	182	2016	\$180 to \$300	--	--	--	3	Feb-17	6.0	
388 Fulton	Civic Center	7x7 Development	69	2016	\$345 to \$500	--	--	--	6	Dec-16	7.5	
450 Hayes	Hayes Valley	DM Development	41	2016	\$700 to \$1,000	--	--	--	4	Nov-16	4.4	
One Franklin	Hayes Valley	JS Sullivan	35	2016	\$550 to \$650	--	--	--	8	Oct-16	8.6	
1001 17th St	Potrero Hill	Eamonn Herlihy	26	2016	\$400 to \$750	--	--	--	4	Aug-16	2.8	
Average (2020 + 2021)											2.6	
Average (2019)											3.1	
Average (all)											4.0	

The average rate of absorption for all projects in the above table is 4.0 sales per month. Projects which sold out in 2019 reflect an absorption rate of 3.1 sales per month, while projects that sold out in 2020 and the first two months of 2021 reflect an absorption rate of 2.6 sales per month. This data highlights the impact of the pandemic on the San Francisco condominium market. However, many of the projects presented in the previous tables are located in denser, more urban environments within the city core. Neighborhoods such as SOMA and Mid-Market were more heavily impacted by the pandemic than neighborhoods such as Pacific Heights and Cow Hollow.

As discussed, the San Francisco condominium market is rebounding, with luxury product leading the recovery as the luxury buyer pool was one of the least impacted by the pandemic. In addition, the subject has several positive characteristics which have been appealing to homebuyers since the onset of COVID-19. These include a suburban location with an abundance of parks and walking trails, rather than a dense, urban neighborhood, large unit sizes, and homes with private outdoor space (either a yard or balcony/terrace). In addition, commuting time becomes less of a concern to those primarily working from home; though, the subject is well positioned between San Francisco and Oakland employment centers. Finally, the subject reflects new construction, which is currently often preferred to previously occupied housing by some buyers. As the condominium market continues to recover, we anticipate sales activity will continue to increase above 2020 levels.

The subject's residential product will range from condominiums within a five-story improvement (The Bristol) to townhomes and flats between three and four stories. Therefore, the subject is most similar to comparables with eight stories or less. Our market value conclusion for The Bristol's average unit reflects a price point of around \$1,700,000, which falls within the range of comparable sale prices. The Developer indicates four of The Bristol's units were listed on the MLS in mid-February 2021. As of the date of report, the Developer reports eight of the subject units are in-contact. This suggests a pace of

sales significantly above the average 2020 absorption rate of 1.9 sales per month, and is more similar to the rates reported by One Mission Bay, The Harrison, and the 2019 year-end data. Given the price point and size of the proposed units, the suburban characteristics of the subject, and recent subject sales activity, we project an absorption rate of between **4.0** and **5.0** sales per month is appropriate for The Bristol units (1,203 square feet for market rate units). Therefore, we conclude at an absorption rate of **14.0** sales per quarter.

However, at 2,615 to 3,640 square feet, the subject's average townhome and flat will be considerably larger than The Bristol units. The price point for these units is also expected to be significantly higher, with our market value conclusion around \$4,250,000 for a representative unit. Given this higher price point, and the pool of buyers with interest in this product type, we project an absorption rate of **1.7** sales per month, or **5.0** sales per quarter, for these units. This is toward the middle of the comparable range for 2020 data.

Absorption Projection - Parcels 1Y, 3Y, & 4Y

	Units/Month	Units/Quarter
The Bristol	4.7	14
Townhomes/Flats	1.7	5

Ability to Pay

In this section, we will examine the ability to pay among prospective buyers for a representative price point among the developer's various product types. As previously discussed, the average unit size for The Bristol's market rate units is 1,203 square feet; we have estimated a corresponding sale price at \$1,700,000.

First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 3.0%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes and insurance). Property tax payments are accounted for in the analysis as well as homeowner's insurance. The following table shows the estimate of the annual household income that would be required to afford homes priced at the representative price point.

Income Required - The Bristol

Home Price	\$1,700,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$1,360,000
Interest Rate	3.00%
Mortgage Payment	\$5,734
Ad Valorem Taxes	\$1,698
Bond Payments	
CFD No. 1	\$650
Property Insurance	\$354
Total Monthly Obligation	\$8,436
Mortgage Payment % of Income	40%
Monthly Income	\$21,090
Annual Income	\$253,074

We also conduct the same analysis for the subject's townhomes and flats. We have estimated a representative price point of \$4,250,000 for these units, which are between 2,800 and 2,900 square feet.

Income Required - Townhomes/Flats

Home Price	\$4,250,000
Loan % of Price (Loan to Value)	80%
Loan Amount	\$3,400,000
Interest Rate	3.00%
Mortgage Payment	\$14,335
Ad Valorem Taxes	\$4,245
Bond Payments	
CFD No. 1	\$650
Property Insurance	\$885
Total Monthly Obligation	\$20,115
Mortgage Payment % of Income	40%
Monthly Income	\$50,286
Annual Income	\$603,435

We have obtained income data from Spotlight Analytics, for a 20-mile radius surrounding the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket. Although, a representative area of typical buyers for the subject property would likely characterize a broader region, as the likely subject buyer profile will mostly reflect move-up homebuyers, or possibly those purchasing a second home.

Household Ability - The Bristol

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	88,202	7.1%	0.0%	0	0.0%
\$15,000 - \$24,999	71,546	5.8%	0.0%	0	0.0%
\$25,000 - \$34,999	65,009	5.3%	0.0%	0	0.0%
\$35,000 - \$49,999	93,265	7.5%	0.0%	0	0.0%
\$50,000 - \$74,999	140,080	11.3%	0.0%	0	0.0%
\$75,000 - \$99,999	126,779	10.2%	0.0%	0	0.0%
\$100,000 - \$124,999	113,734	9.2%	0.0%	0	0.0%
\$125,000 - \$149,999	98,973	8.0%	0.0%	0	0.0%
\$150,000 - \$199,999	136,786	11.1%	0.0%	0	0.0%
\$200,000 - \$249,999	86,567	7.0%	0.0%	0	0.0%
\$250,000 - \$499,999	112,173	9.1%	98.8%	110,827	9.0%
\$500,000	<u>104,359</u>	<u>8.4%</u>	100.0%	<u>104,359</u>	<u>8.4%</u>
	1,237,473	100.0%		215,186	17.4%

Household Ability - Townhomes/Flats

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	88,202	7.1%	0.0%	0	0.0%
\$15,000 - \$24,999	71,546	5.8%	0.0%	0	0.0%
\$25,000 - \$34,999	65,009	5.3%	0.0%	0	0.0%
\$35,000 - \$49,999	93,265	7.5%	0.0%	0	0.0%
\$50,000 - \$74,999	140,080	11.3%	0.0%	0	0.0%
\$75,000 - \$99,999	126,779	10.2%	0.0%	0	0.0%
\$100,000 - \$124,999	113,734	9.2%	0.0%	0	0.0%
\$125,000 - \$149,999	98,973	8.0%	0.0%	0	0.0%
\$150,000 - \$199,999	136,786	11.1%	0.0%	0	0.0%
\$200,000 - \$249,999	86,567	7.0%	0.0%	0	0.0%
\$250,000 - \$499,999	112,173	9.1%	0.0%	0	0.0%
\$500,000	<u>104,359</u>	<u>8.4%</u>	93.6%	<u>97,680</u>	<u>7.9%</u>
	1,237,473	100.0%		97,680	7.9%

Conclusions

Demand for homes in the subject's market area remains strong at the current time, and the condominium market in San Francisco is rebounding with the luxury condominium market leading the way.

While there are no existing comparables on Yerba Buena Island, there is demand in established, residential neighborhoods in San Francisco for upscale condominiums and townhomes from buyers who do not wish to reside in busier areas closer to the central business district. Yerba Buena Island's seclusion, sweeping Bay views, and convenient interstate access to San Francisco and Oakland is expected to be appealing to buyers. However, some of these attributes may be tempered by the fact that some San Francisco buyers prefer to live on the San Francisco Peninsula, within the broader city limits of San Francisco.

Property Analysis

Land Description and Analysis

Location

The subject property is comprised of three parcels located on Yerba Buena Island. A map of the parcels follows this section.

Land Area

The following table summarizes the subject's land area.

Land Area Summary				
Tax ID	Developable		SF	Acres
	Parcel	Ownership Entity		
8948-001	1Y	YBI Phase 4 Investors, LLC	575,866	13.22
8952-001	3Y	YBI Phase 2 Investors, LLC	61,345	1.41
8954-002	4Y	YBI Phase 1 Investors, LLC	231,763	5.32
Total			868,974	19.95

Source: Public Records

Shape and Dimensions

The subject parcels are irregular in shape, given the topography of the island. However, site utility based on shape and dimensions remains average.

Topography

The subject sites are generally steep. The developer's proposal utilizes the landscape to maximize views of the Bay and San Francisco skyline when possible. The topography does not result in any particular development limitations, though it obviously influences the development of the subject.

Off-site Improvements

In addition to roads and street improvements, infrastructure includes development associated with Hilltop Park, pedestrian trails, Treasure Island Causeway improvements, and utility infrastructure and upgrades. Yerba Buena Island will also be receiving three 1.4-million-gallon water tanks.

According to the development budget provided by the master developer, total infrastructure costs associated with development of Improvement Area No. 1 are \$130,172,342. Further, according to the master developer, \$93,324,812 in costs have been incurred to date, with remaining development costs estimated at \$36,847,530 (\$130,172,342 - \$93,324,812). However, these costs are attributable to Parcels, 1Y, 2Y, 3Y, and 4Y of Improvement Area No. 1. As previously noted, Parcel 2Y is not a part of this Appraisal; as such, the proportionate share of infrastructure costs for YBI attributable to the subject property (Parcels 1Y, 3Y, and 4Y) will be considered in the valuation analysis herein, along with consideration for the costs incurred to date.

The following table provides an allocation of backbone infrastructure costs for YBI. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership.

Pro Rata Share of Infrastructure

Designation	Total Costs	Costs Incurred to Date	Remaining Costs to Complete
Total Infrastructure Costs:	\$130,172,342	\$93,324,812	\$36,847,530

Parcel	Acreage	Pro Rata Share	Infrastructure Costs	Costs Incurred to Date	Remaining Costs to Complete
Parcel 1Y	6.49	41.9%	\$54,510,797	\$39,080,574	\$15,430,223
Parcel 2Y	2.28	14.7%	\$19,155,449	\$13,733,168	\$5,422,281
Parcel 3Y	1.41	9.1%	\$11,826,243	\$8,478,621	\$3,347,622
Parcel 4Y	5.32	34.3%	\$44,679,853	\$32,032,449	\$12,647,404
	15.50	100.0%	\$130,172,342	\$93,324,812	\$36,847,530

Remaining Costs Left to Spend - Parcel 2Y

\$5,422,281

Remaining Costs Left to Spend - Parcels 1Y, 3Y, 4Y

\$31,425,249

Parcel	Revenue	Pro Rata Share	Remaining Costs to Spend
4Y	\$113,660,000	54.9%	\$17,267,555
3Y	\$9,760,000	4.7%	\$1,482,767
1Y	\$83,430,000	40.3%	\$12,674,927
	\$206,850,000	100.0%	\$31,425,249

On-site Improvements

Development of Parcel 4Y has commenced, while development of Parcels 3Y and 1Y has not yet begun. To date, approximately \$65,000,000 has been spent on the construction of The Bristol.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

According to the Federal Emergency Management Agency, a study has not been completed to determine the flood hazard for the subject property. No FEMA flood hazard maps have been published for the City and County of San Francisco. Therefore, mandatory flood insurance purchase requirements do not apply to the subject property.

Flood Hazard Status

Community Panel Number	Not Mapped
Insurance Required?	No

The City and County of San Francisco also notes the existing elevation of Yerba Buena Island is above the 100-year flood plain and will remain so in the future given the projected sea level rise estimates.

Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject’s soil bearing capacity is sufficient to support the existing improvements.

Streets, Access and Frontage

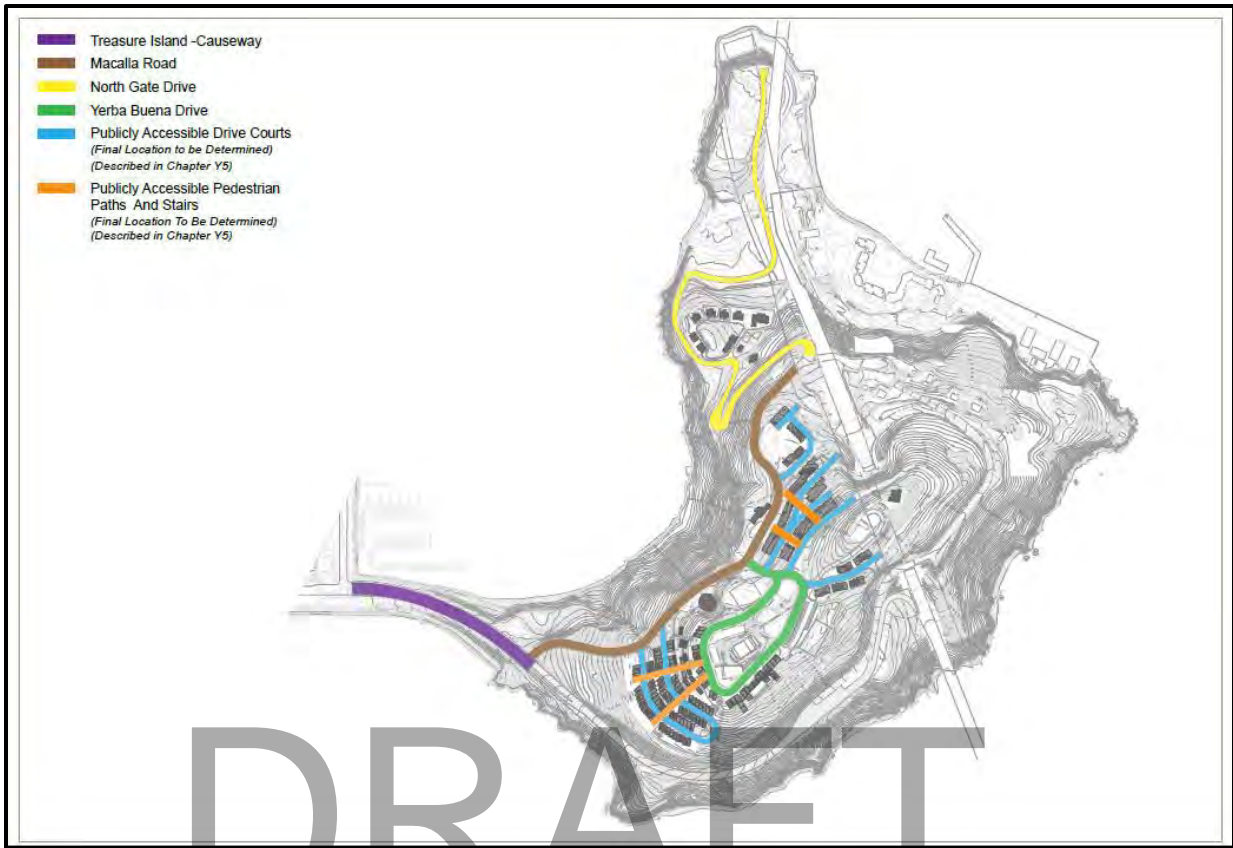
Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage (as proposed)

Street	Yerba Buena
Paving	Asphalt
Curbs	Yes
Sidewalks	Yes
Lanes	1 way, 1 lane
Direction of Traffic	Loop around Hilltop Park
Traffic Levels	Low
Access/Curb Cuts	Yes
Visibility	Average

Yerba Buena Road is one of the primary proposed streets which will provide vehicular access between the subject parcels. A map of the existing and proposed roads for the island is provided on the following page.





Utilities

The availability of utilities to the subject is summarized in the following table.

Utilities	
Service	Provider
Water	San Francisco Public Utilities Commission
Sewer	San Francisco Public Utilities Commission
Electricity	San Francisco Public Utilities Commission
Natural Gas	Pacific Gas & Electric
Local Phone	Various Providers

Zoning

The subject is zoned YBI-R, Yerba Buena Island Residential, by City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

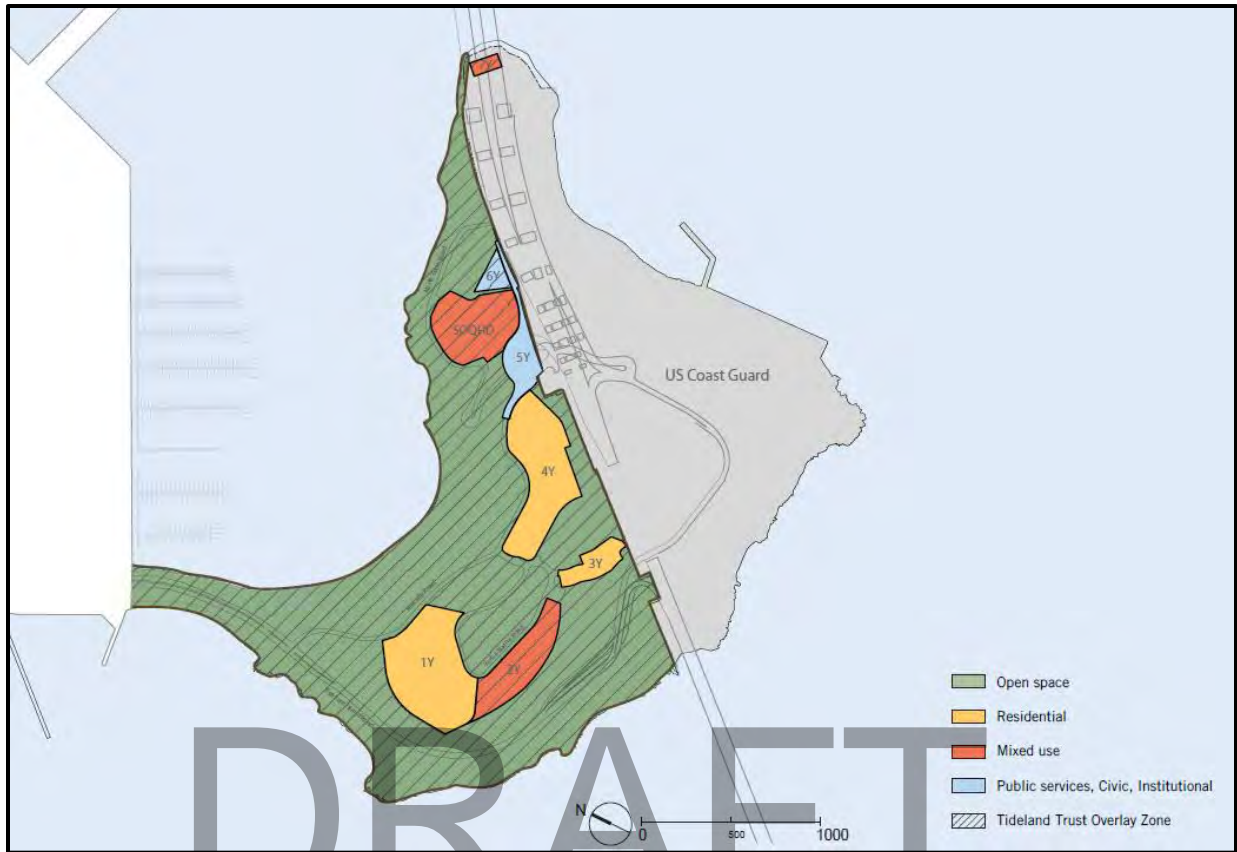


Zoning Summary	1Y, 3Y, 4Y
Zoning Jurisdiction	City and County of San Francisco
Zoning Designation	YBI-R
Description	Yerba Buena Island Residential
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Primarily residential with limited retail and office uses
Category	Zoning Requirement
Minimum Lot Area	NA
Minimum Setbacks (Feet)	10 (Yerba Buena Rd) to 20 ft (all other public streets)
Maximum Building Height	35 ft above grade; 10 ft step back required after
Maximum Density	NA
Maximum Floor Area Ratio	NA
Parking Requirement	No minimum requirement; maximum 1 space per dwelling

Source: City and County of San Francisco Planning and Zoning

The subject parcels are fully entitled for 261 attached residences and five homesites. Further detail on the proposed improvements will be presented in upcoming sections. As Yerba Buena Island is encumbered with its own specific zoning regulations, and because the subject parcels are entitled, it appears the proposed use of the subject parcels are legally conforming uses.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. A zoning map is provided below. The subject parcels—4Y, 3Y, and 1Y—are shaded yellow.



Other Land Use Regulations

We are not aware of any other land use regulations that would affect the property.

Seismic Hazards

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. (California Geological Survey, Official Map, Oakland West Quadrangle (2000)). However, the Working Group on California Earthquake Probabilities reported in 2015 that there is a 72% chance at least one 6.7 magnitude earthquake (or larger) will occur in the San Francisco Bay Area by 2045. It should be noted portions of Yerba Buena Island lie within a liquefaction zoning and/or a landslide zone. It appears that all or most of the subject’s proposed development does not lie within a liquefaction zone, though parts of Parcels 3Y and 1Y are within landslide zones.



Source: California Department of Conservation

The yellow shading indicates all or a portion of the area is within a liquefaction and landslide zone. The blue shading indicates all or a portion of the area is within a landslide zone, but not a liquefaction zone. The light blue/gray shading indicates the area is not impacted for a liquefaction or landslide zone.

Inclusionary Housing

Fourteen of the subject's Bristol units will reflect inclusionary housing; the sale price of these units will be restricted. The buyer's housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of 120% of San Francisco's median household income. Maximum pricing based upon the San Francisco Mayor's Office of Housing and Community Development (MOHCO) requirements are shown on the following page.

ASSUMED HOUSEHOLD SIZE		1 Person	2 Person	3 Person	4 Person	5 Person
MEDIAN INCOME @	120% OF MEDIAN	\$103,450	\$118,200	\$133,000	\$147,800	\$159,800
AVAIL FOR HOUSING @	33%	\$34,139	\$39,006	\$43,890	\$48,774	\$52,668
ANNUAL CONDO FEE		\$7,056	\$7,908	\$8,748	\$9,948	\$11,172
TAXES @	1.1630%	\$4,911	\$5,640	\$6,373	\$7,041	\$7,525
AVAILABLE FOR P+I		\$22,171	\$25,458	\$28,769	\$31,785	\$33,971
SUPPORTABLE MORT		\$380,081	\$436,435	\$493,189	\$544,891	\$582,362
DOWN PAYMENT	10%	\$42,231	\$48,493	\$54,799	\$60,543	\$64,707
AFFORDABLE PRICE		\$422,312	\$484,928	\$547,988	\$605,434	\$647,069
BEDROOM SIZE		STUDIO	ONE	TWO	THREE	FOUR

Notes:

- Median Income on this chart is from 2019 SF MOHCD Inclusionary Income Limits (AMI Chart).
- Interest rate is based on FreddieMac 10 yr rolling average of annual average rates for 30 yr Fixed Rate
See URL: <http://www.freddiemac.com/pmms/pmms30.htm>
- FY2019-2020 Annual Tax Rate is 1.163%, see: <http://sftreasurer.org/property-taxes>

It should be noted, the subject's below market units are not subject to the special tax associated with the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. The below market units are a developer obligation under the subject's entitlements.

Easements, Encroachments and Restrictions

We have reviewed a preliminary title report prepared by First American Title Company dated October 11, 2019. The report identifies exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

Permits and Fees

Permits and fees for The Bristol are approximately \$23,700 per unit, while permits and fees for the flats and townhomes are approximately \$74,900 per unit. As of the effective appraisal date, permits and fees for The Bristol have already been incurred by the Developer.

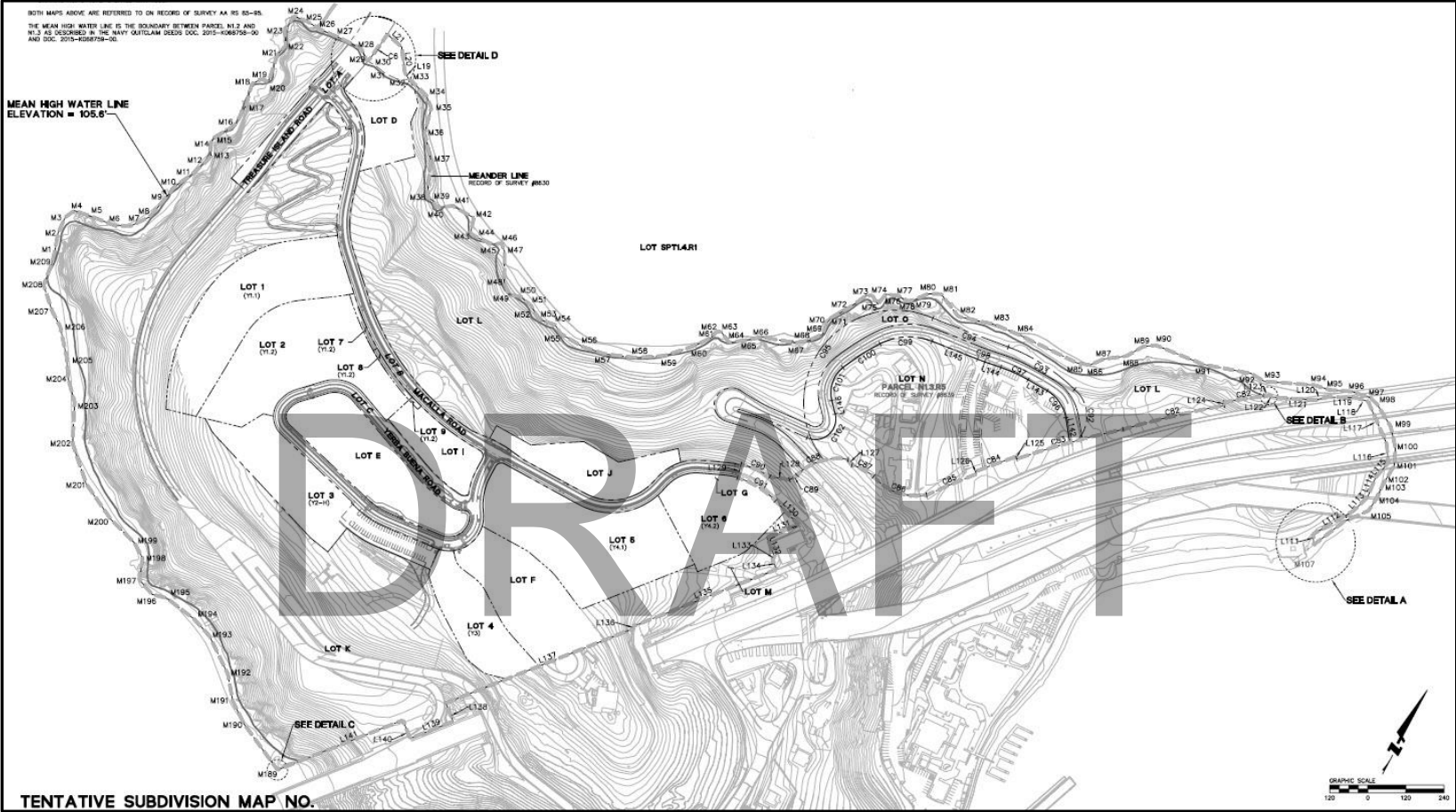
Timeline

Backbone infrastructure work has commenced and site work and vertical construction are underway on Parcel 4Y. The Bristol condominiums will be completed first, likely in late 2021. The development of townhomes and flats on Parcels 3Y and 4Y are projected to commence in mid to late 2021, followed by the development of Parcel 1Y in 2022. The majority of backbone infrastructure costs were incurred in 2020, with the remaining infrastructure expected to be complete in 2021.

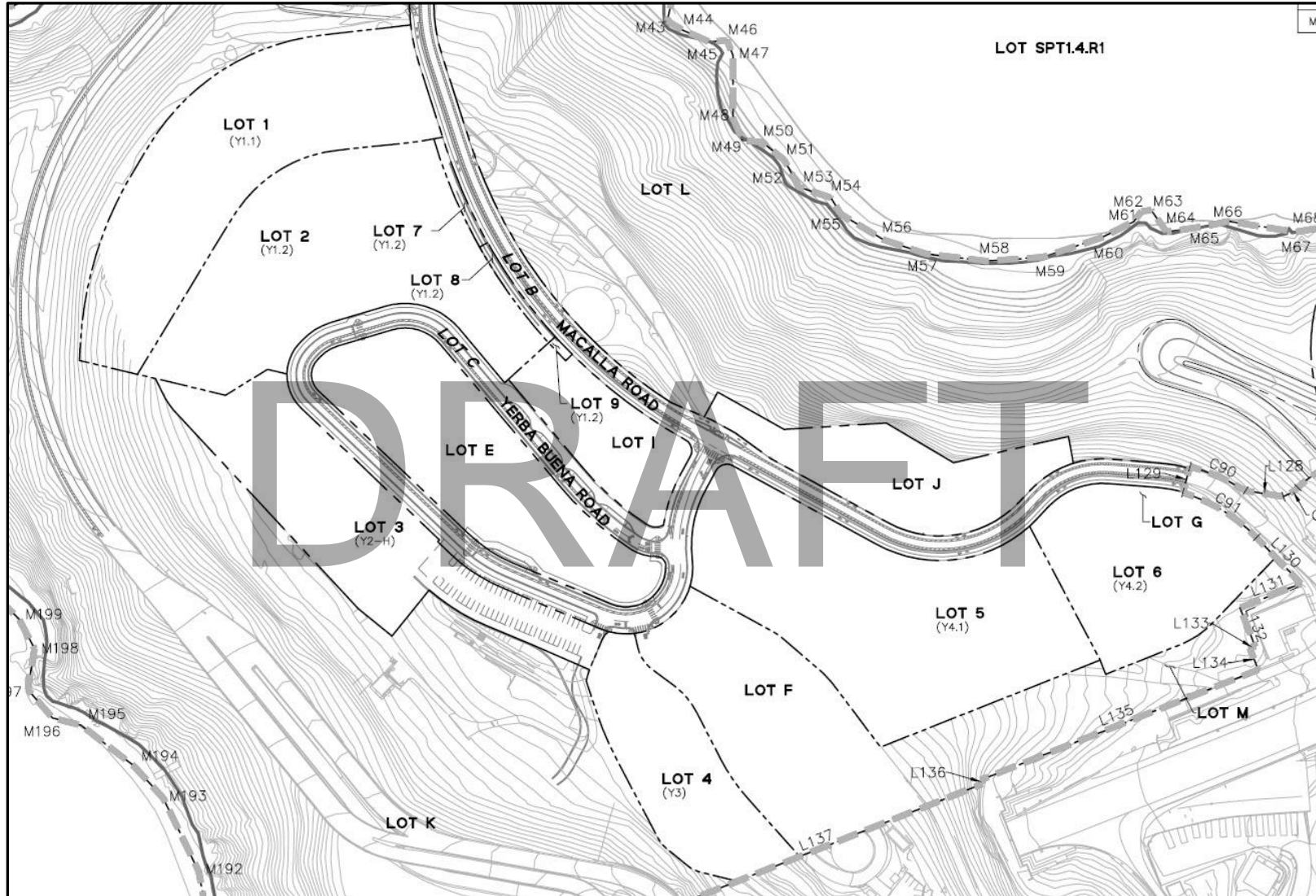
Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning and those for which the subject is entitled. We are not aware of any other particular restrictions on development.

Tentative Map



Tentative Map – Close Up



Lots 5 and 6 are associated with Parcel 4Y, Lot 4 with 3Y, and Lots 1 and 2 with 1Y.



Assessor Aerials



Parcel 4Y



Parcel 3Y



Parcel 1Y

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Proposed Improvements Description

Overview

The subject property represents the taxable land areas within CFD No. 2016-1 and includes three parcels of land located on Yerba Buena Island situated around a proposed public park. The parcels are entitled for the development of 261 for-sale residences and five homesites. The residences will include a mix of attached townhomes and flats, as well as a 124-unit condominium project known as The Bristol. Ownership of the three parcels is held by entities associated with Stockbridge Capital Group, LLC and Wilson Meany, LP.

A summary of the proposed improvements by parcel is provided below.

Summary of Land Uses by Parcel

Parcel	Acreage	Units	Use	Below	
				Market Units	Stories
1Y	13.22	32	Townhomes	--	3 to 4
		41	Flats	--	3 to 4
		5	SFR Homesites	--	NA
3Y	1.41	11	Townhomes	--	3
4Y	5.32	39	Townhomes	--	3 to 4
		14	Flats	--	4
		124	The Bristol (flats)	14	5
Totals					
		82	Townhomes		
		179	Flats		
		5	SFR Homesites		
		266	Total Residential Units		

The only below market units associated with the subject will be located in The Bristol, the five-story, 124-unit condominium improvements. The remaining townhomes and flats will be market rate.

The subject's 14 below market units are not subject to the special tax associated with the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1. The below market units are a developer obligation under the subject's entitlements.

Summary of Residential Units			
Description	No. of Units	Total SF	Avg SF per Unit
<i>Parcel 4Y</i>			
The Bristol - Market Rate Units	110	132,302	1,203
The Bristol - Below Market Rate Units	14	16,005	1,143
Townhomes	39	102,000	2,615
Flats	<u>14</u>	<u>38,548</u>	<u>2,753</u>
Total	177	288,855	1,632
<i>Parcel 3Y</i>			
Townhomes	<u>11</u>	<u>40,040</u>	<u>3,640</u>
Total	11	40,040	3,640
<i>Parcel 1Y*</i>			
Townhomes	32	102,203	3,194
Flats	<u>41</u>	<u>108,786</u>	<u>2,653</u>
Total	73	210,989	2,890
Average SF per Unit - The Bristol Market Rate Units			1,203
Average SF per Unit - Townhomes/Flats			2,858
<i>*The subject will also include 5 residential lots, or homesites, which are excluded from the above table</i>			

Further detail was available for units associated with The Bristol, Parcel 4Y flats, and select townhomes associated with Parcel 4Y. For reference, these units are detailed on the following pages. However, this level of detail is not yet available for all of the subject's proposed units.

The flats and townhomes associated with Parcel 4Y include private terraces, while townhomes on Parcel 3Y include private interior courtyards.

Parcel 4Y - The Bristol						
Layout	Unit Numbers	Square Footage	Bedroom/ Bath	No. of Units	Total Square Footage	Description
s1	228	612	0/1	1	612	
s1.1	120	610	0/1	1	610	
s2	225, 325, 425, 519, 603	749	0/1	5	3,745	1 BMR unit
s3	202	704	0/1	1	704	
s3.1	201	677	0/1	1	677	
s4	302, 402, 502	728	0/1	3	2,184	
s4.1	203	750	0/1	1	750	
-	123	745	0/1	1	745	BMR unit
Totals - Studio Layout				14	10,027	716 SF per Unit
a1	324, 424, 510	946	1/1	3	2,838	
a10	217, 317, 417	1,116	1/1	3	3,348	
a10a	115	1,116	1/1	1	1,116	
a2	226, 224	886	1/1	2	1,772	1 BMR unit
a2.1	332,422	946	1/1	2	1,892	
a3	209, 211, 307, 309, 311, 407, 411	898	1/1	7	6,286	
a3.1	215, 315, 415	920	1/1	3	2,760	2 BMR units
a3.1a	111	921	1/1	1	921	
a3a	105, 107, 109	898	1/1	3	2,694	
a3b	207, 507, 409, 509	898	1/1	4	3,592	2 BMR units
a3c	511	899	1/1	1	899	
a4	101	924	1/1	1	924	
a5	219, 319, 419	936	1/1	3	2,808	1 BMR unit
a5a	117	936	1/1	1	936	
a6	205, 305, 405	930	1/1	3	2,790	
a6a	103	930	1/1	1	930	
a6b	505	930	1/1	1	930	
a7	223, 323, 423, 517	965	1/1	4	3,860	
a7a	121	965	1/1	1	965	
a8	112, 216, 314, 414	1,031	1/1	4	4,124	
a9	214, 312, 412	1,066	1/1	3	3,198	
a9.1	110	1,066	1/1	1	1,066	
Totals - One Bedroom Layout				53	50,649	956 SF per Unit
b1	604	1,203	2/2	1	1,203	
b10	508	1,400	2/2.5	1	1,400	
b11	601	1,758	2/2.5	1	1,758	
b11.1	401, 501	1,915	2/2.5	2	3,830	
b11.1a	301	1,909	2/2.5	1	1,909	
b2	327	1,400	2/2	1	1,400	
b2.1	427, 521, 605	1,411	2/2	3	4,233	
b3	118	1,309	2/2.5	1	1,309	
b3.1	320, 420	1,352	2/2.5	2	2,704	
b4	104, 208, 210, 306, 308, 406, 408	1,329	2/2.5	7	9,303	1 BMR unit
b4.1	108, 212, 310, 410	1,310	2/2.5	4	5,240	1 BMR unit
b4a	106	1,324	2/2.5	1	1,324	
b5	326, 426, 512	1,363	2/2.5	3	4,089	
b6	221, 421, 515	1,402	2/2.5	3	4,206	
b6.1	119, 321	1,402	2/2.5	2	2,804	1 BMR unit
b7	328, 428, 514, 606	1,340	2/2.5	4	5,360	1 BMR unit
b8	220, 318, 418	1,394	2/2.5	3	4,182	
b8.1	116	1,409	2/2.5	1	1,409	
b9	206, 304, 404	1,406	2/2.5	3	4,218	
b9.1	102	1,421	2/2.5	1	1,421	
-	222	1,347	2/2.5	1	1,347	BMR unit
Totals - Two Bedroom Layout				46	64,649	1,405 SF per Unit
c1	504	1,863	3/2.5	1	1,863	
c2	204	1,874	3/2.5	1	1,874	
c2.1	303, 403, 503	2,044	3/2.5	3	6,132	
c3	602	1,971	3/2.5	1	1,971	
c4	506	2,040	3/3.5	1	2,040	
c5	218, 316, 416	2,259	3/2.5	3	6,777	
-	114	2,325	3/2.5	1	2,325	BMR unit
Totals - Three Bedroom Layout				11	22,982	2,089 SF per Unit
Market Rate Totals				110	132,302	1,203 SF per Unit
Totals - All Units				124	148,307	1,196 SF per Unit

Parcel 4Y - Flats - Buildings 27 & 28

Layout	SF	Outdoor SF	Bedroom/Bath	No Units	Total SF
F-3.0	2,457	186	3/3.5	4	9,828
F-2.0	2,510	326	3/3.5	4	10,040
F-3.1	2,557	203	3/3.5	2	5,114
F-2.1	2,547	379	3/3.5	2	5,094
F-4.0	4,241	911	4/4.5	2	8,482
Totals				14	38,558
					2,754 SF per Unit

Parcel 4Y -Townhomes (portion) - Buildings 21, 23, & 26

Layout	Units	SF	Outdoor SF	Bedroom/Bath	No Units	Total SF
T-1.0	1	2,379	198	3/3.5	1	2,379
T-1.1	2, 4	2,278	109	3/3.5	2	4,556
T-1.2	3	2,189	154	3/3.5	1	2,189
T-1.4	5	2,202	176	3/3.5	1	2,202
Building 300		9,048			5	11,326
						2,265 SF per Unit
T-2.0	1	2,579	672	2/2.5	1	2,579
T-2.1	3, 4, 5	2,418	498	2/2.5	3	7,254
T-2.2	2, 6	2,641	389	3/3.5	2	5,282
T-2.3	7	2,477	494	2/2.5	1	2,477
Building 310		10,115			7	17,592
A	1, 5	3,597		3/2.5	2	7,194
B	2, 4	3,062		3/2.5	2	6,124
C	3	3,085		3/2.5	1	3,085
Building 260		9,744			5	16,403
						3,281
Totals - All Buildings					17	45,321
						2,666

As discussed, the subject parcels will be situated around a public park, known as Hilltop, and the island will include multiple pedestrian trails. In addition, the developer is planning to construct a community amenity center adjacent to Parcel 3Y. Although the community center is not part of the property valued in this appraisal, it influences the proposed pricing for the subject residences.

A complete interior finish profile was not provided and is assumed to be of a typical quality for new upscale condominiums and townhomes in San Francisco, area, which are generally very good to excellent quality.

It is noted the subject property will have a Homeowner's Association (HOA) that will include bus and ferry services, a security patrol, and maintenance of Hilltop Park. Based upon the range of HOA fees found among comparable properties, we estimate a monthly HOA fee of \$1,500 per unit.

For the reader's reference, the renderings of the subject property are provided on the following pages.

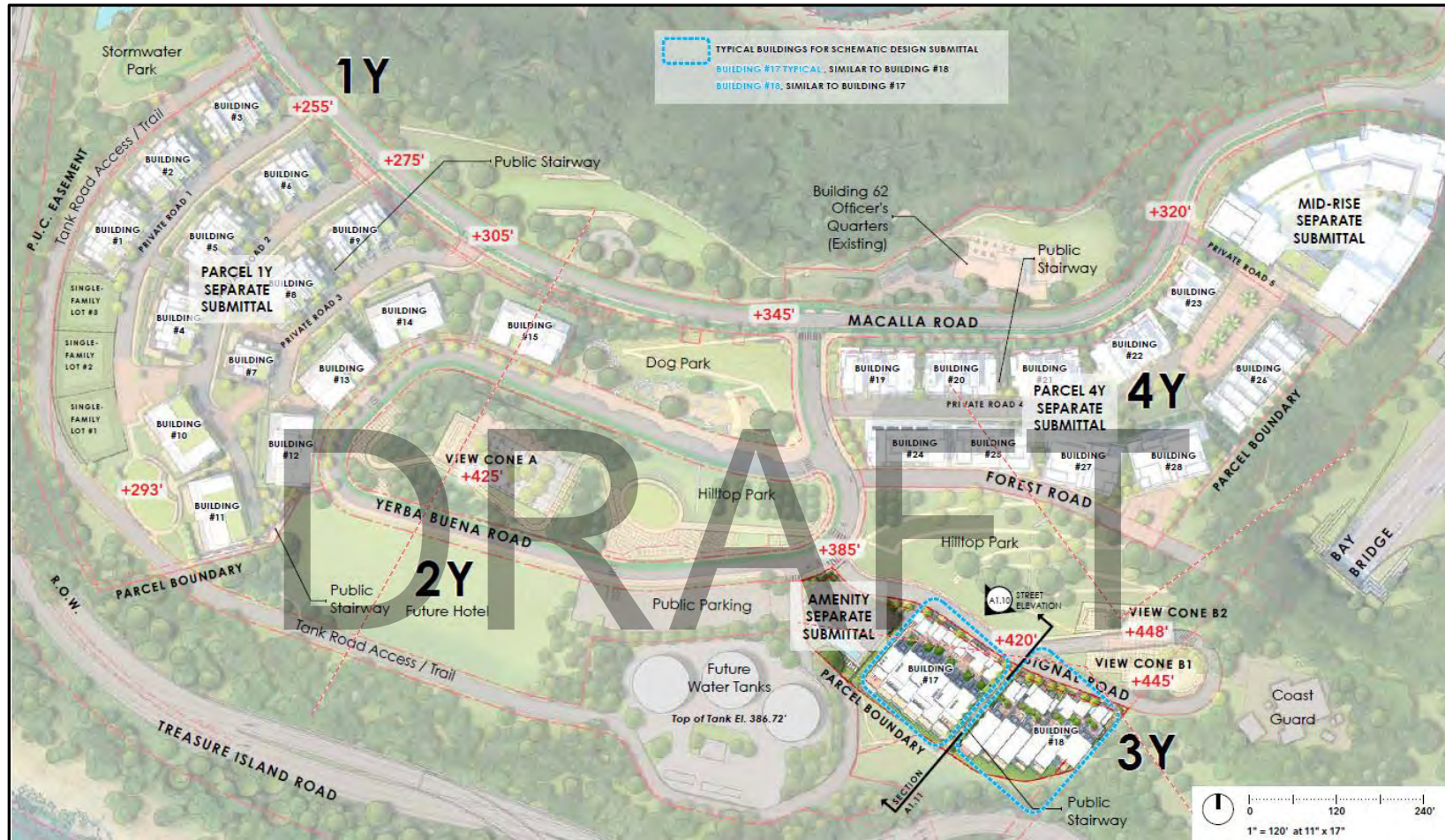
Site Plan



Site Plan



Site Plan



The Bristol is the improvement labeled “mid-rise.”



Renderings – The Bristol



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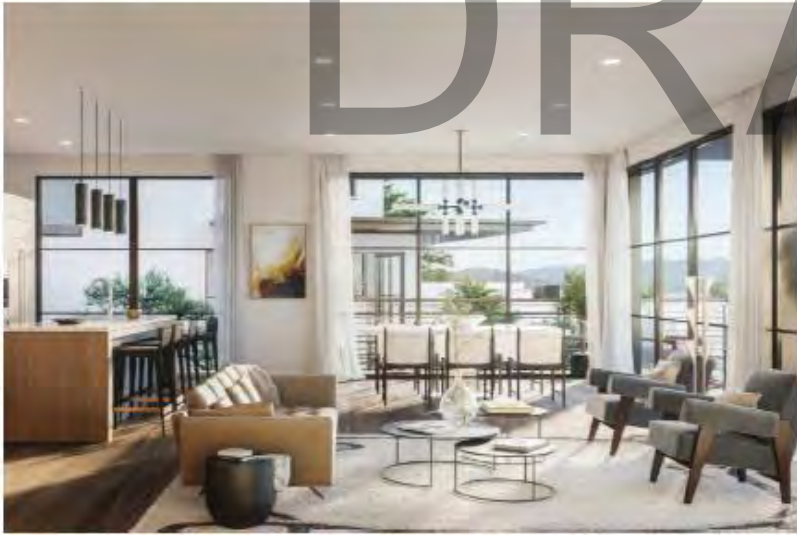
Flats and Townhomes – Parcel 4Y



Renderings – Townhomes – Parcel 4Y



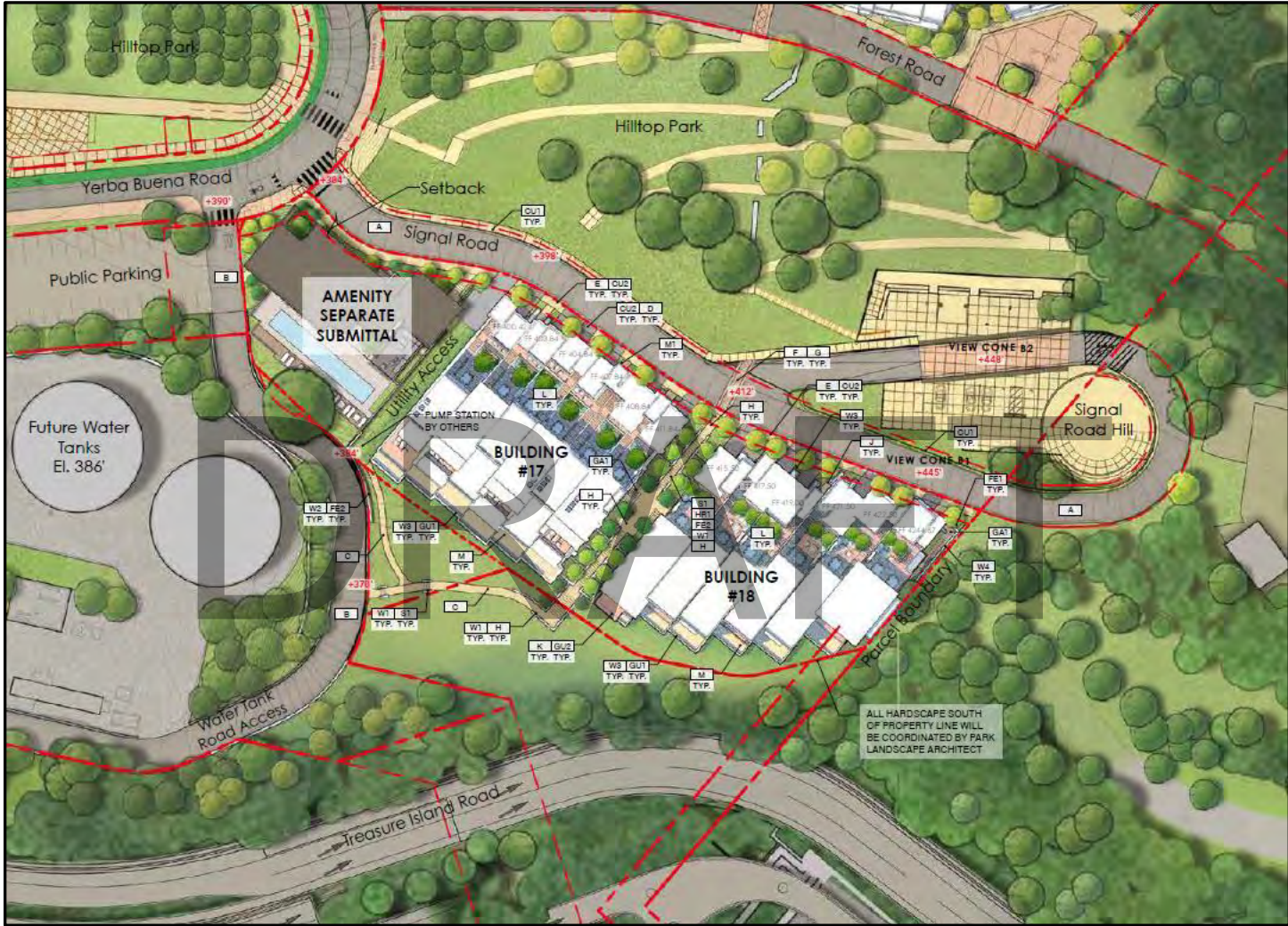
Renderings – Flats – Parcel 4Y



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Townhomes – Parcel 3Y



Townhomes – Parcel 3Y



Renderings – Townhomes – Parcel 3Y



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Renderings – Townhomes – Parcel 1Y



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Renderings – Flats – Parcel 1Y



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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 1.198464%. This tax rate does not include the CFD tax, which is discussed below.

As previously discussed, the subject property is situated within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 1, with a Special Tax lien for Facilities and a Special Tax lien for Services. According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property is presented in the following table (proposed for the Fiscal Year 2020-21):

Project Name and Expected Land Uses	Planned Development	Sub-Block	Expected Number of Residential Units	Expected Square Footage	FY 2020-21	FY 2020-21
					Base Special Tax Rate	Expected Maximum Special Tax Revenues
The Bristol						
Low-Rise Market Rate Units	Podium Unit	4Y	110	132,302	\$6.64	\$877,865
Low-Rise Inclusionary Units	Podium Unit	4Y	14	16,005	\$0.00	\$0
The Residences						
Yerba Buena Townhome Units	Townhome/Flats	4Y	39	102,000	\$6.30	\$642,575
Low-Rise Units	Stacked Flats	4Y	14	38,548	\$6.64	\$255,778
<i>Subtotal - Sub-Block 4Y</i>			177	288,855		\$1,776,218
Yerba Buena Townhome Units	Three Story Townhomes	1Y	32	102,203	\$6.30	\$643,854
Yerba Buena Townhome Units	Single Family Homes /2	1Y	5	TBD	\$6.30	0
Low-Rise Units	Stacked Flats	1Y	41	108,786	\$6.64	\$721,829
<i>Subtotal - Sub-Block 1Y</i>			78	210,989		\$1,365,683
Yerba Buena Townhome Units	Three Story Townhomes	3Y	11	40,040	\$6.30	\$252,242
<i>Subtotal - Sub-Block 3Y</i>			11	40,040		\$252,242
Hotel						
Hotel Project	Hotel	2Y	N/A	50,000	\$0.00	\$0
<i>Subtotal - Sub-Block 2Y</i>			N/A	50,000		\$0
TOTAL			266	589,884		\$3,394,142

The subject's inclusionary units are not subject to the special tax.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Legally Permissible

The site is zoned YBI-R, Yerba Buena Island Residential. Permitted uses include primarily residential with limited retail and office uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property has an approved tentative map for 261 for-sale, attached, residential units and five homesites. The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only residential use is given further consideration in determining highest and best use of the sites, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development, though subject's steep topography must be considered. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses, including residential use.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for attached, for-sale residential use in the subject's area. Based on the analyses herein, coupled with an analysis of the market, it appears the proposed development commensurate with the entitlements associated with Yerba Buena Island is financially feasible. The COVID-19 pandemic temporarily slowed sales activity in the local condominium market. Although condominium sale prices were temporarily impacted throughout 2020, the luxury housing market has rebounded in recent months and the overall San Francisco condominium market is in recovery. Further, the subject property benefits from several characteristics which have become increasingly appealing to buyers as a result of the pandemic; these include larger unit sizes, a suburban location, and private outdoors space for many units. Since opening sales in mid-February 2021, The Bristol has eight units in-contract, which is significantly above the average absorption rate for new San Francisco condominium projects in 2020.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than such land uses permitted by the entitlements for Yerba Buena Island. Accordingly, it is our opinion that for-sale residential development commensurate with the development agreement for Yerba Buena Island is the maximally productive use of the property and, thus, the highest and best use as vacant.

Conclusion

Development of the site for the proposed residential use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

As Improved (Proposed)

As of the effective appraisal date, backbone infrastructure and site work has commenced at the subject property. The planned infrastructure improvements are necessary for development. The existing improvements have been constructed according to the subject entitlements and are consistent with the highest and best use of the subject property as if vacant.

Most Probable Buyer

Taking into account the size and characteristics of the property, the probable buyer of the subject property is a land developer and/or builder familiar with the region.

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Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis**, and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

Market Valuation – Representative Floor Plans

As previously discussed in the *Valuation Methodology* section, in order to estimate the market value of the developable, taxable land within the boundaries of City and County of San Francisco CFD No. 2016-1 (Treasure Island) Improvement Area No. 1, a land residual analysis will be performed, which considers the anticipated, or projected, sale price of the residential units to be constructed on Parcels/Blocks 1Y, 3Y and 4Y. To estimate the anticipated, or projected, sale price for the varying unit types (flats and townhomes) within the development, an analysis of comparable, or similar, residential developments within the subject's market area will be considered in this section using the sales comparison approach to value. The objective of the analysis is to estimate the base price for representative floor plans comprising each of the subject parcels/blocks.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate, 14th Edition* (Chicago: Appraisal Institute, 2013), "*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*" The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. The objective of the analyses is to estimate the base value of each floor plan, net of incentives, upgrades and lot premiums. As discussed, the subject project will offer three different residential layouts. A summary of residential use by parcel is recreated below.

Summary of Residential Units

Floor Plan	Bedrooms	Number of Units	Average SF
<i>The Bristol (Flats) - 124 Units (110 Market Rate) - Parcel 4Y</i>			
Plan S	0	14	716
Plan A	1	53	956
Plan B	2	46	1,405
Plan C	3	11	2,089
		Average SF - All Units	1,196
		Average SF - Market Rate Units	1,203
<i>Townhomes/Flats - Parcels 3Y and 4Y</i>			
Plan A	3+	8	3,700
Plan B	3	8	3,000
Plan C	2 to 3	21	2,300
Plan D	4	11	3,450
Plan E	2 to 4	14	2,750
Plan F	1	2	1,200
		Average SF - All Units	2,850
<i>Townhomes/Flats - Parcel 1Y</i>			
Plan A	3	16	3,500
Plan B	4+	16	2,900
Plan C	2 to 4	41	2,650
		Average SF - All Units	2,890

**The subject will also include 5 residential lots, or homesites, which are excluded from the above table*

The subject property will include a mix of for-sale flats and townhomes. The unit sizes reported above, including the average square footage, are courtesy of the developer. Please note, in some cases the average square footage varies slightly from the implied weighted average based upon the reported unit mix. For the purposes of this analysis, the reported average square footages are considered representative of the typical proposed units.

The Bristol, which will be located on Parcel 4Y, will include a 110 market rate flats and 14 below market rate units. For this portion of the analysis, only the market rate units will be considered. Because The Bristol reflects a different product type than the rest of the subject's residential units, a separate sales analysis will be provided based upon the average size of the market rate units, 1,203 square feet.

The remaining residential units reflect a mix of larger flats and townhomes located on Parcels 4Y, 3Y, and 1Y. Parcels 4Y and 1Y will offer both flats and townhomes, while 3Y will offer only townhomes. As indicated in the previous table, the average unit size on Parcel 1Y exceeds the average unit size associated with Parcels 3Y and 4Y by approximately 40 square feet. It should be noted, while the developer's proposed pricing varies by parcel, we were not provided a pricing breakdown differentiating between flats and townhomes. Therefore, the upcoming analysis will consider a representative residential unit of **2,860 square feet**, regardless of layout. The indicated value of the base unit will be utilized in determining the aggregate retail value by parcel, with parcel-specific locational and view premiums considered at the end of the analysis.

Presented below are comparable new home sales considered the best indicators of market value for the subject's residential units. While an effort was made to utilize only sales of newly constructed homes, we found a limited number of comparable townhomes/flats with unit sizes similar to the subject's larger square footage. Therefore, we expanded our search to include larger townhomes/flats constructed with effective ages of 15 years or less. Some of the comparables reflect turn-of-the-century construction with renovations.

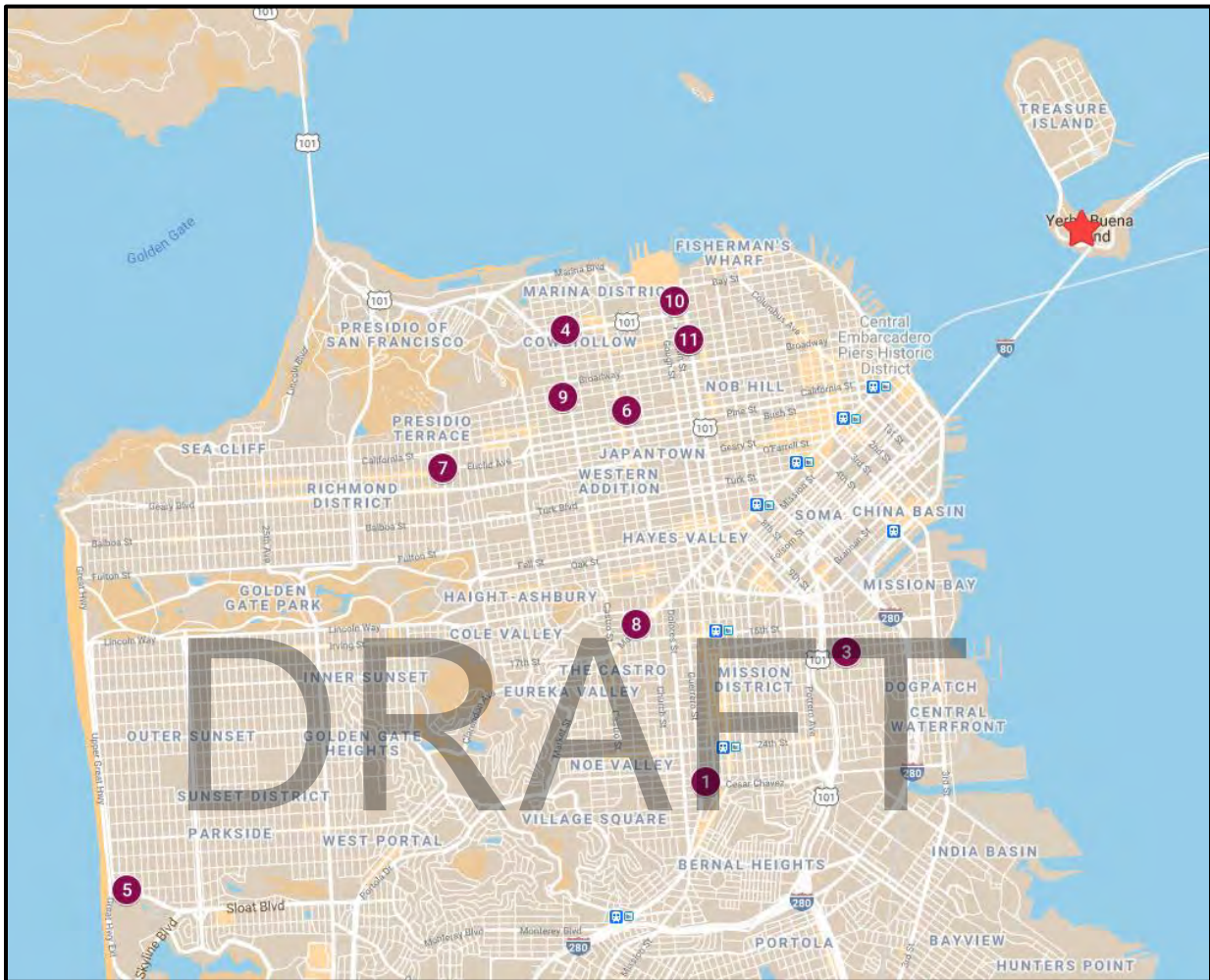
In addition, our sales search primarily focused on comparables located in lower density neighborhoods characterized by residential use. We also restricted our search for flats to those located in improvements with ten stories or less.

Sales Summary

No.	Location	Neighborhood	Date	Sale Price	Living Area (SF)	Bedroom/Bath	Covered Parking
1	The Thirty Six 3620 Cesar Chavez #402	Inner Mission	3/8/2021	\$1,255,000	1,144	2 bdrm, 2 bath	1-car
2	Union House 1515 Union St #4C	Cow Hollow	2/26/2021	\$2,537,000	1,232	2 bdrm, 2 bath	1-car
3	540 De Haro 540 De Haro #204	Potrero Hill	1/5/2021	\$1,750,000	1,495	2 bdrm, 2.5 bath	1-car
4	Maison au Pont 2448 Lombard St #210	Marina	12/18/2020	\$1,579,000	1,141	2 bdrm, 2 bath	1-car
5	The Westerly 3535 Wawona St #435	Sunset	11/25/2020	\$1,490,000	1,020	2 bdrm, 2 bath	1-car
6	The Pacific 2121 Webster St #110	Pacific Heights	3/12/2021	\$4,288,000	2,680	3 bdrm, 4 bath	1-car
7	369 Arguello Blvd --	Inner Richmond	11/10/2020	\$3,250,000	3,315	5 bdrm, 2.5 bath	1-car
8	2130 15th St --	Duboce Triangle	10/7/2020	\$3,000,000	2,537	4 bdrm, 3 bath	1-car
9	2866 Jackson St --	Pacific Heights	8/17/2020	\$3,150,000	2,761	4 bdrm, 3 bath	1-car
10	3030 Franklin St --	Marina	8/14/2020	\$3,600,000	2,500	3 bdrm, 3.5 bath	2-car
11	1515 Union St 1515 Union St #PH2	Cow Hollow	7/10/2020	\$6,075,000	2,015	3 bdrm, 2.5 bath	1-car

Sales 1 through 5 are utilized in our analysis of The Bristol, while Sales 6 through 11 are used to analyze the subject's larger townhomes and flats.

Comparable Sale Map



The subject is indicated by the red star. Sales 2 and 11 are grouped together behind the “11” marker.



Discussion of Adjustments

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers whether adjustments are necessary pertaining to these items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

Upgrades and Incentives

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. None of the comparables reported incentives and upgrades.

Property Rights Conveyed

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

Conditions of Sale

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

Market Conditions (Date of Sale, Phase Adjustment)

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

The comparable sales transferred between July 2020 and March 2021, post-pandemic, and are primarily reflective of current market conditions; therefore, no consideration for market conditions is warranted.

Location

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. Each of the

comparables are located in San Francisco. Additional adjustments for the location within specific neighborhoods will be considered in the following community appeal section.

Community Appeal

In addition to market location adjustments, we consider community appeal adjustments. Even within a specific market location, often specific community characteristics influence sale prices. Often, prices on one street may be significantly higher or lower than the next, despite similar home characteristics. Community characteristics that may influence sale prices include a gated amenity or the condition of surrounding development.

We made an effort to locate comparables in neighborhoods with a similar community appeal to the subject property. Comparables located in Cow Hollow and Pacific Heights reflect established, desirable San Francisco neighborhoods and required downward adjustments. However, the comparables located in Inner Mission, Potrero Hill, Sunset, Inner Richmond, and Duboce Triangle required upward adjustments. The Marina neighborhood is considered similar in appeal to the subject, and comparables located in this neighborhood required no adjustment.

Lot Size

The lot size adjustment pertains to the differences between the subjects' typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The subject and comparables reflect attached product, and no adjustments are necessary.

Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. Sale 11 includes views of the San Francisco Bay and has been adjusted downward. While many of the subject units will offer Bay and San Francisco skyline views, these views will vary by parcel. Therefore, comparables with views are adjusted downward for consistency with the subject's base unit, net of any premiums. Upward adjustments to the subject's base unit value for view premiums will be considered on a parcel-by-parcel basis at the end of this analysis.

Design and Appeal/Quality of Construction

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject and majority of comparables represent good construction quality. However, Sales 2 and 11 are located within the Union House project, which features a superior quality of construction to the subject property; these comparables have been adjusted downward. Conversely, the construction quality of Sale 1 is inferior to the subject and this comparable has been adjusted upward.

Age/Condition

When comparing resale to resale, the market generally reflects a difference of 1% per year of difference in effective age. We have applied a similar adjustment factor to the estimated effective age of the comparable sales. While an effort was made to include only comparables that reflected new construction at the time of sale, it was necessary to expand our search in order to find properties comparable to the subject product type, particularly for the townhome and flat (non-Bristol) units. Therefore, we considered turn-of-the-century construction when effective ages were within 15 years. Sale 6 was constructed in 2016 and has been adjusted upward. Sales 7, 8, 9, and 10 were constructed between 1902 and 1925, with effective ages of between five and fifteen years. These sales have been adjusted upward for difference in effective age.

Functional Utility

The appraised properties and comparables represent traditional attached single-family residential construction. No consideration for this factor is necessary.

Room Count

For similar size units the differences between room count is a buyer preference. One buyer might prefer two bedrooms and a den versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of \$12,500 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$12,500 per fixture, or half-bath, is supported. Consequently, a factor of \$25,000+ per full bath is also applied in our analysis.

Unit Size/Living Area

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded. Based on this data, the comparables were adjusted on a per square foot basis to account for differences in living area from the subject units.

Number of Stories

For similar size units, the differences between the number of stories is a buyer preference. One buyer might prefer a flat versus a townhome layout. The subject and comparables include a mix of similarly sized flats and townhomes. No adjustments are necessary.

Parking/Garage

Each of the subject comparables offer one covered parking space per unit, though the type of parking varies by home. The Bristol and the larger flats will offer a subterranean parking garage, while the townhome units will include a one-car attached garage. The subject's floor plans and the majority of the comparables offer a two-car garage. The majority of the comparables also offer one covered parking space. Comparables which include two parking spaces have been adjusted downward.

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Adjustment Grid - The Bristol - Parcel 4Y

Project Information:		Subject Property	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5		
Project Name		Yerba Buena Island	The Thirty Six	Union House	540 De Haro	Maison au Pont	The Westerly		
Address/Lot Number		Base Plan	3620 Cesar Chavez #402	1515 Union St #4C	540 De Haro #204	2448 Lombard St #210	3535 Wawona St #435		
City/Area		Yerba Buena Island	Inner Mission	Cow Hollow	Potrero Hill	Marina	Sunset		
Price	NA		\$1,255,000	\$2,537,000	\$1,750,000	\$1,579,000	\$1,490,000		
Price Per SF	NA		\$1,097.03	\$2,059.25	\$1,170.57	\$1,383.87	\$1,460.78		
Total Consideration			\$1,255,000	\$2,537,000	\$1,750,000	\$1,579,000	\$1,490,000		
Data Source		MLS	MLS	MLS	MLS	MLS	MLS		
Incentives	NA	None	None	None	None	None	None		
Upgrades	Base	None	None	None	None	None	None		
Effective (Base) Total Consideration			\$1,255,000	\$2,537,000	\$1,750,000	\$1,579,000	\$1,490,000		
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent	
Conditions of Sale	Market	Market		Market		Market		Market	
Market Conditions									
Date of Sale (Contract Date)	3/1/2021	3/8/2021		2/26/2021		1/5/2021		12/18/2020	
Project Location	Yerba Buena Island	Inner Mission		Cow Hollow		Potrero Hill		Marina	
Community Appeal	Good	Average	+++	Very Good	--	Average	+	Good	++
HOA Dues	\$618	\$618		\$1,182		\$558		\$683	
Lot Size	Attached	Attached		Attached		Attached		Attached	
Lot Premium	None	None		None		None		None	
Design and Appeal	Good	Good		Good		Good		Good	
Quality of Construction	Good	Average	+	Very Good	-	Good		Good	
Age (Total/Effective)	New	New		New		New		New	
Condition	Good/New	Similar		Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar		Similar	
Room Count									
Bedrooms	2	2		2		2		2	
Baths	\$25,000	2		2		2.5		- 2	
Living Area (SF)	\$250.00	1,203		1,144	+	1,232		1,495	+
Number of Stories	One	One		One		One		One	
Heating/Cooling	Central	Central		Central		Central		Central	
Garage	\$12,500	Garage/1 space		Similar		Similar		Similar	
Landscaping		Trees + Shrubs		Similar		Similar		Similar	
Patios/Balconies		Balcony / Terrace		Similar		Similar		Similar	
Fireplace(s)	\$8,000	None		None		None		None	
Kitchen Equipment		Average		Similar		Similar		Similar	
Other									
Net Adjustments			+++		---		=		=

Concluded Base Retail Value	\$1,700,000
Indicated Value Per SF	\$1,413



Adjustment Grid - Townhomes & Flats - Parcels 1Y, 3Y, 4Y															
Project Information:		Subject Property		Comparable 6		Comparable 7		Comparable 8		Comparable 9		Comparable 10		Comparable 11	
Project Name	Yerba Buena Island	The Pacific	369 Arguello Blvd	2130 15th St	2866 Jackson St	3030 Franklin St	Union House								
Address/Lot Number	Base Plan	2121 Webster St #110	369 Arguello Blvd	2130 15th St	2866 Jackson St	3030 Franklin St	1515 Union St #PH2								
City/Area	Yerba Buena Island	Pacific Heights	Inner Richmond	Duboce Triangle	Pacific Heights	Marina	Cow Hollow								
Price	NA	\$4,288,000	\$3,250,000	\$3,000,000	\$3,150,000	\$3,600,000	\$6,075,000								
Price Per SF (remaining term)	NA	\$1,600.00	\$980.39	\$1,182.50	\$1,140.89	\$1,440.00	\$3,014.89								
Total Consideration		\$4,288,000	\$3,250,000	\$3,000,000	\$3,150,000	\$3,600,000	\$6,075,000								
Data Source		MLS	MLS				MLS								
Incentives	NA	None	None	None	None	None	None								
Upgrades	Base	None	None	None	None	None	None								
Effective (Base) Total Consideration		\$4,288,000	\$3,250,000	\$3,000,000	\$3,150,000	\$3,600,000	\$6,075,000								
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent	
Conditions of Sale	Market	Market		Market		Market		Market		Market		Market		Market	
Market Conditions															
Date of Sale (Contract Date)	3/1/2021	3/12/2021		11/10/2020		10/7/2020		8/17/2020		8/14/2020		7/10/2020			
Project Location	Yerba Buena Island	Pacific Heights		Inner Richmond		Duboce Triangle		Pacific Heights		Marina		Cow Hollow			
Community Appeal	Good	Very Good	-	Average	++	Average	++	Very Good	-	Good		Very Good			--
HOA Dues	\$2,409	\$2,409		\$200		\$400		\$450		\$200		\$1,504			
Lot Size	Attached	Attached		Attached		Attached		Attached		Attached		Attached			
Lot Premium	None	None		None		None		None		None		None			--
Design and Appeal	Good	Good		Good		Good		Good		Good		Good			
Quality of Construction	Good	Good		Good		Good		Good		Good		Very Good			-
Age (Total/Effective)	New	2016	+	1908	+	1902	+	1923	+++	1925	+	New			
Condition	Good/New	Similar		Similar		Similar		Similar		Similar		Similar			
Functional Utility	Average	Similar		Similar		Similar		Similar		Similar		Similar			
Room Count															
Bedrooms	3	3		5		4		4		3		3			
Baths	\$25,000	3		2.5		3		3		3.5		2.5			+
Living Area (SF)	\$250.00	2,860	+	3,315		2,537		2,761	+	2,500	+	2,015	+		+
Number of Stories	Three to Four	Three		Two		Two		Three		Three		Two			
Heating/Cooling	Central	Central		Central		Central		Central		Central		Central			
Garage	\$12,500	1-Car		Similar		Similar		Similar		2-Car		Similar			
Landscaping	Trees + Shrubs	Similar		Similar		Similar		Similar		Similar		Similar			
Patios/Balconies	Balcony + Rooftop Patio	Similar		Similar		Similar		Similar		Similar		Similar			
Fireplace(s)	\$8,000	None		Yes		- Yes		- Yes		- None		None			
Kitchen Equipment	Average	Similar		Similar		Similar		Similar		Similar		Similar			
Other	Townhome/Flats	Townhome		Two-Story Condo		Two-Story Condo		Townhome		Townhome		Two-Story Condo			
Net Adjustments			=		++		+++		++		+				----
Concluded Base Retail Value		\$4,250,000													
Indicated Value Per SF		\$1,486													



Conclusion of Home Values

In the first analysis, the comparable set adjusts upward overall due to the subject’s superior location. Sale 1 requires the largest adjustment, and is given least weight in our reconciliation. Overall, the comparable range narrows after adjustment, and the remaining four comparables are given greatest weight in our reconciliation.

In the second analysis, Sale 11 required the highest net adjustment, but brackets the high end of the comparable range. All comparables are considered reasonable indicators of value for the subject.

Based on the analysis herein, the market value conclusions for the homes are summarized in the following table.

Retail Value - Base Units			
Unit	Parcel	Square Footage	Base Value
The Bristol	4Y	1,203	\$1,700,000
Townhomes/Flats	4Y, 3Y, 1Y	2,860	\$4,250,000

In addition, consideration must be given for the subject’s corner/end units and view premiums. As the upcoming analysis will value the subject property by parcel, we will apply premiums on a parcel by parcel basis in the next section.

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Below Market Rate Units – The Bristol, Parcel 4Y

The Bristol will also include 14 inclusionary units, the sale price of which will be restricted. The buyer’s housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of 120% of San Francisco’s median household income. The following table provides 2020 sample pricing from the San Francisco Mayor’s Office of Housing and Community Development (MOHCO). Actual pricing for the subject will be determined by MOHCO at a later date.

ASSUMED HOUSEHOLD SIZE		1 Person	2 Person	3 Person	4 Person	5 Person
MEDIAN INCOME @	120% OF MEDIAN	\$103,450	\$118,200	\$133,000	\$147,800	\$159,600
AVAIL FOR HOUSING @	33%	\$34,139	\$39,006	\$43,890	\$48,774	\$52,668
ANNUAL CONDO FEE		\$7,056	\$7,908	\$8,748	\$9,948	\$11,172
TAXES @	1.1630%	\$4,911	\$5,640	\$6,373	\$7,041	\$7,525
AVAILABLE FOR P+I		\$22,171	\$25,458	\$28,769	\$31,785	\$33,971
SUPPORTABLE MORT		\$380,081	\$436,435	\$493,189	\$544,891	\$582,362
DOWN PAYMENT	10%	\$42,231	\$48,493	\$54,799	\$60,543	\$64,707
AFFORDABLE PRICE		\$422,312	\$484,928	\$547,988	\$605,434	\$647,069
BEDROOM SIZE		STUDIO	ONE	TWO	THREE	FOUR

Notes:
 1. Median Income on this chart is from 2019 SF MOHCD Inclusionary Income Limits (AMI Chart).
 2. Interest rate is based on FreddieMac 10 yr rolling average of annual average rates for 30 yr Fixed Rate
 See URL: <http://www.freddiemac.com/pmms/pmms30.htm>
 3. FY2019-2020 Annual Tax Rate is 1.163%, see: <http://sftreasurer.org/property-taxes>

Based on this information, and the unit mix of The Bristol, our estimate of the subject’s below market rate sale prices is as follows:

Inclusionary Housing - The Bristol

Layout	Affordable Price	Number of Units	Cumulative
Studio	\$422,312	2	\$844,624
One Bedroom	\$484,928	6	\$2,909,568
Two Bedroom	\$547,988	5	\$2,739,940
Three Bedroom	\$605,434	1	\$605,434
Totals		14	\$7,099,566

The subject’s 14 inclusionary units will not be subject to the Lien of the Special Tax securing the Bonds. Since the subject comprises land at this time (under development), the obligation to construct (cost) and sell (at a restricted price) such inclusionary housing units will be considered in the upcoming valuation of the underlying land.



Market Valuation – Parcel 1Y Homesites

In addition to offering townhomes and flats, Parcel 1Y will also offer five homesites between approximately 5,000 and 8,000 square feet. It is our understanding the homesites will offer views of the San Francisco skyline and Bay. The developer plans to market the homesites with approved plans for single family homes around 8,000 square feet. The characteristics of the subject homesites are unique given their location. Homesite sales in San Francisco reflect infill development within established neighborhoods. To find comparables for the subject, we searched for single family residential land sales located in San Francisco and Marin County communities located along the Bay. A summary of comparables considered is provided next, followed by a description of adjustments.

Homesite Comparable Sales

Address	County	Neighborhood	Square Footage	Sale Date	Sale Price	Views	Notes
36 Nevada St	San Francisco	Bernal Heights	1,750	11/19/2018	\$1,000,000	City	Unentitled
80 Thor Ave	San Francisco	Glen Park	2,657	6/6/2019	\$1,700,000	City	Approved for 4,000 SF 4 BD/5.5 BA home
2921 Vallejo St	San Francisco	Pacific Heights	4,008	7/25/2019	\$8,000,000	Bay; Golden Gate	Approved for 6,814 SF, 6 BR/8 BA home
46 Cliff Rd	Marin	Belvedere	16,601	5/23/2019	\$2,100,000	Bay	Approved for 4BR/4.5 BA home
12 Crest Rd	Marin	Belvedere	29,412	12/30/2019	\$6,100,000	Bay; Golden Gate	Auction, approved for 8,286 SF home
3265 Shoreline Hwy	Marin	Stinson Beach	15,298	3/5/2020	\$2,500,000	Bay	In entitlement process for SF home
649 Duncan St	San Francisco	Noe Valley	5,698	9/4/2020	\$2,250,000	City	Unentitled
1911 Mar West St	Marin	Tiburon	7,789	1/18/2021	\$1,400,000	City; Bay	Opportunity for SF home; unentitled
63 Carmel St	San Francisco	Cole Valley	3,323	Active Listing	\$3,495,000	City; Bay	Approved for 4,588 SF home, 4BR/4.5 BA
67-69 Belcher St	San Francisco	Duboce Triangle	12,500	Active Listing	\$7,000,000	City	Approved for single family home

Homesite Comparable Adjustments

Address	Neighborhood	Square Footage	Sale Date	Sale Price	Overall Adjustment	Adjustments
36 Nevada St	Bernal Heights	1,750	11/19/2018	1,000,000	+++	Upward for location, views, lot size, entitlements
80 Thor Ave	Glen Park	2,657	6/6/2019	1,700,000	+++	Upward for location, views, lot size
2921 Vallejo St	Pacific Heights	4,008	7/25/2019	8,000,000	-	Downward for location
46 Cliff Rd	Belvedere	16,601	5/23/2019	2,100,000	-+	Downward for lot size, upward for views
12 Crest Rd	Belvedere	29,412	12/30/2019	6,100,000	-	Downward for lot size
3265 Shoreline Hwy	Stinson Beach	15,298	3/5/2020	2,500,000	+++	Downward for lot size, upward for location, views, entitlements
649 Duncan St	Noe Valley	5,698	9/4/2020	2,250,000	+++	Upward for location, views, entitlements
1911 Mar West St	Tiburon	7,789	1/18/2021	1,400,000	+	Upward for entitlements
63 Carmel St	San Francisco	3,323	Active Listing	3,650,000	+++	Downward for listing status, upward for location, views
67-69 Belcher St	San Francisco	12,500	Active Listing	7,000,000	-+	Downward for listing status, lot size, upward for views
Subject Conclusion	Yerba Buena Island	5,000 to 8,000		\$5,000,000		

The comparables have been adjusted as necessary for location, view premiums, lot size, entitlements at the time of sale, and listing status. The comparable sales prices vary widely. Based on the characteristics of the subject, and given the adjusted range of data, a sale price of \$5,000,000 per homesite appears reasonable for the subject property.

We also discussed the subject homesites with brokers active in the San Francisco residential market. One broker with Compass Real was particularly familiar with the subject property and has experience

with both homesites and upscale residential product in San Francisco. While he noted Yerba Buena Island is considered inferior to many of San Francisco's desirable, established neighborhoods, the subject's views are expected to help offset locational differences. San Francisco Bay and skyline views are highly sought after by buyers, yet are difficult to obtain in San Francisco. Further, homesites in San Francisco are incredibly rare, particularly in desirable neighborhoods. The scarcity of land for single family residential development impacts the subject favorably, while the subject's entitlements will also contribute value. Overall, the market participants we spoke with were of the opinion a range of \$4,000,000 to \$6,000,000 would be reasonable for the subject homesites.

Please note, the homesites are not expected to be offered for sale until at least 2022; the current pandemic is not expected to have a long-term effect on the homesites.

Land Residual Analysis – Parcels 4Y, 3Y, and 1Y

The land residual analysis is employed to derive the market value for the subject's residential parcels. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a quarterly basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components summarized as follows:

Revenue – the gross income is based on the individual component values.

Absorption Analysis – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

Expenses – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

Discount Rate – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

Revenue

The projected sales price for the average unit within the project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses.

Base values for the subject's representative units are summarized below.

Retail Value - Base Units

Unit	Parcel	Square Footage	Base Value
The Bristol	4Y	1,203	\$1,700,000
Townhomes/Flats	4Y, 3Y, 1Y	2,860	\$4,250,000

The upcoming land residual analyses will be conducted on a parcel-by-parcel basis. Therefore, it is necessary to project revenue for each parcel. In addition to the base unit price, total revenue will include adjustments for corner/end townhome units and model units. A residential unit premium factor of 5% of sale price is considered reasonable for end/corner townhomes.

As will be discussed in the expense section that follows, given the product line at the subject, it is anticipated a builder will construct several model homes. We have projected three model homes for Parcel 4Y, one model home for Parcel 3Y, and two model homes for Parcel 1Y. Upgrade amenity costs are projected at \$250,000 per model home. Typically, builders capture approximately 50% of the cost through the sale of the model and the furniture. Although furnishings are a real cost of the model improvements, they are personal property, not real estate. Thus, furnishings are not included in the opinion of value for the model home premiums. Given this consideration, the recapture cost for model homes are typically reduced to 25% to 40% of model improvement costs. Considering the anticipated foot traffic for the subject property, a recapture amount of 35%, is considered reasonable. Using this percentage, a recapture of \$87,500 per model (35% x \$250,000) is concluded, which will be considered in the estimate of aggregate retail value.

The following tables reflect retail value by parcel.

Aggregate Retail Value - Parcel 4Y

Layout	Number of Units	Base Unit	Aggregate Value	Corner Unit Adjustment	Model Recapture	Total Revenue
The Bristol - Market	110	\$1,700,000	\$187,000,000		\$87,500	\$187,087,500
The Bristol - BMR	14	Varies	\$7,099,566			\$7,099,566
Townhomes	39	\$4,250,000	\$165,750,000	\$3,400,000	\$87,500	\$169,237,500
Flats	14	\$4,250,000	\$59,500,000		\$87,500	\$59,587,500
	177		\$419,349,566	\$3,400,000	\$262,500	\$423,012,066

Aggregate Retail Value - Parcel 3Y

Layout	Number of Units	Base Unit	Aggregate Value	Corner Unit Adjustment	Model Recapture	View Premium	Total Revenue
Townhomes	11	\$4,250,000	\$46,750,000	\$850,000	\$87,500	\$2,337,500	\$50,025,000

Parcel 3Y is located on the south side of Yerba Buena Island and is expected to have superior views compared to Parcel 4Y. Units located on Parcel 3Y have been adjusted upward 5% for view premiums.

Aggregate Retail Value - Parcel 1Y

Layout	Number of		Aggregate Value	Corner Unit Adjustment	Model Recapture	View Premium	Total Revenue
	Units	Base Unit					
Townhomes	32	\$4,250,000	\$136,000,000	\$3,400,000	\$87,500	\$13,600,000	\$153,087,500
Flats	41	\$4,250,000	\$174,250,000		\$87,500	\$17,425,000	\$191,762,500
Homesites	5	\$5,000,000	\$25,000,000				\$25,000,000
			\$335,250,000	\$3,400,000	\$175,000	\$31,025,000	\$369,850,000

Parcel 1Y is located on the western portion of Yerba Buena Island and will have excellent views of the San Francisco skyline and Bay. Residential units on Parcel 1Y have been adjusted upward 10% for view premiums.

Closing Projections

For the attached product, the typical time required for the construction of units is estimated at approximately nine months from start to closing. This assumption is reflected in the projected construction schedules shown in the land residual model's project activity table in the section titled direct construction and phasing. Since the land residual analysis is conducted on a quarterly basis, closings are reflected in the second period following the period of sale.

Changes in Market Conditions (Price Increases or Decreases)

Based on market surveys, responses are mixed whether market participants trend revenues and expenses. Generally, market participants prefer not to price trend, but sometimes they will trend when trying to justify a sale price when there is strong competition for land. Or, participants have indicated they may trend if the sell-off period is anticipated to be protracted. Under current market conditions, and given the uncertainty surrounding the COVID-19 climate, we have chosen not to trend home prices in this analysis.

Absorption

Typically, multiple product lines would be marketed in a residential product to create characteristics appealing to as many potential purchasers as possible. Offering home products within a subdivision to different market segments is done with the aim of increasing absorption and reducing the overall development holding period for a project. The subject's townhomes and larger flats are expected to appeal to similar buyer segments based upon typical unit size and price point. However, The Bristol's smaller unit sizes and lower price point indicate it will be marketed to a different buyer type; a different absorption rate is expected for this product compared to the other larger homes.

Based on the typical marketing and absorption rate data presented in the *Residential Market Overview*, absorption for the subject's townhomes and flats is projected at 5 units per quarter. Absorption for The Bristol is estimated at 14 units per quarter, or 4.7 units per month.

Parcel 4Y - With sales of The Bristol beginning in Period 1 on Parcel 4Y, the units will sell out in 9 periods and require two additional periods to close escrow. There are also 53 townhomes and flats proposed for Parcel 4Y. Construction of these units is not scheduled to begin until construction of The Bristol is significantly underway (mid 2021). Therefore, we anticipate sales of these units will commence two periods (six months) after sales of The Bristol units. At an absorption rate of 5 units

per quarter, these units will sell out in Period 13, with two additional periods needed to complete construction and close escrow. A summary of revenue and absorption for this parcel will be presented prior to the land residual analysis.

Parcel 3Y – This parcel includes 11 townhomes; at an absorption rate of 5 units per quarter, the homes will sell out in Period 3, with Periods 4 and 5 needed to complete construction and close escrow. Because the homes will be sold within one year, we have elected not to discount the cash flow.

Parcel 1Y - This parcel includes 73 townhomes and flats and 5 homesites. With an absorption rate of 5 units per quarter, residences will sell out in Period 15, with Periods 16 and 17 needed to complete construction and close escrow. We have projected the 5 homesites will sell at a rate of one homesite per quarter, over the course of Periods 9 through 13.

Expense Projections

As part of an ongoing effort to assemble market information, we routinely compile budget information for single family residential subdivisions from developers throughout California. Information from our developer cost database contributes to the estimate of development expenses classified as follows.

General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 5.0%, or 2.5% for marketing and 2.5% for sales, is estimated in the marketing and sales expense category.

Property Taxes (Ad Valorem and Special Taxes)

The subject is located within an area with an effective tax rate of 1.198464%. This amount is applied to the estimated market values and divided by the total number of units to yield an estimate of ad valorem taxes/unit/year for each phase. The tax amounts are applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year. Direct assessments applicable to the subject property are nominal and are not considered in the upcoming proforma.

As referenced, the appraised properties are located within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island). According to the Rate and Method of Apportionment, provided in the *Real Estate Taxes* section, the annual special taxes applicable to the subject's facilities are \$6.64 per square foot for The Bristol and flats and \$6.30 per square foot for the townhomes. We have applied these special taxes to the average unit square

footage in the upcoming analysis. It should be noted, the inclusionary units associated with The Bristol are not subject to the special tax.

Calculation of CFD Tax - Parcel 4Y

Unit Type	Tax per SF	Number of Units	Average SF	Total SF (Market)	Total Tax
The Bristol - Market Rate Units	\$6.64	110	1,203	132,302	\$877,865
Townhomes	\$6.30	39	2,615	102,000	\$642,575
Flats	\$6.64	14	2,753	38,548	\$255,778
		163			\$1,776,218
Total Units - Market and BMR Units					177
CFD Tax per Unit					\$10,035

Calculation of CFD Tax - Parcel 3Y

Unit Type	Tax per SF	Number of Units	Average SF	Tax per Unit
Townhomes	\$6.30	11	3,640	22,931

Calculation of CFD Tax - Parcel 1Y

Unit Type	Tax per SF	Number of Units	Average SF	Total SF (Market)	Total Tax
Townhomes	\$6.30	32	3,194	102,203	\$643,854
Flats	\$6.64	41	2,653	108,786	\$721,929
		73			\$1,365,783
Total Units -					73
CFD Tax per Unit					\$18,709

The total tax expense is gradually reduced over the absorption period, as the units are sold off.

Homeowners' Association

A homeowners association is planned for the subject. According to the developer, the HOA fee for the subject units will include bus and ferry services, a security patrol, and maintenance of Hilltop Park. Based upon the range of HOA fees found among comparable properties, we estimate a monthly HOA fee of \$1,500 per unit.

Remaining Site Development Costs

In this analysis, we are determining the value of a finished site/parcel; therefore, no deduction is made for remaining site development costs (including on-site and infrastructure) in the valuation.

Permits and Fees

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. Permits and fees for The Bristol are approximately \$23,700 per unit, while permits and fees for the flats and townhomes are approximately \$74,900 per unit. A blended rate will be applied to Parcel 4Y based upon the proposed unit mix, while the fees applicable to the townhomes and flats are utilized for the valuation of Parcels

3Y and 1Y. For Parcel 4Y, credit is given for permits and fees incurred to date for The Bristol; this results in a blended cost estimate of \$22,430 per unit.

Direct and Indirect Construction Costs

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

The developer has provided a construction budget for both The Bristol and the subject's townhomes and flats. Based on this information, a direct cost range of \$750 to \$900 per square foot is applicable to the subject. The subject reflects a unique product type and recent conversations with homebuilders confirm construction costs have increased over the past few years. As the developer's budget best considers the intricacies of the subject construction, the developer's costs are relied upon in the upcoming analyses. It should be noted the average cost for Parcel 4Y considers both The Bristol and the proposed townhomes/flats.

In addition, vertical construction is underway at The Bristol and approximately \$65,000,000 in costs have been incurred by the Builder to date. Costs spent to date are deducted from the overall direct construction cost estimate.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 15% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). An estimate of 10% is considered reasonable for the subject.

Model Complex

For the purposes of this analysis, we have assumed the developer will build several model homes, depending on the parcel. The upcoming analyses assume three model homes for Parcel 4Y, one model home for Parcel 3Y, and two model homes for Parcel 1Y. Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$20,000 per model to over \$250,000 per model for executive homes.

Based on the quality of the subject’s proposed improvements and the targeted buyer segment, a model upgrade cost of \$250,000 is considered reasonable for the subject’s lots. Of this amount, approximately 35% will be recaptured with the sale of the models reflecting a model recapture of \$87,500. Model costs will be applied over the initial periods, while recapture costs will be applied toward the end of the projection period.

Summary

The following charts summarize the revenue and expenses discussed on the preceding pages.

<u>Revenue & Expense Summary - Parcel 4Y</u>			
Revenue			
Aggregate Retail Value		\$419,349,566	
Number of Units		177	
Average Value per Unit		\$2,369,207	
Average Home Size (SF)		1,691	
Home Revenue (Before Appreciation):		\$419,349,566	
Home Revenue (After Appreciation):		\$419,349,566	
Home Revenue (Per Lot - from cash flow):		\$2,369,207	
Lot Premiums		\$3,400,000	\$19,209 (per unit)
Model Recapture	(@ 35% of cost)	\$262,500	\$87,500 (per model)
Total Revenue (After Appreciation):		\$423,012,066	\$2,389,899 (per unit)
Expenses			
<u>Non-Appreciated Expenses</u>			
General and Administrative	3.0%	of total revenue	\$12,690,362
Marketing and Sales	6.0%	of total revenue	\$25,380,724
Ad Valorem Real Estate Taxes	\$7,696	/unit/year	\$2,340,723 (from cash flow)
CFD No. 2016-1 (Treasure Island)	\$10,035	/unit/year	\$3,018,065 (from cash flow)
HOA	\$1,500	/unit/month	\$5,413,500 (from cash flow)
Model Costs	3	models	\$750,000 \$250,000 (per model)
Site Development Costs			\$0 \$0 (per unit)
Permits and Fees			\$3,970,110 \$22,430 (per unit)
Subtotal:			\$53,563,484
<u>Appreciated Expenses</u>			
Direct Construction Costs (Before Appreciation)			\$246,969,525 \$1,395,308 (per unit) \$825 per SF
Less Costs Spent to Date			<u>(\$65,000,000)</u>
Remaining Direct Construction Costs			\$181,969,525
Direct Construction Costs (After Appreciation)			\$181,969,525 \$1,028,076 (per unit) (from cash flow)
Indirect Construction Costs (Total)	10.0%	of Direct Costs	<u>\$18,196,953</u> \$102,808 (per unit) (from cash flow)
Subtotal:			\$200,166,478
Total Expenses: \$253,729,961			



Revenue & Expense Summary - Parcel 3Y

Revenue

Aggregate Retail Value		\$46,750,000	
Number of Units		11	
Average Value per Unit		\$4,250,000	
Average Home Size (SF)		2,850	
Home Revenue (Before Appreciation):		\$46,750,000	
Home Revenue (After Appreciation):		\$46,750,000	
Home Revenue (Per Lot - from cash flow):		\$4,250,000	
Lot Premiums		\$3,187,500	\$289,773 (per unit)
Model Recapture	(@ 35% of cost)	\$87,500	\$87,500 (per model)
Total Revenue (After Appreciation):		\$50,025,000	\$4,547,727 (per unit)

Expenses

Non-Appreciated Expenses

General and Administrative	3.0%	of total revenue	\$1,500,750	
Marketing and Sales	6.0%	of total revenue	\$3,001,500	
Ad Valorem Real Estate Taxes	\$10,633	/unit/year	\$78,204	(from cash flow)
CFD No. 2016-1 (Treasure Island)	\$22,931	/unit/year	\$166,250	(from cash flow)
HOA	\$1,500	/unit/month	\$130,500	(from cash flow)
Model Costs	1	models	\$250,000	\$250,000 (per model)
Site Development Costs			\$0	\$0 (per unit)
Permits and Fees			\$823,900	\$74,900 (per unit)
Subtotal:			\$5,951,104	

Total Over Sell-Off Period

Appreciated Expenses

Direct Constructon Costs (Before Appreciation)		\$26,647,500	\$2,422,500 (per unit)	\$850 per SF
Direct Constructon Costs (After Appreciation)		\$26,647,500	\$2,422,500 (per unit)	(from cash flow)
Indirect Constructon Costs (Total)	10.0%	of Direct Costs	\$2,664,750	\$242,250 (per unit) (from cash flow)
Subtotal:		\$29,312,250		
Total Expenses:		\$35,263,354		

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Revenue & Expense Summary - Parcel 1Y				
Revenue				
Aggregate Retail Value - Townhomes & Flats		\$310,250,000		
Number of Units		73		
Average Value per Unit		\$4,250,000		
Average Home Size (SF)		2,890		
Home Site Revenue		\$25,000,000		
Number of Home Sites		5		
Average Value per Lot		\$5,000,000		
Home Revenue (Before Appreciation):		\$335,250,000		
Home Revenue (After Appreciation):		\$335,250,000		
Home Revenue (Per Lot - from cash flow):		\$4,298,077		
Lot Premiums		\$34,425,000	\$471,575 (per unit)	
Model Recapture	(@ 35% of cost)	\$175,000	\$87,500 (per model)	
Total Revenue (After Appreciation):		\$369,850,000		
Expenses				
<u>Non-Appreciated Expenses</u>				
General and Administrative	3.0%	of total revenue	Total Over Sell-Off Period	
Marketing and Sales	6.0%	of total revenue	\$11,095,500	
Ad Valorem Real Estate Taxes	\$12,819	/unit/year	\$22,191,000	
CFD No. 2016-1 (Treasure Island)	\$18,709	/unit/year	\$1,881,134 (from cash flow)	
HOA	\$1,500	/unit/month	\$3,007,529 (from cash flow)	
Model Costs	2	models	\$2,893,500 (from cash flow)	
Site Development Costs			\$500,000	\$250,000 (per model)
Permits and Fees			\$0	\$0 (per unit)
Subtotal:			\$5,467,700	\$74,900 (per unit)
			<u>\$47,036,363</u>	
<u>Appreciated Expenses</u>				
Direct Constructon Costs (Before Appeciation)			\$174,050,250	\$2,384,250 (per unit) \$825 per SF
Direct Constructon Costs (After Appreciation)			\$174,050,250	\$2,384,250 (per unit) (from cash flow)
Indirect Constructon Costs (Total)	10.0%	of Direct Costs	\$17,405,025	\$238,425 (per unit) (from cash flow)
Subtotal:			<u>\$191,455,275</u>	
Total Expenses:			\$238,491,638	

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Developer’s Incentive and Discount Rate

Developer’s Incentive

When employing a land residual analysis, most market participants (homebuilders) analyze projects based on an expected increment of profit and a cost-of-funds discount rate. The developer’s profit is expressed as a percent of sales revenue and is included as an expense deduction. The cost-of-funds rate is used to discount each year of net income to present value. This methodology differs from the subdivision development method, in which most market participants (typically land developers) employ a yield rate or internal rate of return (IRR) inclusive of developer’s profit, and do not deduct profit as a line item expense.

According to industry sources, developer’s incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.



Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Overall, the Bay Area for-sale residential market remained strong throughout 2020, despite the COVID-19 pandemic; though, there was a brief interruption at March and April due to shelter-in-place orders. The exception to this trend was the San Francisco condominium market, which was impacted by the pandemic with lower absorption rates/sales activity and declining median home values. However, the condominium market appears to be rebounding, and inventory remained well below the 6-month benchmark for an in-balance market throughout 2020. Though 2020 absorption rates for new condominium projects were well below 2019 averages, it is our opinion this decreased pace of sales is temporary. As of the effective appraisal date, the condominium market recovery is being led by homebuyers interested in luxury product. Further, the subject benefits from many features which have become more desirable to homebuyers in light of the pandemic; these include private outdoor space, a less dense, suburban location, and larger units sizes. Though the current San Francisco condominium supply may continue to result in a softening of the market over the near term, as buyers have more options and room to negotiate, this has not been the case thus far for the subject property. Sales at The Bristol commenced in mid-February 2021, and eight homes are in contract at or above asking price as of the end of March 2021. Early sales activity at the subject has outpaced 2020 metrics for San Francisco.

Based on the characteristics of the subject property, including its location and perceived level of risk, and the current COVID-19 environment, we will employ a developer's incentive of 9.0% of sales revenue for Parcels 4Y and 1Y and a slightly higher incentive of 10.0% for Parcel 3Y, which contains 11 townhomes.

Discount Rate (Cost of Funds)

A discount rate will be employed to convert future cash flows to present value, thus reflecting the time value of money. An appropriate discount rate should reflect the cost of funds under current market conditions. For a cost of funds index, we will use the 11th District Cost of Funds Index (COFI), which is a standard financial index widely used in U.S. capital markets as a benchmark for adjustable-rate loans. Lenders use such an index to adjust interest rates as economic conditions change. Lenders add a certain number of percentage points, or margin, to the index to establish interest rates. The 11th District COFI was 0.46% as of March 2021. A typical margin used by banks is about 250 to 350 basis points, or 2.5% to 3.5% not including additional points or fees. We will employ a discount rate (cost of funds) of 5.0% in the land residual analysis.

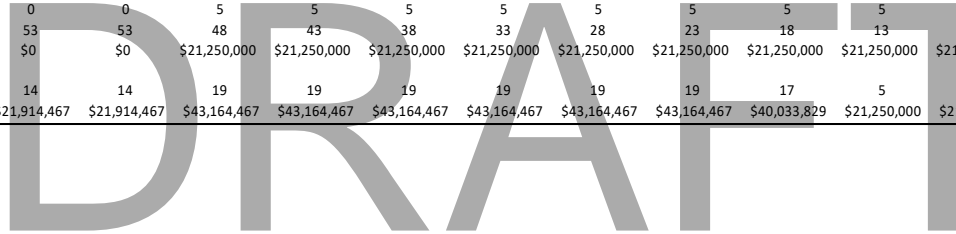
Conclusion

The land residual analysis is presented as follows:

Parcel 4Y – Revenue Schedule

As discussed, Parcel 4Y includes The Bristol and 53 townhomes/flats. Absorption is projected at different rates for the two product types, with sales of the townhomes and flats commencing after construction of The Bristol is well underway. The following table demonstrates the revenue schedule utilized in the upcoming analysis.

Estimate of Absorption and Revenue - Parcel 4Y Base Units															
Absorption - The Bristol	14	units/quarter													
Absorption - Townhomes/Flats	5	units/quarter													
Revenue - The Bristol	\$1,565,319	per unit (Market and BMR units)													
Revenue - Townhomes/Flats	\$4,250,000	per unit													
	0	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Sales - The Bristol	0	14	14	14	14	14	14	14	14	12	0	0	0	0	124
Unsold Inventory	124	110	96	82	68	54	40	26	12	0	0	0	0	0	
Revenue		\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$21,914,467	\$18,783,829	\$0	\$0	\$0	\$0	\$194,099,566
Sales - Townhomes/Flats	0	0	0	5	5	5	5	5	5	5	5	5	5	3	53
Unsold Inventory	53	53	53	48	43	38	33	28	23	18	13	8	3	0	
Revenue		\$0	\$0	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$225,250,000
Total Absorption		14	14	19	19	19	19	19	19	17	5	5	5	3	177
Total Revenue		\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$419,349,566



Parcel 4Y – Land Residual Analysis

Land Residual Analysis - Parcel 4Y																		
Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total	
REVENUE AND SALES																		
Sales	0	14	14	19	19	19	19	19	19	17	5	5	5	3	0	0	177	
Unsold Inventory	177	163	149	130	111	92	73	54	35	18	13	8	3	0	0	0		
Close of Escrow (COE)	0	0	0	14	14	19	19	19	19	19	17	5	5	5	3	0	177	
Pending/Under Construction	0	14	28	47	52	57	57	57	55	41	27	15	13	8	3	3		
Under Construction by %		2.6%	5.3%	8.9%	9.8%	10.7%	10.7%	10.7%	10.7%	10.4%	7.7%	5.1%	2.8%	2.4%	1.5%	0.6%	100.0%	
Unclosed Inventory	177	177	163	149	130	111	92	73	54	35	18	13	8	3	0	0		
Contracted Base Revenue (Before Appreciation)		\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$0	\$0	\$419,349,566
Quarterly Appreciation Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Contracted Home Revenue		\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$0	\$0	\$419,349,566
Appreciated Closing Home Revenue		\$0	\$0	\$21,914,467	\$21,914,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$43,164,467	\$40,033,829	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$0	\$419,349,566
Model Recapture Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$87,500	\$0	\$87,500	\$87,500	\$87,500	\$262,500
Lot Premium Revenue		\$0	\$0	\$268,927	\$268,927	\$364,972	\$364,972	\$364,972	\$364,972	\$364,972	\$364,972	\$326,554	\$96,045	\$96,045	\$96,045	\$57,627	\$3,400,000	\$3,400,000
Total Revenue		\$0	\$0	\$22,183,394	\$22,183,394	\$43,529,439	\$43,529,439	\$43,529,439	\$43,529,439	\$43,529,439	\$43,529,439	\$40,360,383	\$21,433,545	\$21,346,045	\$21,433,545	\$12,895,127	\$0	\$423,012,066
EXPENSES AND CASH FLOWS																		
Fixed or Percentage Expenses																		
General and Administrative	3.0%	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$846,024)	(\$12,690,362)
Marketing and Sales	6.0%	\$0	\$0	(\$1,331,004)	(\$1,331,004)	(\$2,611,766)	(\$2,611,766)	(\$2,611,766)	(\$2,611,766)	(\$2,611,766)	(\$2,611,766)	(\$2,421,623)	(\$1,286,013)	(\$1,286,013)	(\$1,286,013)	(\$773,708)	(\$25,380,724)	
Ad Valorem Real Estate Taxes	\$7,696	(\$340,551)	(\$340,551)	(\$313,615)	(\$286,679)	(\$255,125)	(\$217,837)	(\$180,550)	(\$143,262)	(\$108,053)	(\$70,034)	(\$36,018)	(\$26,013)	(\$16,316)	(\$6,118)	\$0	(\$2,340,723)	
CFD No. 2016-1 (Treasure Island)	\$10,035	(\$444,055)	(\$444,055)	(\$408,932)	(\$373,809)	(\$326,142)	(\$278,475)	(\$230,808)	(\$183,141)	(\$135,474)	(\$87,807)	(\$45,158)	(\$32,614)	(\$20,070)	(\$7,526)	\$0	(\$3,018,065)	
HQA per Month	\$1,500	(\$796,500)	(\$796,500)	(\$733,500)	(\$670,500)	(\$585,000)	(\$499,500)	(\$414,000)	(\$328,500)	(\$243,000)	(\$157,500)	(\$81,000)	(\$58,500)	(\$36,000)	(\$13,500)	\$0	(\$5,413,500)	
Model Costs		(\$250,000)	(\$250,000)	\$0	\$0	\$0	(\$250,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$750,000)	
Site Development Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Building Permits		(\$314,020)	(\$314,020)	(\$426,170)	(\$426,170)	(\$426,170)	(\$426,170)	(\$426,170)	(\$426,170)	(\$381,310)	(\$112,150)	(\$112,150)	(\$112,150)	(\$67,290)	\$0	\$0	(\$3,970,110)	
Subtotal:		(\$2,991,150)	(\$2,991,150)	(\$4,059,244)	(\$3,934,185)	(\$5,050,227)	(\$5,129,773)	(\$4,709,318)	(\$4,538,864)	(\$4,325,628)	(\$3,885,282)	(\$3,541,973)	(\$2,361,314)	(\$2,266,463)	(\$2,159,182)	(\$1,619,732)	(\$53,563,484)	
Appreciated Expenses																		
Direct Construction Costs		(\$4,797,690)	(\$9,595,380)	(\$16,106,530)	(\$17,819,991)	(\$19,533,452)	(\$19,533,452)	(\$19,533,452)	(\$19,533,452)	(\$18,848,068)	(\$14,050,378)	(\$9,252,688)	(\$5,140,382)	(\$4,454,998)	(\$2,741,537)	(\$1,028,076)	(\$181,969,525)	
Quarterly Appreciation Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000		
Appreciated Direct Costs		(\$4,797,690)	(\$9,595,380)	(\$16,106,530)	(\$17,819,991)	(\$19,533,452)	(\$19,533,452)	(\$19,533,452)	(\$19,533,452)	(\$18,848,068)	(\$14,050,378)	(\$9,252,688)	(\$5,140,382)	(\$4,454,998)	(\$2,741,537)	(\$1,028,076)	(\$181,969,525)	
Indirect Construction Costs	10.0%	(\$479,769)	(\$959,538)	(\$1,610,653)	(\$1,781,999)	(\$1,953,345)	(\$1,953,345)	(\$1,953,345)	(\$1,953,345)	(\$1,884,807)	(\$1,405,038)	(\$925,269)	(\$514,038)	(\$445,500)	(\$274,154)	(\$102,808)	(\$18,196,953)	
Subtotal:		(\$5,277,459)	(\$10,554,918)	(\$17,717,184)	(\$19,601,990)	(\$21,486,797)	(\$21,486,797)	(\$21,486,797)	(\$21,486,797)	(\$20,732,874)	(\$15,455,415)	(\$10,177,956)	(\$5,654,420)	(\$4,900,498)	(\$3,015,691)	(\$1,130,884)	(\$200,166,478)	
Total Expenses		(\$8,268,609)	(\$13,546,068)	(\$21,776,428)	(\$23,536,175)	(\$26,537,024)	(\$26,616,570)	(\$26,196,115)	(\$26,025,661)	(\$25,058,502)	(\$19,340,698)	(\$13,719,929)	(\$8,015,734)	(\$7,166,960)	(\$5,174,872)	(\$2,750,616)	(\$253,729,961)	
NET INCOME BEFORE DEVELOPER'S INCENTIVE		(\$8,268,609)	(\$13,546,068)	\$406,966	(\$1,352,782)	\$16,992,415	\$16,912,869	\$17,333,323	\$17,503,778	\$18,470,937	\$24,188,741	\$26,640,453	\$13,417,811	\$14,179,085	\$16,258,673	\$10,144,511	\$169,282,105	
Total Project Incentive	9.0%	\$0	\$0	(\$1,996,505)	(\$1,996,505)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,917,649)	(\$3,632,434)	(\$1,929,019)	(\$1,921,144)	(\$1,929,019)	(\$1,160,561)	(\$38,071,086)	
NET INCOME (BEFORE DISCOUNTING)		(\$8,268,609)	(\$13,546,068)	(\$1,589,540)	(\$3,349,287)	\$13,074,765	\$12,995,220	\$13,415,674	\$13,586,128	\$14,553,287	\$20,271,092	\$23,008,019	\$11,488,792	\$12,257,941	\$14,329,654	\$8,983,950	\$131,211,019	
Present Value Factors																		
Discount Rate (Cost of Borrowed Funds)	5.00%	0.98765	0.97546	0.96342	0.95152	0.93978	0.92817	0.91672	0.90540	0.89422	0.88318	0.87228	0.86151	0.85087	0.84037	0.82999		
Discounted Cash Flow		(\$8,166,527)	(\$13,213,662)	(\$1,531,392)	(\$3,186,928)	\$12,287,365	\$12,061,836	\$12,298,362	\$12,300,859	\$13,013,851	\$17,903,042	\$20,069,376	\$9,897,693	\$10,429,947	\$12,042,184	\$7,456,617	\$113,662,624	
Net Present Value																	\$113,660,000	
Per Unit																	\$642,147	



Parcel 3Y – Land Residual Analysis

Land Residual Analysis - Parcel 3Y							
Quarter:	0	1	2	3	4	5	Total
REVENUE AND SALES							
Sales	0	5	5	1	0	0	11
Unsold Inventory	11	6	1	0	0	0	
Close of Escrow (COE)	0	0	0	5	5	1	11
Pending/Under Construction	0	5	10	11	6	1	
Under Construction by %		15.2%	30.3%	33.3%	18.2%	3.0%	100.0%
Unclosed Inventory		11	11	6	1	0	
Contracted Base Revenue (Before Appreciation)		\$21,250,000	\$21,250,000	\$4,250,000	\$0	\$0	\$46,750,000
Quarterly Appreciation Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Contracted Home Revenue		\$21,250,000	\$21,250,000	\$4,250,000	\$0	\$0	\$46,750,000
Appreciated Closing Home Revenue		\$0	\$0	\$21,250,000	\$21,250,000	\$4,250,000	\$46,750,000
Model Recapture Revenue		\$0	\$0	\$0	\$0	\$87,500	\$87,500
Lot Premium Revenue		\$0	\$0	\$1,448,864	\$1,448,864	\$289,773	\$3,187,500
Total Revenue		\$0	\$0	\$22,698,864	\$22,698,864	\$4,627,273	\$50,025,000
EXPENSES AND CASH FLOWS							
Fixed or Percentage Expenses							
General and Administrative	3.0%	(\$300,150)	(\$300,150)	(\$300,150)	(\$300,150)	(\$300,150)	(\$1,500,750)
Marketing and Sales	6.0%	\$0	\$0	(\$1,361,932)	(\$1,361,932)	(\$277,636)	(\$3,001,500)
Ad Valorem Real Estate Taxes	\$10,633	(\$29,240)	(\$29,240)	(\$16,906)	(\$2,818)	\$0	(\$78,204)
CFD No. 2016-1 (Treasure Island)	\$22,931	(\$63,061)	(\$63,061)	(\$34,397)	(\$5,733)	\$0	(\$166,250)
HOA per Month	\$1,500	(\$49,500)	(\$49,500)	(\$27,000)	(\$4,500)	\$0	(\$130,500)
Model Costs		(\$250,000)	\$0	\$0	\$0	\$0	(\$250,000)
Site Development Costs		\$0	\$0	\$0	\$0	\$0	\$0
Building Permits		(\$374,500)	(\$374,500)	(\$74,900)	\$0	\$0	(\$823,900)
Subtotal:		(\$1,066,450)	(\$816,450)	(\$1,815,284)	(\$1,675,132)	(\$577,786)	(\$5,951,104)
Appreciated Expenses							
Direct Construction Costs		(\$4,037,500)	(\$8,075,000)	(\$8,882,500)	(\$4,845,000)	(\$807,500)	(\$26,647,500)
Quarterly Appreciation Factor	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
Appreciated Direct Costs		(\$4,037,500)	(\$8,075,000)	(\$8,882,500)	(\$4,845,000)	(\$807,500)	(\$26,647,500)
Indirect Construction Costs	10.0%	(\$403,750)	(\$807,500)	(\$888,250)	(\$484,500)	(\$80,750)	(\$2,664,750)
Subtotal:		(\$4,441,250)	(\$8,882,500)	(\$9,770,750)	(\$5,329,500)	(\$888,250)	(\$29,312,250)
Total Expenses		(\$5,507,700)	(\$9,698,950)	(\$11,586,034)	(\$7,004,632)	(\$1,466,036)	(\$35,263,354)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		(\$5,507,700)	(\$9,698,950)	\$11,112,829	\$15,694,231	\$3,161,236	\$14,761,646
Total Project Incentive	10.0%	\$0	\$0	(\$2,269,886)	(\$2,269,886)	(\$462,727)	(\$5,002,500)
NET INCOME (BEFORE DISCOUNTING)		(\$5,507,700)	(\$9,698,950)	\$8,842,943	\$13,424,345	\$2,698,509	\$9,759,146
Net Present Value							\$9,760,000
Per Unit							\$887,273

Land Residual Analysis - Parcel 1Y																			
Quarter:	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
REVENUE AND SALES																			
Sales - Townhomes and Flats	0	5	5	5	5	5	5	5	5	5	5	5	5	5	5	3	0	0	73
Unsold Inventory	73	68	63	58	53	48	43	38	33	28	23	18	13	8	3	0	0	0	0
Close of Escrow (COE)	0	0	0	5	5	5	5	5	5	5	5	5	5	5	5	5	5	3	73
Pending/Under Construction	0	5	10	15	15	15	15	15	15	15	15	15	15	15	13	8	3	3	0
Under Construction by %		2.3%	4.6%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	5.9%	3.7%	1.4%		100.0%
Unclosed Inventory		73	73	68	63	58	53	48	43	38	33	28	23	18	13	8	3	0	0
Home Site Sales	0	0	0	0	0	0	0	0	0	1	1	1	1	1	0	0	0	0	5
Unsold Homesites	5	5	5	5	5	5	5	5	4	3	2	1	0	0	0	0	0	0	0
Close of Escrow (COE)	0	0	0	0	0	0	0	0	0	1	1	1	1	1	0	0	0	0	5
Unclosed Inventory		5	5	5	5	5	5	5	5	4	3	2	1	0	0	0	0	0	0
Contracted Base Revenue (Before Appreciation)																			
Townhomes & Flats		\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$12,750,000	\$0	\$0	\$310,250,000
Home Sites		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$0	\$0	\$0	\$0	\$25,000,000
Total Revenue (Before Appreciation)		\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$12,750,000	\$0	\$0	\$335,250,000
Quarterly Appreciation Factor	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Appreciated Contracted Home Revenue		\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$12,750,000	\$0	\$0	\$335,250,000
Appreciated Closing Home Revenue		\$0	\$0	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$21,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$26,250,000	\$21,250,000	\$12,750,000	\$335,250,000
Model Recapture Revenue		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$87,500	\$175,000
Lot Premiums		\$0	\$0	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$2,357,877	\$1,414,726
Total Revenue		\$0	\$0	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$23,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$28,607,877	\$23,695,377	\$14,252,226	\$369,850,000
EXPENSES AND CASH FLOWS																			
Fixed or Percentage Expenses																			
General and Administrative	3.0%	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$652,676)	(\$11,095,500)
Marketing and Sales	6.0%	\$0	\$0	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$1,416,473)	(\$22,191,000)
Ad Valorem Real Estate Taxes	\$12,819	(\$217,927)	(\$217,927)	(\$201,903)	(\$185,879)	(\$169,534)	(\$153,510)	(\$137,486)	(\$121,462)	(\$105,111)	(\$92,421)	(\$79,732)	(\$67,042)	(\$54,286)	(\$41,662)	(\$29,638)	(\$19,614)	\$0	(\$1,881,134)
CFD No. 2016-1 (Treasure Island)	\$18,709	(\$341,446)	(\$341,446)	(\$318,059)	(\$294,672)	(\$271,286)	(\$247,899)	(\$224,512)	(\$201,126)	(\$177,739)	(\$154,352)	(\$130,965)	(\$107,579)	(\$84,192)	(\$60,805)	(\$37,419)	(\$14,032)	\$0	(\$2,007,529)
HOA per Month	\$1,500	(\$328,500)	(\$328,500)	(\$306,000)	(\$283,500)	(\$261,000)	(\$238,500)	(\$216,000)	(\$193,500)	(\$171,000)	(\$148,500)	(\$126,000)	(\$103,500)	(\$81,000)	(\$58,500)	(\$36,000)	(\$13,500)	\$0	(\$2,893,500)
Model Costs		(\$250,000)	(\$250,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$500,000)
Site Development Costs		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Building Permits		(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$374,500)	(\$224,700)	\$0	\$0	(\$5,467,700)
Subtotal:		(\$2,165,049)	(\$2,165,049)	(\$3,269,611)	(\$3,207,700)	(\$3,145,469)	(\$3,083,558)	(\$3,021,647)	(\$2,959,737)	(\$2,897,499)	(\$2,838,923)	(\$3,080,346)	(\$3,021,770)	(\$2,963,127)	(\$2,904,617)	(\$2,692,906)	(\$2,111,546)	(\$1,507,810)	(\$47,036,363)
Appreciated Expenses																			
Direct Construction Costs		(\$3,973,750)	(\$7,947,500)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$10,331,750)	(\$6,358,000)	(\$2,384,250)	(\$174,050,250)
Quarterly Appreciation Factor	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Appreciated Direct Costs		(\$3,973,750)	(\$7,947,500)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$11,921,250)	(\$10,331,750)	(\$6,358,000)	(\$2,384,250)	(\$174,050,250)
Indirect Construction Costs	10.0%	(\$397,375)	(\$794,750)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,192,125)	(\$1,033,175)	(\$635,800)	(\$238,425)	(\$17,405,025)
Subtotal:		(\$4,371,125)	(\$8,742,250)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$13,113,375)	(\$11,364,925)	(\$6,993,800)	(\$2,622,675)	(\$191,455,275)
Total Expenses		(\$6,536,174)	(\$10,907,299)	(\$16,382,986)	(\$16,321,075)	(\$16,258,844)	(\$16,196,933)	(\$16,135,022)	(\$16,073,112)	(\$16,010,874)	(\$15,952,298)	(\$16,193,721)	(\$16,135,145)	(\$16,076,502)	(\$16,017,992)	(\$14,057,831)	(\$9,105,346)	(\$4,130,485)	(\$238,491,638)
NET INCOME BEFORE DEVELOPER'S INCENTIVE		(\$6,536,174)	(\$10,907,299)	\$7,224,891	\$7,286,802	\$7,349,033	\$7,410,944	\$7,472,854	\$7,534,765	\$7,597,003	\$7,655,579	\$12,414,155	\$12,472,732	\$12,531,375	\$12,589,885	\$14,550,045	\$14,590,031	\$10,121,741	\$131,358,362
Total Project Incentive	9.0%	\$0	\$0	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,124,709)	(\$2,574,709)	(\$2,574,709)	(\$2,574,709)	(\$2,574,709)	(\$2,574,709)	(\$2,132,584)	(\$1,282,700)	(\$33,286,500)
NET INCOME (BEFORE DISCOUNTING)		(\$6,536,174)	(\$10,907,299)	\$5,100,182	\$5,162,093	\$5,224,324	\$5,286,235	\$5,348,145	\$5,410,056	\$5,472,294	\$5,530,870	\$9,839,447	\$9,898,023	\$9,956,666	\$10,015,176	\$11,975,337	\$12,457,447	\$8,839,041	\$98,071,862
Present Value Factors																			
Discount Rate (Cost of Borrowed Funds)	5.00%	0.98765	0.97546	0.96342	0.95152	0.93978	0.92817	0.91672	0.90540	0.89422	0.88318	0.87228	0.86151	0.85087	0.84037	0.82999	0.81975	0.80963	
Discounted Cash Flow		(\$6,455,480)	(\$10,639,645)	\$4,913,609	\$4,911,857	\$4,909,700	\$4,906,550	\$4,902,730	\$4,898,256	\$4,893,438	\$4,888,479	\$8,582,727	\$8,572,232	\$8,471,855	\$8,416,434	\$9,939,448	\$10,211,947	\$7,156,317	\$83,431,734
Net Present Value																			\$83,430,000
																			\$1,069,615



Summary of Lot Values

Based on the preceding analysis, a summary of finished lot values for Parcels 4Y, 3Y, and 1Y is provided below:

Aggregate Finished Lot Value - All Parcels			
Parcel	Value	Units/Lots	Value per Unit/Lot
Parcel 4Y	\$113,660,000	177	\$642,147
Parcel 3Y	\$9,760,000	11	\$887,273
Parcel 1Y	\$83,430,000	78	\$1,069,615

As a test of reasonableness for the above finished lot values, we also recent consider bulk residential land sales for proposed attached product throughout the Bay Area. The sales are considered below, unadjusted, on a loaded lot basis meaning the price per lot is inclusive of remaining site development costs, permits and fees, and special taxes. Permits and fees (applicable to the subject) are then deducted to include a price per lot which considers site development and special taxes. The sales are ranked compared to the subject in the following table.

Bulk Lot Ranking Summary						
Property	City	Sale Date	Number of Lots	\$/ Loaded Lot (Unadjusted)	\$/Loaded Lot Less Permits and Fees	
Subject Property	San Francisco	--				
Dublin Crossing - Fillmore	Dublin	Dec-16	80	\$428,846	\$381,425	
Mission Blvd & Tennyson Rd	Hayward	Dec-20	59	\$405,000	\$357,579	
Dublin Crossing IA 2 - Downing	Dublin	Dec-17	48	\$402,772	\$355,351	
Dublin Crossing Improvement Area (IA) 2 - Broadway	Dublin	Sep-18	110	\$356,662	\$309,241	
Dublin Crossing IA 2 - Skyline	Dublin	Sep-18	114	\$348,174	\$300,753	
Dublin Crossing IA 2 - Hyde Park	Dublin	Dec-17	102	\$318,296	\$270,875	
280 7th Street	San Francisco	Jun-16	21	\$272,095	\$224,674	

In addition to the loaded lot analysis above, we have also considered sales of residential sites along the Peninsula for which condominium or townhome use is proposed. Each of the below properties were undeveloped at the time of sale, and many were also unentitled.

Undeveloped Bulk Lot Sales						
Property	City	Sale Date	Number of Lots	Sale Price	\$/Lot	Notes
945-951 Kansas St	San Francisco	6/25/2019	9	\$7,150,000	\$794,444	Entitled for 8 condos, 1 SFR
2310 Rock St	Mountain View	9/30/2019	55	\$42,275,000	\$768,636	Unentitled
1950 Montecito Ave	Mountain View	6/24/2019	33	\$22,875,000	\$693,182	Unentitled
1 AMD Place	Sunnyvale	6/1/2020	107	\$73,000,000	\$682,243	Entitled for 107 townhomes
1493 El Camino Real	Santa Clara	9/27/2019	39	\$22,425,000	\$575,000	Entitled for 39 townhomes
1-3 Waters Park Dr	San Mateo	6/5/2020	190	\$106,000,000	\$557,895	Entitled for 190 SFR homes/townhomes
617 E. Evelyn Ave	Sunnyvale	1/26/2019	62	\$30,700,000	\$495,161	Unentitled
925 S. Wolfe Rd	Sunnyvale	9/30/2020	128	\$58,000,000	\$453,125	Unentitled
120 El Camino Real	Redwood City	11/3/2020	12	\$5,350,000	\$445,833	Entitled for 12 townhomes

Based on the data above, the value per lot conclusion for Parcel 4Y appears reasonable given the number of lots. Parcels 3Y and 1Y will be entirely comprised of higher priced townhomes, flats, and homesites. Our finished lot conclusions for these parcels also appear reasonable, considering the array of undeveloped (and sometimes unentitled) lot sales in Peninsula cities.

Market Value by Ownership

The preceding analyses derived estimates of residual land value, as if all infrastructure was in place and available to serve the developable Parcels. In order to estimate the market value of each Parcel (ownership), the remaining infrastructure costs to be completed will be deducted on a pro rata share basis of each Parcel's improved land value; this will result in a residual market value for each Parcel.

According to the development budget provided by the master developer, total infrastructure costs associated with development of Improvement Area No. 1 are \$130,172,342. Further, according to the master developer, \$93,324,812 in costs have been incurred to date, with remaining development costs estimated at \$36,847,530 (\$130,172,342 - \$93,324,812). However, these costs are attributable to Parcels, 1Y, 2Y, 3Y, and 4Y of Improvement Area No. 1. As previously noted, Parcel 2Y is not a part of this Appraisal; as such, the proportionate share of infrastructure costs for YBI attributable to the subject property (Parcels 1Y, 3Y, and 4Y) will be considered in the valuation analysis herein, along with consideration for the costs incurred to date.

The following table provides an allocation of backbone infrastructure costs for YBI. Costs are first allocated by pro rata share of acreage; based on this distribution, the remaining costs applicable to Parcels 1Y, 3Y, and 4Y are identified. These costs are then allocated by pro rata share of revenue generated by the parcels by ownership.

Pro Rata Share of Infrastructure					
Designation	Total Costs	Costs Incurred to Date	Remaining Costs to Complete		
Total Infrastructure Costs:	\$130,172,342	\$93,324,812	\$36,847,530		

Parcel	Acreage	Pro Rata Share	Infrastructure Costs	Costs Incurred to Date	Remaining Costs to Complete
Parcel 1Y	6.49	41.9%	\$54,510,797	\$39,080,574	\$15,430,223
Parcel 2Y	2.28	14.7%	\$19,155,449	\$13,733,168	\$5,422,281
Parcel 3Y	1.41	9.1%	\$11,826,243	\$8,478,621	\$3,347,622
Parcel 4Y	5.32	34.3%	\$44,679,853	\$32,032,449	\$12,647,404
	15.50	100.0%	\$130,172,342	\$93,324,812	\$36,847,530

Remaining Costs Left to Spend - Parcel 2Y	\$5,422,281
Remaining Costs Left to Spend - Parcels 1Y, 3Y, 4Y	\$31,425,249

Parcel	Revenue	Pro Rata Share	Remaining Costs to Spend
4Y	\$113,660,000	54.9%	\$17,267,555
3Y	\$9,760,000	4.7%	\$1,482,767
1 Y	\$83,430,000	40.3%	\$12,674,927
	\$206,850,000	100.0%	\$31,425,249

Based previous table, the estimates of market value, per Parcel, are shown as follows:

Market Value by Parcel				
Developable		Infrastructure Cost		Residual Market
Parcel	Owner	Improved Land Value	Allocation	Value (Rd.)
Parcel 4Y	YBI Phase 1 Investors, LLC	\$113,660,000	(\$17,267,555)	\$96,390,000
Parcel 3Y	YBI Phase 2 Investors, LLC	\$9,760,000	(\$1,482,767)	\$8,280,000
Parcel 1Y	YBI Phase 4 Investors, LLC	\$83,430,000	(\$12,674,927)	\$70,760,000
Total		\$206,850,000	(\$31,425,249)	\$175,430,000

Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value of the CFD - Parcel 4Y	Fee Simple	March 1, 2021	\$96,390,000
Market Value of the CFD - Parcel 3Y	Fee Simple	March 1, 2021	\$8,280,000
Market Value of the CFD - Parcel 1Y	Fee Simple	March 1, 2021	\$70,760,000
Aggregate Value of CFD No. 2016-1	Fee Simple	March 1, 2021	\$175,430,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the March 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local proposed residential property market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

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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 within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, Kevin Ziegenmeyer, MAI, and Laura Diaz made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Eric Segal, MAI, and Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Laura Diaz has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

DRAFT

Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558

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Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567

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Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037

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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

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

None.

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of the March 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
-

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Addendum A
Appraiser Qualifications

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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
Washington, Certified General, 20100611, Expires June 2021
Arizona, Certified General, CGA - 1006422, Expires January 2022

Education

Academic:

Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

Integra Realty Resources - Sacramento

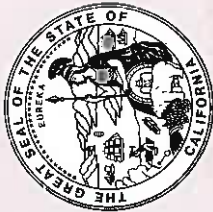
590 Menlo Drive
Suite 1
Rocklin, CA 95765

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F 916-435-4774

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Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 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 Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2021

Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approaches

2004 Central CA Market Update

Computer-Enhanced Cash Flow Modeling

Forecast 2000, 2001, 2002, 2003 & 2004

Land Valuation Assignments

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

kziegenmeyer@irr.com - 916-435-3883 x224



Kevin Ziegenmeyer, MAI

Education (Cont'd)

Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

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Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

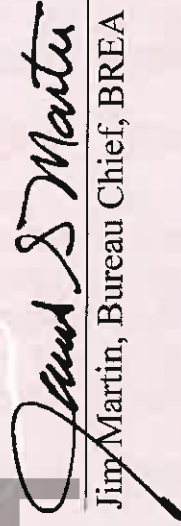
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2019
Date Expires: June 4, 2021


Jim Martin, Bureau Chief, BREA

3045137

Laura Diaz

Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

Education

Academic:

Bachelor of Arts in English, University of Louisville

Master of Urban Planning, University of Louisville

Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Basic Appraisal Principles

Basic Appraisal Procedures

Real Estate Finance Statistics and Valuation Modeling

Site Valuation and Cost Approach

General Market Analysis and Highest and Best Use

Sales Comparison Approach

Income Capitalization Approach Part I

Income Capitalization Approach Part II

General Appraiser Report Writing and Case Studies

Expert Witness for Commercial Appraisers

Basic Hotel Appraising – Limited Service Hotels

Integra Realty Resources
San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

T 415-715-4690
F

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Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Laura B. Diaz

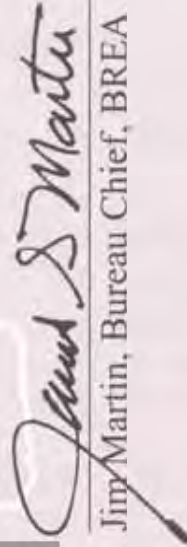
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“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, BREAA

3050185

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

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Addendum B
Definitions

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Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entitlement

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of

development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.

2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.



Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.



Addendum C
Property Information

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Property Detail Report

300 Nimitz Dr, San Francisco, CA 94130-1525

APN: 8948-001

San Francisco County Data as of: 02/05/2021

Owner Information

Owner Name:	Ybi Phase 4 Investors LLC	Recent Sale:	\$78,784,000
Vesting:		Occupancy:	Absentee Owner
Mailing Address:	4 Embarcadero Ctr #3300, San Francisco, CA 94111-4184		

Location Information

Legal Description:		County:	San Francisco, CA
APN:	8948-001	Census Tract / Block:	017902 / 1001
Munic / Twnshp:		Legal Lot / Block:	1 / 8948
Subdivision:		Legal Book / Page:	
Neighborhood:	Treasure Island	School District:	San Francisco Unified School District
Elementary School:	Sherman Elementary...	Middle School:	Marina Middle Scho...
Latitude:	37.8111	High School:	Galileo High Schoo...
		Longitude:	-122.37025

Last Transfer / Conveyance - Current Owner

Transfer / Rec Date:	10/15/2020 / 10/21/2020	Price:	\$78,784,000	Transfer Doc #:	2020.33722
Buyer Name:	Ybi Phase 4 Investors LLC	Seller Name:	Treasure Island Series 1 LLC	Deed Type:	Grant Deed

Last Market Sale

Sale / Rec Date:	10/15/2020 / 10/21/2020	Sale Price / Type:	\$78,784,000 / Full Value	Deed Type:	Grant Deed
Multi / Split Sale:		Price / Sq. Ft.:		New Construction:	
1st Mtg Amt / Type:		1st Mtg Rate / Type:	/ Unknown	1st Mtg Doc #:	2020.33725
2nd Mtg Amt / Type:	\$250,000 /	2nd Mtg Rate / Type:	/ Unknown	Sale Doc #:	2020.33722
Seller Name:	Treasure Island Series 1 LLC			Title Company:	First American Tit...
Lender:	Treasure Island Series 1				

Prior Sale Information

Sale / Rec Date:		Sale Price / Type:		Prior Deed Type:	
1st Mtg Amt / Type:		1st Mtg Rate / Type:		Prior Sale Doc #:	N/A
Prior Lender:					

Property Characteristics


Gross Living Area:		Total Rooms:	0	Year Built / Eff:	
Living Area:		Bedrooms:		Stories:	
Total Adj. Area:		Baths (F / H):		Parking Type:	
Above Grade:		Pool:		Garage #:	
Basement Area:		Fireplace:		Garage Area:	
Style:		Cooling:		Porch Type:	
Foundation:		Heating:		Patio Type:	
Quality:		Exterior Wall:		Roof Type:	
Condition:		Construction Type:		Roof Material:	

Site Information

Land Use:	Vacant -Residential Land	Lot Area:	282,758 Sq. Ft.	Zoning:	
State Use:		Lot Width / Depth:		# of Buildings:	
County Use:	Va15 - Vacant Land-Residential 15+ Units	Usable Lot:		Res / Comm Units:	
Site Influence:		Acres:	6.491	Water / Sewer Type:	
Flood Zone Code:		Flood Map #:		Flood Map Date:	
Community Name:		Flood Panel #:		Inside SFHA:	Unknown

Tax Information

Assessed Year:	2020	Assessed Value:	\$7,649,871	Market Total Value:	
Tax Year:	2020	Land Value:	\$7,649,871	Market Land Value:	
Tax Area:	00-002	Improvement Value:		Market Imprv Value:	
Property Tax:	\$92,421.04	Improved %:		Market Imprv %:	
Exemption:		Delinquent Year:			

Disclaimer: This report: (i) is not an insured product or service or an abstract, legal opinion or a representation of the condition of title to real property, and (ii) is issued exclusively for the benefit of First American Data Tree LLC (Data Tree) customers and may not be used or relied upon by any other person. Estimated property values are: (i) based on available data; (ii) are not guaranteed or warranted; (iii) do not constitute an appraisal; and (iv) should not be relied upon in lieu of an appraisal. Data Tree does not represent or warrant that the information is complete or free from error, and expressly disclaims any liability to any person or entity for loss or damage caused by errors or omissions in the report. If the "verified" logo  is displayed, or a record is designated "verified," Data Tree's algorithm matched fields from two or more data sources to confirm source data.

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Property Detail Report

1 Signal Rd, San Francisco, CA

APN: 8952-001

San Francisco County Data as of: 02/05/2021

Owner Information

Owner Name: Ybi Phase 2 Investors LLC
Vesting:
Mailing Address: 4 Embarcadero Ctr #3330, San Francisco, CA 94111-4184
Occupancy: Absentee Owner

Location Information

Legal Description:
APN: 8952-001
Munic / Twnshp:
Subdivision:
Neighborhood: Treasure Island
Elementary School: Sherman Elementary...
Latitude: 37.80974
Alternate APN:
Twnshp-Rng-Sec:
Tract #:
School District: San Francisco Unified School District
Middle School: Marina Middle Scho...
Longitude: -122.36689
County: San Francisco, CA
Census Tract / Block:
Legal Lot / Block: 1 / 8952
Legal Book / Page:
High School: Galileo High Schoo...

Last Transfer / Conveyance - Current Owner

Transfer / Rec Date: 04/24/2019 / 05/14/2019
Buyer Name: Ybi Phase 2 Investors LLC
Price:
Seller Name: Ybi Phase 1 Investors LLC
Transfer Doc #: 2019.766274
Deed Type: Quit Claim Deed

Last Market Sale

Sale / Rec Date:
Multi / Split Sale:
1st Mtg Amt / Type:
2nd Mtg Amt / Type:
Seller Name:
Lender:
Sale Price / Type:
Price / Sq. Ft.:
1st Mtg Rate / Type:
2nd Mtg Rate / Type:
Deed Type:
New Construction:
1st Mtg Doc #: N/A
Sale Doc #: N/A
Title Company:

Prior Sale Information

Sale / Rec Date:
1st Mtg Amt / Type:
Prior Lender:
Sale Price / Type:
1st Mtg Rate / Type:
Prior Deed Type:
Prior Sale Doc #: N/A

Property Characteristics

Gross Living Area:
Living Area:
Total Adj. Area:
Above Grade:
Basement Area:
Style:
Foundation:
Quality:
Condition:
Total Rooms: 0
Bedrooms:
Baths (F / H):
Pool:
Fireplace:
Cooling:
Heating:
Exterior Wall:
Construction Type:
Year Built / Eff:
Stories:
Parking Type:
Garage #:
Garage Area:
Porch Type:
Patio Type:
Roof Type:
Roof Material:


Site Information

Land Use: Vacant -Residential Land
State Use:
County Use: Va15 - Vacant Land-Residential 15+ Units
Lot Area: 61,345 Sq. Ft.
Lot Width / Depth:
Usable Lot:
Acres: 1.408
Site Influence:
Flood Zone Code:
Community Name:
Zoning:
of Buildings:
Res / Comm Units:
Water / Sewer Type:
Flood Map Date:
Inside SFHA: Unknown

Tax Information

Assessed Year: 2020
Tax Year: 2020
Tax Area: 00-002
Property Tax: \$192,845.36
Exemption:
Assessed Value: \$16,029,292
Land Value: \$16,029,292
Improvement Value:
Improved %:
Delinquent Year:
Market Total Value:
Market Land Value:
Market Imprv Value:
Market Imprv %:

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Disclaimer: This report: (i) is not an insured product or service or an abstract, legal opinion or a representation of the condition of title to real property, and (ii) is issued exclusively for the benefit of First American Data Tree LLC (Data Tree) customers and may not be used or relied upon by any other person. Estimated property values are: (i) based on available data; (ii) are not guaranteed or warranted; (iii) do not constitute an appraisal; and (iv) should not be relied upon in lieu of an appraisal. Data Tree does not represent or warrant that the information is complete or free from error, and expressly disclaims any liability to any person or entity for loss or damage caused by errors or omissions in the report. If the "verified" logo  is displayed, or a record is designated "verified," Data Tree's algorithm matched fields from two or more data sources to confirm source data.

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Property Detail Report

201 MacAlla Rd, San Francisco, CA 94130-1540

APN: 8954-002

San Francisco County Data as of: 02/05/2021

Owner Information

Owner Name:	Ybi Phase I Investors LLC	For Sale:	\$3,541,000
Vesting:		Occupancy:	Absentee Owner
Mailing Address:	4 Embarcadero Ctr #3300, San Francisco, CA 94111-4184		

Location Information

Legal Description:		County:	San Francisco, CA
APN:	8954-002	Census Tract / Block:	017902 / 1001
Munic / Twshp:		Legal Lot / Block:	2 / 8954
Subdivision:		Legal Book / Page:	
Neighborhood:	Treasure Island	School District:	San Francisco Unified School District
Elementary School:	Sherman Elementary...	Middle School:	Marina Middle Scho...
Latitude:	37.81104	High School:	Galileo High Schoo...
		Longitude:	-122.36588

Last Transfer / Conveyance - Current Owner

Transfer / Rec Date:	Price:	Transfer Doc #:
Buyer Name:	Seller Name:	Deed Type:

Last Market Sale

Sale / Rec Date:	Sale Price / Type:	Deed Type:
Multi / Split Sale:	Price / Sq. Ft.:	New Construction:
1st Mtg Amt / Type:	1st Mtg Rate / Type:	1st Mtg Doc #:
2nd Mtg Amt / Type:	2nd Mtg Rate / Type:	Sale Doc #:
Seller Name:		
Lender:		Title Company:

Prior Sale Information

Sale / Rec Date:	Sale Price / Type:	Prior Deed Type:
1st Mtg Amt / Type:	1st Mtg Rate / Type:	Prior Sale Doc #:
Prior Lender:		

Property Characteristics

Gross Living Area:	Total Rooms:	0	Year Built / Eff:
Living Area:	Bedrooms:		Stories:
Total Adj. Area:	Baths (F / H):		Parking Type:
Above Grade:	Pool:		Garage #:
Basement Area:	Fireplace:		Garage Area:
Style:	Cooling:		Porch Type:
Foundation:	Heating:		Patio Type:
Quality:	Exterior Wall:		Roof Type:
Condition:	Construction Type:		Roof Material:


Site Information

Land Use:	Vacant -Residential Land	Lot Area:	231,763 Sq. Ft.	Zoning:
State Use:		Lot Width / Depth:		# of Buildings:
County Use:	Va15 - Vacant Land-Residential 15+ Units	Usable Lot:		Res / Comm Units:
Site Influence:		Acres:	5.320	Water / Sewer Type:
Flood Zone Code:		Flood Map #:		Flood Map Date:
Community Name:		Flood Panel #:		Inside SFHA:

Tax Information

Assessed Year:	2020	Assessed Value:	\$78,406,434	Market Total Value:
Tax Year:	2020	Land Value:	\$66,932,329	Market Land Value:
Tax Area:	00-002	Improvement Value:	\$11,474,105	Market Imprv Value:
Property Tax:	\$1,790,774.08	Improved %:	14.63%	Market Imprv %:
Exemption:		Delinquent Year:		

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Disclaimer: This report: (i) is not an insured product or service or an abstract, legal opinion or a representation of the condition of title to real property, and (ii) is issued exclusively for the benefit of First American Data Tree LLC (Data Tree) customers and may not be used or relied upon by any other person. Estimated property values are: (i) based on available data; (ii) are not guaranteed or warranted; (iii) do not constitute an appraisal; and (iv) should not be relied upon in lieu of an appraisal. Data Tree does not represent or warrant that the information is complete or free from error, and expressly disclaims any liability to any person or entity for loss or damage caused by errors or omissions in the report. If the "verified" logo  is displayed, or a record is designated "verified," Data Tree's algorithm matched fields from two or more data sources to confirm source data.

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APPENDIX E-1

FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

**IMPROVEMENT AREA NO. 1 OF THE
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2016-1
(TREASURE ISLAND)
SPECIAL TAX BONDS, SERIES 2021**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) in connection with the issuance of the above captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 12-17 adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on January 24, 2017, and approved by Mayor Edwin Lee on February 3, 2017, as supplemented by Resolution No. 411-20 adopted by the Board of Supervisors of the City on September 22, 2020 and approved by Mayor London N. Breed on September 25, 2020, and Resolution No. ____, which was adopted by the Board of Supervisors on _____, 2021 and approved by the Mayor on _____, 2021 (together, “Resolution”) and Fiscal Agent Agreement, dated as of October 1, 2020, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of [_____] 1, 2021, by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which date shall be June 30 of each year), commencing with the report for the 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; provided the Annual Report for the 2020-21 Fiscal Year shall consist solely of the financial statements of the City and the Official Statement dated [_____], 2021 related to the Bonds (which need not be reposted to EMMA). If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB as required by Section 5(c).

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

The City’s annual financial statement is provided solely to comply with the Securities Exchange Commission staff’s interpretation of rule 15c2-12. The bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

(b) the principal amount and total debt service of the outstanding Bonds, as of each June 30 preceding the date of the Annual Report.

(c) the balance in the Improvement Fund as of June 30 preceding the date of the Annual Report (until such fund has been closed).

(d) the balance in the 2020 Reserve Fund and any reserve for any 2020 Related Parity Bonds and the then-current reserve requirement amount for the Bonds and any 2020 Related Parity Bonds as of June 30 preceding the date of the Annual Report.

(e) a completed table for the then current fiscal year (based on development status or mixed development status), as follows:

<u>Development Status</u>	<u>Taxable Parcels</u>	<u>Expected Residential Units</u>	<u>Square Footage</u>	<u>Assessed Value</u>	<u>Current FY Maximum Special Tax Revenue</u>	<u>Current FY Special Tax Levy</u>	<u>Allocated Bond Debt</u>	<u>Average VTL</u>
Developed Property ⁽¹⁾								
Vertical DDA Property ⁽¹⁾								
Undeveloped Property ⁽¹⁾								

⁽¹⁾ As applicable.

(f) for any delinquent parcels in Improvement Area No. 1:

- number of parcels delinquent in payment of the Special Tax,
- amount of total delinquency and delinquency as a percentage of total Special Tax, and

- status of the City’s actions to pursue foreclosure proceedings upon delinquent properties pursuant to the Fiscal Agent Agreement,

in each case, for the most recently concluded Fiscal Year.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available (with ownership information based on the most recent information available, which is not necessarily the most up to date information as of the date of the report).

(h) any changes to the Rate and Method since the filing of the prior Annual Report.

(i) to the extent not otherwise provided pursuant to the preceding items (a)-(h), annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the City; or
10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding

under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 11-18 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bond holders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee; or
18. Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights or similar terms of Financial Obligation of the City, any of which affect security holders.

(c) The City shall give, or cause to be given, in a timely manner, notice (substantially in the form of Exhibit A) of a failure to provide the annual financial information on or before the date specified in Section 3.

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all

of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this

Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [_____], 2021

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: _____
Name: _____
Title: _____

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

**FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021

Date of Issuance: [____], 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 [____], 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: _____

stop



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Controller's Office of Public Finance
Luke Brewer, Controller's Office of Public Finance
Bob Beck, Director of the Treasure Island Development Authority

A handwritten signature in black ink, appearing to be "AVD".

DATE: Tuesday, May 4, 2021

SUBJECT: Resolution Authorizing the Issuance of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000

Recommended Actions

We respectfully request that the Board of Supervisors ("Board") consider for review and approval the resolution (the "Bond Resolution") which authorizes the issuance of not to exceed \$41,340,000 aggregate principal amount of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 ("Bonds").

Background

Since 1997, the City and County of San Francisco ("City") and the Treasure Island Development Authority ("TIDA") have worked together on the Treasure Island/Yerba Buena Island Development Project ("Project") in order to redevelop the former Treasure Island Naval Station ("NSTI") in connection with the conveyance of the Navy-owned lands to TIDA. In early 2003, TIDA and the Treasure Island Community Development, LLC¹ ("TICD" or the "Developer") entered into an Exclusive Negotiating Agreement and began work on a Development Plan.

In 2011, TICD and TIDA entered into the Disposition and Development Agreement ("DDA") and TICD and the City entered into the Development Agreement ("DA") to deliver the Project. The Financing Plan attached to the DDA and DA contemplates reimbursement to the Developer for costs incurred to construct public infrastructure through the issuance of special tax bonds issued under the Mello-Roos Community Facilities Act of 1982 and tax increment bonds issued by the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island).

1. The existing members of TICD are (1) Treasure Island Holdings, LLC, a joint venture comprised of a subsidiary of Lennar Corporation and a non-managing third-party investor member, (2) TICD Hold Co., LLC, an indirect subsidiary of Lennar, (3) KSWM Treasure Island, LLC, a joint venture comprised of affiliates of Stockbridge Capital Group, LLC, Kenwood Investments, and Wilson Meany, LP, and (4) Stockbridge TI Co-Investors, LLC, an affiliate of Stockbridge.

2 | Resolution Authorizing the Issuance of Treasure Island CFD IA No. 1 Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000

The development plan for the Project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, as well as new commercial and retail space, a hotel, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on the Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. Some amenities include a combined police/fire emergency services building; utility improvements including new water, sewer, storm, gas, electrical and communications infrastructure with new water storage reservoirs and a wastewater treatment plant; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

The Treasure Island CFD

On January 24, 2017, following a public hearing and landowner vote, the Board adopted Resolution No. 8-17 ("Resolution of Formation") establishing the Treasure Island CFD, an initial improvement area in the Treasure Island CFD entitled "Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)" ("Improvement Area No. 1"), and a Future Annexation Area for the Treasure Island CFD. The Treasure Island CFD was formed to provide funding for certain public infrastructure to be built as a result of the Project and certain ongoing public services.

Improvement Area No. 1

Improvement Area No. 1 (or "IA No. 1") consists of up to four development parcels (1Y, 2Y-H, 3Y, and 4Y) located on Yerba Buena Island, which are expected to include 266 residential units at buildout.

At the time of the formation of the Treasure Island CFD and Improvement Area No. 1, the Board of Supervisors also adopted Resolution No. 12-17 to authorize the issuance and sale of special tax bonds for Improvement Area No. 1 in an aggregate principal amount not to exceed \$250,000,000.

In October 2020, the City, on behalf of IA No. 1 of the Treasure Island CFD, completed the first issuance of Special Tax Bonds, Series 2020 (the "2020 Bonds") in the amount of \$17,135,000, which were applied to finance, among other things, land acquisition and certain public infrastructure improvements.

The proposed Bond Resolution supplements Resolution No. 12-17 to authorize an aggregate principal amount not to exceed \$41,340,000 and approve related documents. If the full not to exceed amount of Bonds are issued, the remaining bond authority for Improvement Area No. 1 would be \$191,525,000.

The Special Tax Bonds of Improvement Area No. 1

The proposed Bond Resolution authorizes the second sale of special tax bonds for the Treasure Island CFD with respect to Improvement Area No. 1, in a par amount not to exceed \$41,340,000. The proposed Bonds will be secured by a pledge of special taxes levied on taxable property in Improvement Area No. 1. In accordance with Ordinance No. 22-17 and the Rate and Method of Apportionment of Special Tax for Improvement Area No. 1 ("RMA") adopted at formation, the City began levying special taxes on a portion of taxable property located on development parcel 4Y within Improvement Area No. 1 in Fiscal Year 2019-20. Parcel 4Y currently has one building under construction known as the Bristol, which is planned for 124 residential units of which 110 units are subject to the special tax.

Current Plan of Finance

The proposed Bonds will be sold without a rating ("Non-Rated"), given the risks associated with land secured financings. The transaction is for new real estate development projects, such as Treasure Island.

3 | Resolution Authorizing the Issuance of Treasure Island CFD IA No. 1 Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000

still underway and would not receive an investment grade rating. Non-Rated special tax bonds (or “Land Secured bonds”) have unique credit considerations and risk factors for investors which are discussed in the Official Statement, including:

- Until fully built-out, all Land-Secured bonds bear some degree of development risk. In troubled real estate markets, projects can struggle and may be abandoned by developers and homebuilders potentially leading to inability or refusal to pay special taxes when due.
- Taxpayer concentration risk, as the Bonds are secured by only the vertical developers at this time.

The Bonds are limited obligations of the City, secured by and payable solely from the special taxes levied in Improvement Area No. 1; *the Bonds will be payable on a parity basis with the 2020 Bonds.*

The General Fund of the City is not liable for the payment of principal or interest on the Bonds, and the credit of the City is not pledged to the payment of the Bonds.

The Bonds still carry the “City and County of San Francisco” issuer name and market recognition, and as such the City is subject to reputational risk.

Under the Fiscal Agent Agreement, the City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances, the City will commence judicial foreclosure proceedings with respect to delinquent special taxes on property within Improvement Area No. 1, and will diligently pursue such proceedings to completion.

The proposed Bonds will be secured by a pledge of special taxes levied on all of the taxable property in Improvement Area No. 1 pursuant to the RMA, and at current projected interest rates produce approximately 130% debt service coverage on the 2020 Bonds and the proposed Bonds when compared to maximum projected special tax revenues. Per the RMA, the special taxes escalate at 2.00% annually.

Value-to-Lien Ratio

Under the City's *Local Goals and Policies – Community Facilities Districts and Special Tax Districts*, the City is required to sell the Bonds to achieve at least a 3-to-1 value-to-lien ratio (“VTL”) based on (i) an appraised value (in this case) or assessed value and (ii) special tax and assessment debt encumbering the taxable property. The VTL based on the not to exceed \$58,475,000 aggregate par amount for the proposed Bonds (\$41,340,000) and the 2020 Bonds (plus \$17,135,000) and the current appraised value (as of March 1, 2021) of the property in Improvement Area No. 1 of \$175,430,000 would be 3.0-to-1. At this time, the Office of Public Finance (“OPF”) is evaluating whether to issue the full not to exceed amount of \$41,340,000 for the Bonds or less, which would result in a VTL higher than 3.0-to-1. The Bonds are expected to be sized based on expected schedule of issuance of building permits for the additional buildings on Parcels 1Y, 3Y and 4Y.

Integra Realty Resources, Inc. (the “Appraiser”) has prepared an Appraisal Report dated April 14, 2021 with a valuation date of March 1, 2021, estimating the market value of the fee simple interest in three parcels within Improvement Area No. 1 currently subject to the special taxes. The Appraiser concluded in the Appraisal Report that the market value of the fee simple interest of these parcels is \$175,430,000, subject to certain assumptions and limiting conditions set forth therein. The value of individual parcels in Improvement Area No. 1 may vary significantly, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be sufficient to pay such parcel's delinquent Special Taxes. Land values for properties

4 | Resolution Authorizing the Issuance of Treasure Island CFD IA No. 1 Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000

that are not yet fully developed can be extremely volatile, which is why OPF is currently evaluating whether to issue fewer bonds than the maximum requested principal amount of \$41,340,000.

Use of Proceeds

The proceeds of the Bonds will (i) finance or reimburse expenditures on public improvements for the Project, (ii) fund a debt service reserve fund for the Bonds, (iii) fund capitalized interest on the Bonds, if any, (iv) fund administrative expenses, and (v) finance costs of issuance. More specifically, the proceeds of the proposed Bonds are expected to reimburse the Developer for developer qualified costs, such as on-site infrastructure costs, such as utility improvements, street improvements, curb, gutter and sidewalk improvements, streetlights, and traffic signals, and related pre-development costs.

Table 1 below outlines anticipated sources and uses for the Bonds, based on current market conditions, at the not to exceed par amount of \$41,340,000.

Table 1: Estimated Not to Exceed Sources & Uses of the Special Tax Bonds, Series 2021

Sources:

Bond Proceeds	
Not to Exceed Par Amount	\$41,340,000
Premium	2,610,000
Total Sources	\$43,950,000

Uses:

Improvement Fund	\$37,605,000
Debt Service Reserve Fund	3,175,000
Capitalized Interest Fund	1,800,000
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$750,000
Underwriter's Discount	620,000
Total Uses	\$43,950,000

Source: Stifel and CSG Advisors Inc.

OPF currently anticipates a smaller bond issuance but is requesting the not to exceed par amount of \$41,340,000 based on the 3-to-1 value to lien policy limitation. Conditions that could result in a change in the anticipated par amount include accelerated or delayed development, a delayed issuance of the Bonds, increases in the Appraised Value, fluctuations in market interest rates between the date of authorization by the Board and the sale of the Bonds, changes in required deposits for reserves or in estimated delivery date expenses.

Interest Rate; Projected Debt Service

Based upon current market conditions, a 30-year term and a true interest cost of 3.66%, which assumes the issuance up to the not to exceed amount of the Bonds on a tax-exempt basis, the OPF estimates an average annual debt service of approximately \$2.55 million. The not to exceed total par amount of \$41.34 million is estimated to result in approximately \$35.53 million in interest payments over the life of the Bonds. The total debt service over the life of the Bonds is estimated at approximately \$76.87 million.

5 | Resolution Authorizing the Issuance of Treasure Island CFD IA No. 1 Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000

Negotiated Sale of the Bonds; Underwriters

A negotiated sale is planned in connection with this transaction. The Bonds are repaid from special tax revenues from taxable property within Improvement Area No. 1 and are outside of the City's customary credit profile. Through a competitive Request for Proposals ("RFP") process, Stifel, Nicolaus & Company, Incorporated ("Stifel") was selected to serve as Senior Underwriter and RBC Capital Markets, LLC, ("RBC") was selected to serve as Co-underwriter (together, "Underwriters"). The Underwriters were selected via the RFP process to the City's Underwriter Pool, which was also established via a competitive process. The proposed Bond Resolution approves the form of the Bond Purchase Agreement (described further below) which provides the terms of sale of the Bonds by the City to the Underwriters.

The Capital Plan

The Bonds are limited obligations of the City payable solely from the special tax revenues within Improvement Area No. 1 and therefore are not subject to policy constraints of the Ten-Year Capital Plan.

Additional Information

The Bond Resolution is expected to be introduced at the Board of Supervisors meeting on Tuesday, May 4, 2021. The forms of the financing documents related to the Special Tax Bonds—including the Bond Purchase Agreement, First Supplement to Fiscal Agent Agreement, Preliminary Official Statement, the Continuing Disclosure Certificate, and related documents—will also be submitted.

Bond Purchase Agreement: The City intends to issue the Bonds on a fixed rate basis through a negotiated sale with the Underwriters. The Bond Purchase Agreement sets forth the terms, covenants, and conditions for the sale of the Bonds with the Underwriters, as well as agreements regarding expenses, closing and disclosure documents.

First Supplement to Fiscal Agent Agreement: The proposed Bond Resolution also approves the form of a First Supplement to Fiscal Agent Agreement pursuant to which the Fiscal Agent administers and disburses bond payments. The City, on behalf of the CFD, executed the Fiscal Agent Agreement in connection with the issuance of the 2020 Bonds, and the First Supplement to Fiscal Agent Agreement will apply specifically to the Bonds. The Fiscal Agent Agreement, as proposed to be supplemented, provides for the terms of the bond redemption, prepayment provisions, and other related administrative provisions. The Fiscal Agent holds the Treasure Island CFD special taxes and the bonds proceeds derived from the sale of the Bonds and will disburse the proceeds as directed by authorized City representatives.

Official Statement: The Official Statement provides all material information for investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, the Project, including sources and uses of funds; security for the Bonds; risk factors; an appraisal of the property and tax and other legal matters, among other material information.

A *Preliminary Official Statement* is distributed to investors prior to the sale of the Bonds and, within seven days of the public offering, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the prospective purchasers of the Bonds.

The antifraud provisions of the federal securities laws require that offering documents prepared by issuers of municipal securities, like the special tax bonds here, that the document be accurate and complete in

6 | Resolution Authorizing the Issuance of Treasure Island CFD IA No. 1 Special Tax Bonds, Series 2021
Not to Exceed \$41,340,000

all material respects. This obligation applies to the individual members of the governing bodies approving the document as well as City staff charged with preparing the document. Much of the information in the Official Statement was provided by the Developer, and the Developer will certify in writing that the information provided by the Developer is accurate and complete in all material respects. The draft Preliminary Official Statement, which has been critically reviewed by the City's staff and outside financial professionals, has been submitted for your review prior to its publication.

The Board of Supervisors and the Mayor, in adopting and approving the Bond Resolution, approve and authorize the use and distribution of the Preliminary and Final Official Statements by the Underwriters and co-financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City and the District, that the Preliminary and Final Official Statements are final as of their dates.

Continuing Disclosure Certificate: The City covenants, on behalf of the District, to provide certain financial information and operating data relating to the Bonds (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist the Underwriters of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of Resolutions to the Board of Supervisors	May 4, 2021
• Presentation to Capital Planning Committee	May 10, 2021
• Budget & Finance Committee Hearing	May 19, 2021
• Board Approval of the Resolution	May 25, 2021
• Sale and Closing of the Bonds	Estimated July 2021

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org) or Luke Brewer (luke.brewer@sfgov.org), if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor's Office
Ashley Groffenberger, Mayor's Budget Director
Ben Rosenfield, Controller
Carmen Chu, City Administrator
Ken Bukowski, Deputy City Administrator
Harvey Rose, Budget & Legislative Analyst
Severin Campbell, Budget & Legislative Analyst
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

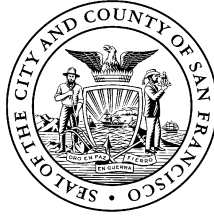
Attachment 1

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Underwriters, and the City's Municipal Advisor CSG Advisors Incorporated assuming the maximum bond authorization of \$41,340,000:

1. True interest cost of the Bonds: 3.66%
2. Finance charge for the Bonds, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$1,370,000.
3. Amount of Bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the Bonds: \$37,605,000.
4. Total payment amount for the Bonds, being the sum of (a) debt service on the Bonds to final maturity, and (b) any financing costs not paid from proceeds of the Bonds: \$76,875,000.

The information set forth above is based up estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.



MEMORANDUM

May 12, 2021

To: Members of the Board of Supervisors *C Chu*
From: Carmen Chu, City Administrator & Capital Planning Committee Chair
Copy: Angela Calvillo, Clerk of the Board
Capital Planning Committee
Regarding: (1) General Fund Capital Budget Approval (2) Critical Repairs and Recovery Stimulus Certificates of Participation (3) Treasure Island Special Tax Bonds

In accordance with Section 3.21 of the Administrative Code, on May 10, 2021, the Capital Planning Committee (CPC) approved the following action items to be considered by the Board of Supervisors. The CPC's recommendations are set forth below.

- 1. Board File Number: TBD** Approval of the FY2022 and FY2023 General Fund Department Capital Budget totaling not to exceed \$97,200,000
- Recommendation: Recommend the Board of Supervisors approve the General Fund Department Capital Budget.
- Comments: The CPC recommends approval of this item by a vote of 9-0.
- Committee members or representatives in favor:
Brian Strong, City Administrator's Office; Ashley Groffenberger, Mayor's Budget Director; Shamann Walton, Board President; Alaric Degrafinried, Acting Director, Public Works; Anna Van Degna, Controller's Office; Jonathan Rewers, SFMTA; Ivar Satero, Director, Airport; Toks Ajike, Recreation and Parks Department; Kathy How, SF Public Utilities Commission.
- 2. Board File Number: TBD** Approval of the FY2022 Critical Repairs and Recovery Stimulus Certificates of Participation in an amount not to exceed \$130,000,000
- Recommendation: Recommend the Board of Supervisors approve the Certificates of Participation.

Comments: The CPC recommends approval of this item by a vote of 9-0.

Committee members or representatives in favor:

Brian Strong, City Administrator's Office; Ashley Groffenberger, Mayor's Budget Director; Shamann Walton, Board President; Alaric Degrafinried, Acting Director, Public Works; Anna Van Degna, Controller's Office; Jonathan Rewers, SFMTA; Ivar Satero, Director, Airport; Toks Ajike, Recreation and Parks Department; Kathy How, SF Public Utilities Commission.

3. Board File Number: TBD

Approval of the resolution authorizing the issuance and sale of Special Tax Bonds for the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) in an aggregate principal amount not to exceed \$41,340,000

Recommendation: Recommend the Board of Supervisors approve the resolution.

Comments: The CPC recommends approval of this item by a vote of 10-0.

Committee members or representatives in favor:

Brian Strong, City Administrator's Office; Adrian Liu, Mayor's Budget Office; Shamann Walton, Board President; Alaric Degrafinried, Acting Director, Public Works; Anna Van Degna, Controller's Office; Jonathan Rewers, SFMTA; Ivar Satero, Director, Airport; Rich Hillis, Director, Planning; Toks Ajike, Recreation and Parks Department; Kathy How, SF Public Utilities Commission.

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

BUDGET & FINANCE COMMITTEE

Resolution for Special Tax Bonds: Resolution Authorizing the Issuance of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2021 Not to Exceed \$41,340,000



May 19, 2021

City & County of San Francisco
Treasure Island Development Authority &
Controller's Office of Public Finance

Plan of Finance for Proposed Special Tax Bonds

BOND OVERVIEW & RISKS

- Non-Rated Special Tax (also known as “Land-Secured”) Bonds for new real estate development still underway would not receive an investment grade rating
 - RISK:** Non-Rated Land-Secured bonds have unique credit considerations and risk factors:
 - Until fully built-out, Bonds bear some degree of development risk. In troubled real estate markets, projects can struggle and may be abandoned by developers and/or homebuilders, potentially leading to defaults.
 - Taxpayer concentration risk as the Bonds are secured by only 1 taxpayer at this time
- The Bonds are limited obligations of the City, secured by and payable solely from a pledge of the special taxes levied in Improvement Area No. 1.
 - RISK:** While the General Fund of the City is not liable for the payment of principal or interest on the Bonds, and the credit of the City is not pledged to the payment of the Bonds, they still carry the “City and County of San Francisco” issuer name and market recognition → subject to reputational risk
- The City has covenanted, under certain circumstances, to commence judicial foreclosure proceedings with respect to delinquent special taxes on property within Improvement Area No. 1, and will diligently pursue such proceedings to completion



The Preliminary Official Statement

- Board members have a responsibility under federal securities laws to ensure that staff is aware of information that board members may have unique in their capacity as board members that would have a material bearing of the capacity of the CFD to repay the bonds. Board members cannot approve a POS if they are aware that it contains material misstatements or omissions.
- In Connection with the Bonds, Staff has prepared a preliminary official statement ("POS") for prospective investors. The POS describes:
 - i. The terms of the Bonds
 - ii. Sources of repayment and the security for the Bonds (i.e. CFD special taxes; foreclosure covenant)
 - iii. Information about the CFD and its operations and financial ability of the CFD to make timely payments of principal of and interest on the Bonds.
 - iv. Risk Factors related to investment in CFD bonds
- Prior to the distribution of the POS (and final Official statement with pricing information), the POS will have been thoroughly and critically reviewed by TIDA and City and staff (in consultation with the City/TIDA's professional advisors, including Disclosure Counsel) to provide the most current material financial and other material information available.



Special Tax Bond Structure & Limitations (cont.)

VALUE-TO-LIEN (VTL) RATIO

- The City's Local Goals and Policies – Community Facilities Districts and Special Tax Districts, require CFD Bonds to achieve at least a 3-to-1 VTL ratio based on:

$$\frac{\text{Appraised Value or Assessed Value of Taxable Property in the CFD}}{\text{Special Tax and Assessment Debt Encumbering the Taxable Property(s)}} \geq 3.0$$

- In connection with the upcoming 2021 Bonds for IA No. 1, Integra Realty Resources, Inc. has prepared a preliminary Appraisal Report dated April 14, 2021^[1] with a valuation date of March 1, 2021, and concluded that the market value of the IA No. 1 taxable parcels^[2] is \$175,430,000*, subject to certain assumptions and limiting conditions

Improvement Area No. 1

$$\frac{\text{Appraised Value* (as of March 1, 2021): } \$175,430,000}{\begin{array}{l} \text{Not to Exceed: } \$41.340\text{M} \\ \text{+ Outstanding Bonds: } \$17.135\text{M} \\ \hline \$58,475,000 \end{array}} = 3.0$$

* Preliminary, subject to change

[1] Draft Appraisal Report will be included in the documents submitted to the Board of Supervisors related to the 2021 Special Tax Bonds approval

[2] The Taxable Parcels include Sub-Blocks 1Y, 3Y and 4Y

Budget & Finance Committee | Community Facilities District No. 2016-1 (Treasure Island)



Estimated Sources & Uses for Improvement Area No. 1 Special Tax Bonds – Not to Exceed \$41,430,000

ESTIMATED FINANCING TERMS

- Final Maturity of September 1, 2051
- Estimated True Interest Cost: 3.66%
- Estimated Bond Proceeds: \$35.53M
- Estimated Financing Costs: \$1.37M
- Estimated Total Debt Service: \$76.87M

Source: Stifel, PFM, and CSG Advisors, Inc.
Market conditions as of April 2021

SOURCES & USES

Sources:

Bond Proceeds	
Par Amount	\$41,340,000
Premium	2,610,000
Total Sources	\$43,950,000

Uses:

Improvement Fund	\$37,605,000
Debt Service Reserve Fund	3,175,000
Capitalized Interest Fund	1,800,000
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$750,000
Underwriter's Discount	620,000
Total Uses	\$43,950,000

Not-to-Exceed Par Amount	\$43,950,000
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