

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER \_\_, 2023****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 2023A Development Special Tax Bonds, the 2023B-1 Office Special Tax Bonds and the 2023C Shoreline (Tax Zone 1) Special Tax 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. Interest on the 2023A Development Special Tax Bonds, the 2023B-1 Office Special Tax Bonds and the 2023C Shoreline (Tax Zone 1) Special Tax Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, interest on the 2023 Bonds is exempt from California personal income taxes. See "TAX MATTERS."*

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

\$[A Par]\*  
**DEVELOPMENT  
SPECIAL TAX BONDS,  
SERIES 2023A**

\$[B-1 Par]\*  
**OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-1**

\$[B-2 Par]\*  
**OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-2  
(FEDERALLY TAXABLE)**

\$[B-3 Par]\*  
**SHORELINE (TAX ZONE 1)  
SPECIAL TAX BONDS,  
SERIES 2023C**

**Dated: Date of Delivery****Due: September 1, as shown on inside cover**

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

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the "District") will be issuing Development Special Tax Bonds, Series 2023A (the "2023A Development Special Tax Bonds"), Office Special Tax Bonds, Series 2023B-1 (the "2023B-1 Office Special Tax Bonds"), Office Special Tax Bonds, Series 2023B-2 (Federally Taxable) (the "Taxable 2023B-2 Office Special Tax Bonds") and Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C (the "2023C Shoreline (Tax Zone 1) Special Tax Bonds" and, collectively with the 2023A Development Special Tax Bonds, the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds, the "2023 Bonds").

The 2023A Development Special Tax Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2021, as previously supplemented and as supplemented by a Second Supplement to Fiscal Agent Agreement, dated as of November 1, 2023 (as so supplemented, the "Development Special Tax Bonds Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"). The 2023A Development Special Tax Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District, (ii) a deposit to the 2023A Reserve Fund under the Development Special Tax Bonds Fiscal Agent Agreement in connection with the 2023A Development Special Tax Bonds, and (iii) costs of issuance, all as further described herein.

The 2023B-1 Office Special Tax Bonds and Taxable 2023B-2 Office Special Tax Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2023 (the "Office Special Tax Bonds Fiscal Agent Agreement"), by and between the City and the Fiscal Agent. The 2023B-1 Office Special Tax Bonds and Taxable 2023B-2 Office Special Tax Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District, (ii) a deposit to the 2023B-1 Reserve Fund under the Office Special Tax Bonds Fiscal Agent Agreement in connection with the 2023B-1 Office Special Tax Bonds, (iii) a deposit to the 2023B-2 Reserve Fund under the Office Special Tax Bonds Fiscal Agent Agreement in connection with the Taxable 2023B-2 Office Special Tax Bonds, and (iv) costs of issuance, all as further described herein. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2023 (the "Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement"), by and between the City and the Fiscal Agent. The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District, (ii) a deposit to the 2023C Reserve Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement in connection with the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and (iii) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

The 2023 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 pages hereof. Interest on the 2023 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2024 (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 2023 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The

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\* Preliminary, subject to change.

Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2023 Bonds. Individual purchases of the 2023 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2023 Bonds will be payable by DTC through the DTC participants. See “THE 2023 BONDS – Book-Entry System” herein. Purchasers of the 2023 Bonds will not receive physical delivery of the 2023 Bonds purchased by them.

The 2023 Bonds are subject to redemption prior to maturity as described herein. See “THE 2023 BONDS” herein.

The 2023 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 2023 Bonds.

The 2023A Development Special Tax Bonds are limited obligations of the City, secured by and payable solely from the “Revenues” and the funds pledged therefor under the Development Special Tax Bonds Fiscal Agent Agreement. “Revenues” as defined in the Development Special Tax Bonds Fiscal Agent Agreement consist primarily of the proceeds of Development Special Taxes levied on certain leasehold interests in certain real property located within the District as described herein, and certain payments from tax increment (defined herein as the “IFD Payment Amount”) available to offset the obligation of property owners in the District to pay Development Special Taxes. The 2023A Development Special Tax Bonds are being issued on a parity basis with certain of the District’s outstanding bonds, and the Development Special Tax Bonds Fiscal Agent Agreement authorizes the City to issue additional bonds on a parity basis with the 2023A Development Special Tax Bonds. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” herein.

The 2023B-1 Office Special Tax Bonds and Taxable 2023B-2 Office Special Tax Bonds are limited obligations of the City, secured by and payable solely from the “Office Special Tax Revenues” and the funds pledged therefor under the Office Special Tax Bonds Fiscal Agent Agreement. “Office Special Tax Revenues” as defined in the Office Special Tax Bonds Fiscal Agent Agreement consist primarily of the proceeds of Office Special Taxes levied on certain leasehold interests in certain real property located within the District as described herein. The Office Special Tax Bonds Fiscal Agent Agreement authorizes the City to issue additional bonds on a parity basis with the 2023B-1 Office Special Tax Bonds and Taxable 2023B-2 Office Special Tax Bonds. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” herein.

The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are limited obligations of the City, secured by and payable solely from the “Shoreline (Tax Zone 1) Special Tax Revenues” and the funds pledged therefor under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. “Shoreline (Tax Zone 1) Special Tax Revenues” as defined in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement consist primarily of the proceeds of Shoreline Special Taxes levied on certain leasehold interests in certain real property located within Tax Zone 1 of the District (the “Shoreline (Tax Zone 1) Special Taxes”) as described herein. The Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement authorizes the City to issue additional bonds on a parity basis with the 2023C Shoreline (Tax Zone 1) Special Tax Bonds. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” herein.

The 2023 Bonds of each series are not payable from any source of funds other than, as applicable, the Development Special Tax Revenues (with respect to the Development Special Tax Bonds described herein), the Office Special Tax Revenues (with respect to the Office Special Tax Bonds described herein) and the Shoreline (Tax Zone 1) Special Tax Revenues (with respect to the Shoreline (Tax Zone 1) Special Tax Bonds described herein), and the funds pledged therefor under the Development Special Tax Bonds Fiscal Agent Agreement, the Office Special Tax Bonds Fiscal Agent Agreement or the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement (together, the “Fiscal Agent Agreements”), as applicable. Neither the General Fund of the City nor the enterprise funds of the San Francisco Port Commission (the “Port”) are liable for the payment of the principal of or interest on any series of 2023 Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement for each series of 2023 Bonds), the State of California or any political subdivision thereof is pledged to the payment of the 2023 Bonds.

The 2023 Bonds are being offered and sold only to “Qualified Purchasers”, which are defined in the Fiscal Agent Agreement as Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933). Pursuant to the applicable Fiscal Agent Agreement, each series of the 2023 Bonds may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except a Qualified Purchaser; provided, however, that 2023 Bonds of each series registered in the name of DTC or its nominee shall be deemed to comply with the related Fiscal Agent Agreement so long as each beneficial owner of such 2023 Bonds is a Qualified Purchaser. See “TRANSFER RESTRICTIONS” herein.

*The 2023 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 Seawall Lot 337 Associates, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2023 Bonds will be available for delivery through the book-entry facilities of DTC on or about November \_\_, 2023.*

STIFEL

PIPER SANDLER & CO.

Dated: November \_\_, 2023

**MATURITY SCHEDULE**

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

**[\$A Par]\*  
DEVELOPMENT SPECIAL TAX BONDS, SERIES 2023A**

**\$\_\_\_\_\_ Serial 2023A Development Special Tax Bonds**

<b><u>Maturity Date</u></b> <b><u>(September 1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>CUSIP</u></b> <sup>†</sup>
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\$\_\_\_\_\_ % Term 2023A Development Special Tax Bonds due September 1, 20\_\_ – Yield: \_\_\_% Price: \_\_\_\_\_ CUSIP<sup>†</sup>: \_\_\_\_\_

\* 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 FactSet Research Systems Inc. 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 Advisor, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2023 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2023 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 2023 Bonds.

\$[B-1 Par]\*  
**OFFICE SPECIAL TAX BONDS, SERIES 2023B-1**

\$\_\_\_\_\_ Serial 2023B-1 Office Special Tax Bonds

<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> †
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\$ \_\_\_\_\_ % Term 2023B-1 Office Special Tax Bonds due September 1, 20\_\_ – Yield: \_\_\_\_% Price: \_\_\_\_ CUSIP†: \_\_\_\_\_

\* Preliminary, subject to change.

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\$[B-2 Par]\*  
**OFFICE SPECIAL TAX BONDS, SERIES 2023B-2**  
**(FEDERALLY TAXABLE)**

\$ \_\_\_\_\_ Serial Taxable 2023B-2 Office Special Tax Bonds

<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> <sup>†</sup>
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\$ \_\_\_\_\_ % Term Taxable 2023B-2 Office Special Tax Bonds due September 1, 20\_\_ – Yield: \_\_\_\_% Price: \_\_\_\_ CUSIP<sup>†</sup>:  
\_\_\_\_\_

\$ \_\_\_\_\_ % Term Taxable 2023B-2 Office Special Tax Bonds due September 1, 20\_\_ – Yield: \_\_\_\_% Price: \_\_\_\_ CUSIP<sup>†</sup>:  
\_\_\_\_\_

\_\_\_\_\_  
\* 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 FactSet Research Systems Inc. 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 Advisor, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2023 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2023 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 2023 Bonds.

\$[C Par]\*  
**SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS, SERIES 2023C**

\$\_\_\_\_\_ Serial 2023C Shoreline (Tax Zone 1) Special Tax Bonds

<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> †
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\$ \_\_\_\_\_ % Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds due September 1, 20\_\_ – Yield: \_\_\_ % Price: \_\_\_\_\_  
CUSIP†: \_\_\_\_\_

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\* Preliminary, subject to change.

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**CITY AND COUNTY OF SAN FRANCISCO  
MAYOR**

London N. Breed

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

Aaron Peskin, *Board President, District 3*

Connie Chan, *District 1*

Catherine Stefani, *District 2*

Joel Engardio, *District 4*

Dean Preston, *District 5*

Matt Dorsey, *District 6*

Myrna Melgar, *District 7*

Rafael Mandelman, *District 8*

Hillary Ronen, *District 9*

Shamann Walton, *District 10*

Ahsha Safai, *District 11*

**CITY ATTORNEY**

David Chiu

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

Carmen Chu, *City Administrator*

Benjamin Rosenfield, *Controller*

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

Elaine Forbes, *Executive Director, Port of San Francisco*

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**PROFESSIONAL SERVICES**

**Bond Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Special Tax Consultant**

Goodwin Consulting Group, Inc.  
Sacramento, California

**Municipal Advisor**

PFM California Advisors LLC  
San Francisco, California

**Fiscal Agent**

Zions Bancorporation, National Association  
Los Angeles, California

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

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## NOTICE TO INVESTORS

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2023 Bonds, the complete terms and conditions being set forth in the related Fiscal Agent Agreement (as described herein). Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisor 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 2023 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 2023 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 2023 Bonds are being offered and sold only to “Qualified Purchasers,” which is defined in the each Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933). Pursuant to the related Fiscal Agent Agreement, the 2023 Bonds of each series may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except a Qualified Purchaser; provided, however, that 2023 Bonds of each series registered in the name of DTC or its nominee shall be deemed to comply with the related Fiscal Agent Agreement so long as each beneficial owner of such 2023 Bonds is a Qualified Purchaser. In addition, the face of each 2023 Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the related Fiscal Agent Agreement. Each entity that is or that becomes a Beneficial Owner of a 2023 Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the transfer restrictions under the related Fiscal Agent Agreement. In the event that a holder of the 2023 Bonds makes an assignment of its beneficial ownership interest in the 2023 Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein. Any transfer of a 2023 Bond to any entity that is not a Qualified Purchaser shall be deemed null and void. See “TRANSFER RESTRICTIONS” herein.

The Underwriters have provided the following two sentences for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. IN CONNECTION WITH THE OFFERING OF THE 2023 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2023 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 2023 Bonds.

## **FORWARD LOOKING STATEMENTS**

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

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





The green highlighted area in the photo above shows the location of the Mission Rock Project, a portion of which is included in the District. Each series of 2023 Bonds will be secured by certain special taxes levied in the District and certain other amounts as described herein. No mortgage or deed of trust on property secures the repayment of the 2023 Bonds. Further, neither the General Fund of the City nor the enterprise funds of the San Francisco Port Commission are liable for the payment of the principal of or interest on the 2023 Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement for each series of 2023 Bonds), the State of California or any political subdivision thereof is pledged to the payment of the 2023 Bonds. See “SECURITY FOR THE 2023 BONDS – Limited Obligation” herein.

## OFFICIAL STATEMENT

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

**§[A Par]\*  
DEVELOPMENT  
SPECIAL TAX BONDS,  
SERIES 2023A**

**§[B-1 Par]\*  
OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-1**

**§[B-2 Par]\*  
OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-2  
(FEDERALLY TAXABLE)**

**§[B-3 Par]\*  
SHORELINE (TAX ZONE 1)  
SPECIAL TAX BONDS,  
SERIES 2023C**

## INTRODUCTION

### General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco, California (the “City” or “County”) on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) of its Development Special Tax Bonds, Series 2023A (the “2023A Development Special Tax Bonds”), Office Special Tax Bonds, Series 2023B-1 (the “2023B-1 Office Special Tax Bonds”), Office Special Tax Bonds, Series 2023B-2 (Federally Taxable) (the “Taxable 2023B-2 Office Special Tax Bonds”) and Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C (the “2023C Shoreline (Tax Zone 1) Special Tax Bonds” and collectively with the 2023A Development Special Tax Bonds, the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds, the “2023 Bonds”).

### Authority for the 2023 Bonds

The 2023 Bonds are being issued on behalf of the District, which was established by the Board of Supervisors of the City, pursuant to the following:

- the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and
- Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by Mayor London N. Breed (the “Mayor”) on May 15, 2020, as supplemented by Resolution No. 565-20, which was adopted by the Board of Supervisors on December 8, 2020 and approved by the Mayor on December 18, 2020 (relating to the 2021A Development Special Tax Bonds described herein), as supplemented by Resolution No. 224-21, which was adopted by the Board of Supervisors on May 11, 2021 and approved by the Mayor on May 21, 2021 (relating to the 2021B/C Development Special Tax Bonds described herein), and as further supplemented by Resolution No. [ ]-23, which was adopted by the Board of Supervisors on [ ], 2023 and approved by the Mayor on [ ], 2023 approving the issuance and sale of up to \$58,335,000 of the 2023 Bonds in one or more series (collectively, the “Resolution”).

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\* Preliminary, subject to change.

The 2023A Development Special Tax Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2021, as previously supplemented and as supplemented by a Second Supplement to Fiscal Agent Agreement, dated as of November 1, 2023 (as so supplemented, the “Development Special Tax Bonds Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”).

The 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2023 (the “Office Special Tax Bonds Fiscal Agent Agreement”), by and between the City and the Fiscal Agent.

The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2023 (the “Shoreline (Tax Zone 1) Tax Bonds Fiscal Agent Agreement”), by and between the City and the Fiscal Agent.

The Development Special Tax Bonds Fiscal Agent Agreement, the Office Special Tax Bonds Fiscal Agent Agreement and the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement are referred to collectively as the “Fiscal Agent Agreements” and each as a Fiscal Agent Agreement.

### **Use of Proceeds**

The 2023A Development Special Tax Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District (the “Facilities”) for Phases 1A and 1B of the Mission Rock Project, (ii) a deposit to the 2023A Reserve Fund (defined herein); and (iii) costs of issuance, all as further described herein.

The 2023B-1 Office Special Tax Bonds are being issued to finance: (i) the acquisition of Facilities for Phases 1A and 1B of the Mission Rock Project, (ii) a deposit to the 2023B-1 Reserve Fund (defined herein); and (iii) costs of issuance, all as further described herein.

The Taxable 2023B-2 Office Special Tax Bonds are being issued to finance: (i) the acquisition of Facilities for Phases 1A and 1B of the Mission Rock Project, (ii) a deposit to the 2023B-2 Reserve Fund (defined herein); and (iii) costs of issuance, all as further described herein.

The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are being issued to finance: (i) the acquisition of Facilities for Phases 1A and 1B of the Mission Rock Project, (ii) a deposit to the 2023C Reserve Fund (defined herein); and (iii) costs of issuance, all as further described herein.

See “THE FINANCING PLAN,” “ESTIMATED SOURCES AND USES OF FUNDS” and “THE MISSION ROCK PROJECT – Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project” herein.

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

The District includes a portion of the Mission Rock Project, within the larger Mission Bay neighborhood. The Mission Rock Project is a public-private partnership among an affiliate of the San Francisco Giants, Tishman Speyer (as defined herein), the Port of San Francisco (the “Port”) and the City to develop a waterfront mixed-use neighborhood on property which had been serving as a parking lot for Oracle Park. The 40,000+ seat Oracle Park is the home baseball stadium of Major League Baseball’s San Francisco Giants.

The District contains 12 blocks of land at Seawall Lot 337, of which 11 blocks are currently subject to the levy of the Development Special Taxes securing the 2023A Development Special Tax Bonds, the Office Special Taxes securing the 2023B-1 Office Special Tax Bonds and the Taxable 2023 B-2 Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Taxes securing the 2023C Shoreline (Tax Zone

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

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

Development of Phase 1A, which includes the four leasehold parcels described below, is well underway, and all four of the leasehold parcels constitute Leasehold Interests in a Taxable Parcel that are subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax, as described herein:

- Parcel A (named, “The Canyon”): a 23-story, 283 residential rental unit building, with approximately 58,136 rentable square feet of office space, and approximately 12,500 rentable square feet of first floor retail. Vertical development was completed for Parcel A and leasing is underway. Some tenants have moved in.
- Parcel B: an 8-story building of approximately 274,005 rentable square feet of office (suitable for life science uses and other office uses) and approximately 15,300 rentable square feet of retail. Parcel B’s building received a temporary certificate of occupancy in June 2023. Leasing efforts are underway, but tenants have not yet been identified.
- Parcel F: a 23-story building planned for 254 residential rental units, approximately 21,600 rentable square feet of office (intended for co-working), and approximately 8,000 rentable square feet of retail. The building on Parcel F is structurally complete and is currently expected to receive a temporary certificate of occupancy in summer 2024.
- Parcel G: a 13-story building of approximately 303,629 square feet of office and approximately 17,300 square feet of retail. Parcel G’s building received a temporary certificate of occupancy in January 2023, and all of its office space has been leased to Visa, Inc.

Phase 1B includes China Basin Park: a 212,000 square foot park that will include a large lawn, storm water garden, dog play area, public restrooms, and plaza spaces. While the entire 212,000 square foot area is included in the scope for China Basin Park, only the areas inland of the Bay Trail will be improved as part of Phase 1B, which is expected to be complete and open by early 2024. The final proposed shoreline improvements located to the north and east (waterside) of the Bay Trail will be completed in Phases 2-4.

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

## **Appraisal**

The firm of Integra Realty Resources, Inc. (the “Appraiser”) was retained by the City and prepared an Appraisal Report dated September 28, 2023 (the “Appraisal Report”), estimating the market value of the leasehold interests (by ownership) in the District that are subject to the special taxes securing the 2023

Bonds. In the report, the Appraiser concluded that the aggregate or cumulative value (by ownership) of the leasehold interest in the appraised properties as of September 15, 2023 was \$698,880,000, subject to certain assumptions and limiting conditions set forth in the report, including the condition that proceeds from the 2023 Bonds are available for public improvements. See “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein.

The Appraisal Report appraised the leasehold interests in the District that are subject to the special taxes securing respectively the 2023 Bonds of each series, representing 11 of the 12 planned blocks within the District. The developable uses planned for Block D2 (intended to include a parking garage and retail space) are not subject to the special taxes securing any of the 2023 Bonds and, therefore, Block D2 was excluded from the Appraisal Report. The value of individual parcel leasehold interests may vary significantly, and no assurance can be given that should special taxes levied on one or more of the leasehold interests become delinquent, and should the delinquent leasehold interest be offered for sale at a judicial foreclosure sale, that any bid would be received for it or, if a bid is received, that such bid would be sufficient to pay the related delinquent special taxes. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.”

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

The Appraisal Report, which is included in Appendix G, must be read in its entirety by prospective purchasers of the 2023 Bonds.

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

### **Formation of the District**

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

Under the Special Tax Financing Law, the City may establish a district to provide for and finance the cost of eligible facilities and services. Subject to approval by two-thirds of the votes cast of the qualified electors at an election and compliance with the other provisions of the Special Tax Financing Law, the Board of Supervisors may cause the issuance of bonds for the district and may levy and collect a special tax within such district to repay such indebtedness. The Board of Supervisors serves as the legislative body of the District. See “FORMATION OF THE DISTRICT” herein.

### **The 2023 Bonds**

The 2023 Bonds of each series 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 pages hereof. Interest on the 2023 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2024 (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 2023 Bonds of a series delivered to the Fiscal Agent prior to the applicable Record Date.

The 2023 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 2023 Bonds. Individual purchases of the 2023 Bonds will be made in book-entry form only. Principal of

and interest and premium, if any, on the 2023 Bonds will be payable by DTC through the DTC participants. Purchasers of the 2023 Bonds will not receive physical delivery of the 2023 Bonds purchased by them. See “THE 2023 BONDS - Book-Entry System” herein.

### **Security for the 2023 Bonds**

The 2023A Development Special Tax Bonds are secured by a pledge of all “Revenues” (as such term is defined in the Development Special Tax Bonds Fiscal Agent Agreement) to the extent available. “Revenues” under the Development Special Tax Bonds Fiscal Agent Agreement is primarily composed of the “Development Special Tax Revenues” and the “IFD Payment Amount” as described herein.

The 2023B-1 Office Special Tax Bonds and the 2023B-2 Office Special Tax Bonds are secured by a pledge of the “Office Special Tax Revenues.”

The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are secured by a pledge of the “Shoreline (Tax Zone 1) Special Tax Revenues.”

Each of the 2023 Bonds is also payable from amounts held in certain funds and accounts pursuant to the related Fiscal Agent Agreement, including certain debt service reserve funds, all as more fully described herein.

The rate and method of apportionment related to District Special Taxes (the “Rate and Method”) provides for the levy of a Development Special Tax, Office Special Tax and Shoreline Special Tax and other special taxes in the District. The Board of Supervisors has determined that the Shoreline Special Tax levied in Tax Zone 1 (the “Shoreline (Tax Zone 1) Special Tax”) shall be treated as a separate special tax under the Rate and Method from the Shoreline Special Tax levied in Tax Zone 2 (the “Shoreline (Tax Zone 2) Special Tax”). The Rate and Method provides for the levy of the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes only on Leasehold Interests in Taxable Parcels within the District. Under the Rate and Method, fee interests or other interests in property within the District are not subject to the Development Special Tax, Office Special Tax or Shoreline (Tax Zone 1) Special Tax.

Under the Rate and Method, a Development Special Tax, Office Special Tax and Shoreline Special Tax applicable to each Leasehold Interest in Taxable Parcels in the District shall be levied and collected through the application of the appropriate rate per square foot for the applicable Square Footage Category in the building(s) on the Taxable Parcel and the applicable Tax Zone, and adjusted, for the Development Special Tax, in cases of Parcel Increment (which is the source of the IFD Payment Amount referenced above), as described below. The Rate and Method specifies rates per square foot that depend on the applicable special tax, the Square Footage Category and whether the parcel is Developed Property or Undeveloped Property. The Development Special Tax rate required under the Rate and Method is applied to Market-Rate Residential Square Footage and Office Square Footage. The Office Special Tax rate required under the Rate and Method is applied to Office Square Footage. The Shoreline Special Tax is also applied to Office Square Footage. The Shoreline (Tax Zone 1) Special Tax is the Shoreline Special Tax levied in Tax Zone 1, which zone includes Parcels A, B, F and G

On May 12, 2020, the Board of Supervisors adopted Ordinance No. 79-20, levying special taxes within the District in accordance with the Rate and Method. The Mayor approved the Ordinance on May 22, 2020. The Board of Supervisors approved the levy of the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes on the secured roll pursuant to Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and approved by the Mayor on May 15, 2020, and the Board of Supervisors further agreed in such ordinance and the Resolution to continue such levy on the secured roll as long as bonds issued by the City for the District are outstanding.

Development Special Tax Bonds. The 2023A Development Special Tax Bonds are secured by a first pledge of all Development Special Tax Revenues and the “IFD Payment Amount,” which consists of

certain offsetting tax increment receipts, to the extent available. See APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto. “Development Special Tax Revenues” are defined in the related Fiscal Agent Agreement to mean the proceeds of the Development Special Tax (the “Development Special Taxes”) levied according to the Rate and Method and received by the City, including any scheduled payments thereof and any Development Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Development Special Taxes to the amount of said lien and interest thereon, but not including any interest in excess of the interest due on the Development Special Tax Bonds (defined in “ - Parity Bonds” below) or any penalties collected in connection with any such foreclosure. Office Special Taxes (defined below) and Shoreline (Tax Zone 1) Special Taxes (defined below) are not pledged to the Development Special Tax Bonds.

Under the Rate and Method, with respect to each fiscal year, the Development Special Taxes required to be levied in the District with respect to certain parcels will be reduced in the amount of certain tax increment that was allocated to and received by the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) in connection with Project Area I (defined below) of the IFD during the prior fiscal year (“Parcel Increment”). Parcel Increment, as that term is used in the Rate and Method, is the source of the IFD Payment Amount referenced above. See “SECURITY FOR THE 2023 BONDS – General,” and “ – IFD Payment Amount Fund” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” (for a description of Parcel Increment and its application to reduce the levy of Development Special Taxes) and APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto. ***Under the Rate and Method, Parcel Increment does not reduce the amount of other special taxes levied in the District under the Rate and Method and is not pledged to District bonds other than the Development Special Tax Bonds.***

Office Special Tax Bonds. The 2023B-1 Office Special Tax Bonds and Taxable 2023B-2 Office Special Tax Bonds are secured by a first pledge of all Office Special Tax Revenues. “Office Special Tax Revenues” are defined in the related Fiscal Agent Agreement to mean the proceeds of the Office Special Tax (the “Office Special Taxes”) levied according to the Rate and Method and received by the City, including any scheduled payments thereof and any Office 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 Office Special Taxes to the amount of said lien and interest thereon, but not including any interest in excess of the interest due on the Office Special Tax Bonds (defined in “ - Parity Bonds” below) or any penalties collected in connection with any such foreclosure. Development Special Taxes and Shoreline (Tax Zone 1) Special Taxes are not pledged to the Office Special Tax Bonds.

Shoreline (Tax Zone 1) Special Tax Bonds. The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are secured by a first pledge of all Shoreline (Tax Zone 1) Special Tax Revenues. “Shoreline (Tax Zone 1) Special Tax Revenues” are defined in the related Fiscal Agent Agreement to mean the proceeds of the Shoreline (Tax Zone 1) Special Tax (the “Shoreline (Tax Zone 1) Special Taxes”) levied according to the Rate and Method and received by the City, including any scheduled payments thereof and any Shoreline (Tax Zone 1) 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 Shoreline (Tax Zone 1) Special Taxes to the amount of said lien and interest thereon, but not including any interest in excess of the interest due on the Shoreline (Tax Zone 1) Special Tax Bonds (defined in “ - Parity Bonds” below) or any penalties collected in connection with any such foreclosure. Development Special Taxes and Office Special Taxes are not pledged to the Shoreline (Tax Zone 1) Special Tax Bonds.

The Rate and Method also provides for levy of a Contingent Services Special Tax and the Shoreline (Tax Zone 2) Special Tax. But only revenue from the Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax are pledged under any of the Fiscal Agent Agreements or constitute a part of revenues pledged to any 2023 Bonds.



## **Parity Bonds**

Development Special Tax Bonds. The 2023A Development Special Tax Bonds are being issued under the Development Special Tax Bonds Fiscal Agent Agreement on a parity basis with the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A (the “2021A Development Special Tax Bonds”), which are currently outstanding in the aggregate principal amount of \$41,950,000, the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (Federally Taxable) (the “2021B Development Special Tax Bonds”), which are currently outstanding in the aggregate principal amount of \$54,280,000 and the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021C (the “2021C Development Special Tax Bonds” and, together with the 2021B Development Special Tax Bonds, the “2021B/C Bonds”), which are currently outstanding in the aggregate principal amount of \$10,000,000.

The City is authorized under the Development Special Tax Bonds Fiscal Agent Agreement to issue additional bonds that are payable from Revenues on a parity basis with the 2021A Development Special Tax Bonds, the 2021B/C Bonds and the 2023A Development Special Tax Bonds. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” herein.

The 2021A Development Special Tax Bonds, the 2021B/C Bonds, the 2023A Development Special Tax Bonds and any Development Special Tax Parity Bonds (as defined herein) that are issued in the future are collectively referred to herein as the “Development Special Tax Bonds.”

Office Special Tax Bonds. The 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds are the initial series of bonds being issued under the Office Special Tax Bonds Fiscal Agent Agreement.

The City is authorized under the Office Special Tax Bonds Fiscal Agent Agreement to issue additional bonds that are payable on a parity basis from Office Special Tax Revenues with the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” herein.

The 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds and any Office Special Tax Parity Bonds (as defined herein) that are issued in the future are collectively referred to herein as the “Office Special Tax Bonds.”

Shoreline (Tax Zone 1) Special Tax Bonds. The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are the initial series of bonds being issued under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement.

The City is authorized under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement to issue additional bonds that are payable on a parity basis from Shoreline (Tax Zone 1) Special Tax Revenues with the 2023C Shoreline (Tax Zone 1) Special Tax Bonds. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” herein.

The 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any Shoreline (Tax Zone 1) Special Tax Parity Bonds (as defined herein) that are issued in the future are collectively referred to herein as the “Shoreline (Tax Zone 1) Special Tax Bonds.”



## **Reserve Funds**

### Development Special Tax Bonds Reserve Funds.

*2021A Reserve Fund.* The 2021A Development Special Tax Bonds funded an initial deposit into the 2021A Reserve Fund in an amount equal to the 2021 Reserve Requirement, and the 2021C Development Special Tax Bonds were designated as 2021A Related Parity Bonds on their date of issuance, and proceeds of the 2021C Development Special Tax Bonds were deposited into the 2021A Reserve Fund so that the amount in the 2021A Reserve Fund at each such time equaled to the 2021A Reserve Requirement. The 2021A Reserve Fund does not secure any bonds of the District other than the 2021A Development Special Tax Bonds, the 2021C Development Special Tax Bonds and any future 2021A Related Parity Bonds. None of the 2023 Bonds will be designated as 2021A Related Parity Bonds, and amounts in the 2021A Reserve Fund are not available to pay debt service on the 2023 Bonds.

*2021B Reserve Fund.* Proceeds of the 2021B Bonds were deposited into the 2021B Reserve Fund on their date of issuance so that the amount in the 2021B Reserve Fund equaled to the 2021B Reserve Requirement. The 2021B Reserve Fund does not secure bonds of the District other than the 2021B Development Special Tax Bonds and any future 2021B Related Parity Bonds. None of the 2023 Bonds will be designated as 2021B Related Parity Bonds, and amounts in the 2021B Reserve Fund are not available to pay debt service on the 2023 Bonds.

*2023A Reserve Fund.* The City, on behalf of the District, will establish the 2023A Reserve Fund as additional security for the 2023A Development Special Tax Bonds and future 2023A Related Parity Bonds (as defined below) pursuant to the Development Special Tax Bonds Fiscal Agent Agreement. Such Fiscal Agent Agreement requires the 2023A Reserve Fund to be funded at the 2023A Reserve Requirement (defined below).

On the date of issuance of the 2023A Development Special Tax Bonds, proceeds of the 2023A Development Special Tax Bonds will be deposited into the 2023A Reserve Fund so that the amount in the 2023A Reserve Fund is equal to the 2023A Reserve Requirement. The 2023A Reserve Fund does not secure bonds of the District other than the 2023A Development Special Tax Bonds and any future 2023A Related Parity Bonds.

### Office Special Tax Bonds Reserve Funds.

The City, on behalf of the District, will establish the 2023B-1 Reserve Fund as additional security for the 2023B-1 Office Special Tax Bonds and future 2023B-1 Related Parity Bonds (as defined below) and the 2023B-2 Reserve Fund as additional security for the Taxable 2023B-2 Office Special Tax Bonds and future 2023B-2 Related Parity Bonds (as defined below), both pursuant to the Office Special Tax Bonds Fiscal Agent Agreement. Such Fiscal Agent Agreement requires the 2023B-1 Reserve Fund to be funded at the 2023B-1 Reserve Requirement (defined below) and the 2023B-2 Reserve Fund to be funded at the 2023B-2 Reserve Requirement (defined below).

*2023B-1 Reserve Fund.* On the date of issuance of the 2023B-1 Office Special Tax Bonds, proceeds of the 2023B-1 Office Special Tax Bonds will be deposited into the 2023B-1 Reserve Fund so that the amount in the 2023B-1 Reserve Fund is equal to the 2023B-1 Reserve Requirement. The 2023B-1 Reserve Fund does not secure bonds of the District other than the 2023B-1 Office Special Tax Bonds and any future 2023B-1 Related Parity Bonds.

*2023B-2 Reserve Fund.* On the date of issuance of the Taxable 2023B-2 Office Special Tax Bonds, proceeds of the Taxable 2023B-2 Office Special Tax Bonds will be deposited into the 2023B-2 Reserve Fund so that the amount in the 2023B-2 Reserve Fund is equal to the 2023B-2 Reserve Requirement. The 2023B-2 Reserve Fund does not secure bonds of the District other than the Taxable 2023B-2 Office Special Tax Bonds and any future 2023B-2 Related Parity Bonds.

Shoreline (Tax Zone 1) Special Tax Bonds Reserve Funds.

The City, on behalf of the District, will establish the 2023C Reserve Fund as additional security for the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and future 2023C Related Parity Bonds (as defined below) pursuant to the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. Such Fiscal Agent Agreement requires the 2023C Reserve Fund to be funded at the 2023C Reserve Requirement (defined below).

On the date of issuance of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, proceeds of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds will be deposited into the 2023C Reserve Fund so that the amount in the 2023C Reserve Fund is equal to the 2023C Reserve Requirement. The 2023C Reserve Fund does not secure bonds of the District other than the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any future 2023C Related Parity Bonds.

The table below identifies each series of the 2023 Bonds, the currently outstanding District bonds on parity with each series of the 2023 Bonds, the initial principal amounts and the principal amounts that will be outstanding of each series upon issuance of the 2023 Bonds and the reserve funds securing each series. See also “ – Parity Bonds” above.

Series	Initial Principal Amount	Outstanding Principal Amount	Reserve Fund
<b>Development Special Tax Bonds</b>			
2021A Development Special Tax Bonds	\$ 43,300,000	\$ 41,950,000	2021A Reserve Fund
2021B Development Special Tax Bonds	54,280,000	54,280,000	2021B Reserve Fund
2021C Development Special Tax Bonds	10,000,000	10,000,000	2021A Reserve Fund
2023A Development Special Tax Bonds	[A Par]*	[A Par]*	2023A Reserve Fund
<b>Total</b>	\$ [ ]*	\$ [ ]*	
<b>Office Special Tax Bonds</b>			
2023B-1 Office Special Tax Bonds	\$ [B-1 Par]*	\$ [B-1 Par]*	2023B-1 Reserve Fund
Taxable 2023B-2 Office Special Tax Bonds	[B-2 Par]*	[B-2 Par]*	2023B-2 Reserve Fund
<b>Total</b>	\$ [ ]*	\$ [ ]*	
<b>Shoreline (Tax Zone 1) Special Tax Bonds</b>			
2023C Shoreline (Tax Zone 1) Special Tax Bonds	\$ [C Par]*	\$ [C Par]*	2023C Reserve Fund
<b>Total</b>	\$ [C Par]*	\$ [C Par]*	

**Future Indebtedness**

The City anticipates issuing additional special tax bonds for the District and is authorized to issue up to \$3.7 billion of bonded indebtedness and other debt in the aggregate including the previously issued District bonds. Issuance of additional District bonds may result in overall value-to-lien ratios for the District as a whole and for individual Taxable Parcels that are lower than current ratios unless sufficient additional investment by the Master Developer and/or the Vertical Developers occurs before the issuance of such bonds. See “SECURITY FOR THE BONDS – Future Indebtedness” and “SPECIAL RISK FACTORS – Future Indebtedness” herein. Issuance of additional District bonds is limited under the Fiscal Agent Agreements. Because all of the Leasehold Interests in Taxable Parcels are subject to the Development Special Tax, but only Leasehold Interests in Taxable Parcels with Office Square Footage are subject to the Office Special Tax, and only Leasehold Interests in Taxable Parcels in Tax Zone 1 with Office Square Footage are subject to the Shoreline (Tax Zone 1) Special Tax, the requirements for issuance of

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\* Preliminary, subject to change.

Development Special Tax Parity Bonds, Office Special Tax Parity Bonds and Shoreline (Zone 1) Special Tax Parity Bonds are not identical. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” herein.

### **Foreclosure Covenant**

In each Fiscal Agent Agreement, the City, on behalf of the District, has covenanted for the benefit of the owners of the 2023 Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes within the District, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE 2023 BONDS – Covenant for Superior Court Foreclosure” herein.

### **Limited Obligations**

*The 2023 Bonds of each series are limited obligations of the City, secured by and payable solely from certain pledged revenues, consisting of the “Revenues” (with respect to the 2023A Development Special Tax Bonds), the “Office Special Tax Revenues” (with respect to the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds) and the “Shoreline (Tax Zone 1) Special Tax Revenues” (with respect to the 2023C Shoreline (Tax Zone 1) Special Tax Bonds) as defined in, and the funds pledged therefor, under the related Fiscal Agent Agreement. The 2023 Bonds of each series are not payable from any source of funds other than the applicable pledged revenues for such series and the funds pledged therefor under the related Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on any series of 2023 Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement for each series of 2023 Bonds), the State of California or any political subdivision thereof is pledged to the payment of the Development Special Tax Bonds, the Office Special Tax Bonds or the Shoreline (Tax Zone 1) Special Tax Bonds.*

### **Transfer Restrictions**

The 2023 Bonds are being offered and sold only to “Qualified Purchasers,” which is defined in the Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933). Pursuant to the applicable Fiscal Agent Agreement, each series of the 2023 Bonds may not be registered in the name of, or transferred to, and the Beneficial Owner cannot be, any person except a Qualified Purchaser; provided, however, that 2023 Bonds of each series registered in the name of DTC or its nominee shall be deemed to comply with the related Fiscal Agent Agreement so long as each beneficial owner of the 2023 Bonds is a Qualified Purchaser. In addition, the face of each 2023 Bond will contain a legend indicating that it is subject to transfer restrictions as set forth in the related Fiscal Agent Agreement. Each entity that is or that becomes a Beneficial Owner of a 2023 Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the transfer restrictions under the related Fiscal Agent Agreement. In the event that a holder of the 2023 Bonds makes an assignment of its beneficial ownership interest in the 2023 Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein. Any transfer of a 2023 Bond to any entity that is not a Qualified Purchaser shall be deemed null and void. See “TRANSFER RESTRICTIONS” herein.

### **Continuing Disclosure**

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data and notice of certain enumerated events. The City’s covenants have been made in order to assist the Underwriters in complying with the Securities and Exchange Commission’s Rule 15c2-12, as amended (“Rule 15c2-12”). In addition, the

Master Developer has voluntarily agreed to provide certain continuing disclosure. See the caption “CONTINUING DISCLOSURE” herein.

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

### **No Rating**

The 2023 Bonds are not rated. See “NO RATING” herein. The determination by the City not to obtain a rating does not, directly or indirectly, express any view by the City of the credit quality of the 2023 Bonds. The lack of a bond rating could impact the market price or liquidity for the 2023 Bonds in the secondary market. See “SPECIAL RISK FACTORS – Limited Secondary Market” herein.

### **Risk Factors**

For a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2023 Bonds, see “SPECIAL RISK FACTORS” herein. Such discussion does not purport to be comprehensive or definitive, and investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

### **Further Information**

Brief descriptions of the 2023 Bonds, the security for the 2023 Bonds, special risk factors, the District, the Port, the City, the IFD and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2023 Bonds, the Fiscal Agent Agreements, the Pledge Agreement (defined below), resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2023 Bonds, the Fiscal Agent Agreements, the Pledge Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the 2023 Bonds, see APPENDIX C-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS,” APPENDIX C-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT OFFICE TAX BONDS” and APPENDIX C-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS” hereto.

## **THE FINANCING PLAN**

The 2023A Development Special Tax Bonds are being issued to finance: (i) Facilities, (ii) a deposit to the 2023A Reserve Fund under the Development Special Tax Bonds Fiscal Agent Agreement in connection with the 2023A Development Special Tax Bonds, and (iii) costs of issuance. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2023A Development Special Tax Bonds will finance, [among other Horizontal Improvements, (i) infrastructure related to a thermal district energy system and a blackwater recycling system that will serve the entirety of the Mission Rock Project, which will be owned and operated by Mission Rock Utilities, Inc., a non-stock corporation organized under Delaware law (see “THE MISSION ROCK PROJECT - Development and Financing Plan for the Mission Rock Project”) and (ii) the Phase 1B portion of China Basin Park, which may be managed by the Master Developer or a related entity].

The 2023B-1 Office Special Tax Bonds and Taxable 2023B-2 Office Special Tax Bonds are being issued to finance: (i) Facilities, (ii) a deposit to the 2023B-1 Reserve Fund under the Office Special Tax Bonds Fiscal Agent Agreement in connection with the 2023B-1 Office Special Tax Bonds, (iii) a deposit to the 2023B-2 Reserve Fund under the Office Special Tax Bonds Fiscal Agent Agreement in connection with the Taxable 2023B-2 Office Special Tax Bonds, and (iv) costs of issuance. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Facilities to be financed by the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds are expected to consist of [Horizontal Improvements, including water, sewer and storm drain infrastructure, roadways, streetscape, and parks and open space], as further described in this Official Statement. See “THE MISSION ROCK PROJECT – Overview of Mission Rock Transaction Structure” herein.

The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are being issued to finance: (i) Facilities, (ii) a deposit to the 2023C Reserve Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement in connection with the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, and (iii) costs of issuance. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Facilities to be financed by the 2023C Shoreline (Tax Zone 1) Special Tax Bonds are expected to consist of [to be revised: Horizontal Improvements, including water, sewer and storm drain infrastructure, roadways, streetscape, and parks and open space], as further described in this Official Statement. See “THE MISSION ROCK PROJECT – Overview of Mission Rock Transaction Structure” herein.

The Facilities are not pledged to the repayment of the Development Special Tax Bonds, the Office Special Tax Bonds or the Shoreline (Tax Zone 1) Special Tax Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Facilities.

### ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	2023A Development Special Tax Bonds	2023B-1 Office Special Tax Bonds	Taxable 2023B-2 Office Special Tax Bonds	2023C Shoreline (Tax Zone 1) Special Tax Bonds	<u>Total</u>
Principal Amount	\$	\$	\$	\$	\$
Premium					
Total Sources	\$	\$	\$	\$	\$
<u>Uses of Funds</u>					
Deposit to 2023A Improvement Fund	\$	\$	\$	\$	\$
Deposit to 2023B-1 Improvement Fund					
Deposit to 2023B-2 Improvement Fund					
Deposit to 2023C Improvement Fund					
Deposit to 2023A Reserve Fund					
Deposit to 2023B-1 Reserve Fund					
Deposit to 2023B-2 Reserve Fund					
Deposit to 2023C Reserve Fund					
Costs of Issuance <sup>(1)</sup>					
Total Uses	\$	\$	\$	\$	\$

<sup>(1)</sup> Includes Underwriters’ discount, fees and expenses for Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Special

Tax Consultant, the Appraiser, the Fiscal Agent, and its counsel, [the Special Funds Administrator,] costs of printing the Official Statement, and other costs of issuance of the 2023 Bonds.

## THE 2023 BONDS

### Description of the 2023 Bonds

The 2023 Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple in excess thereof within a single series and maturity and will be dated and bear interest from the date of their delivery. The 2023 Bonds will be issued in fully registered form, without coupons. The 2023 Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof. The 2023 Bonds will bear interest at the rates set forth on the inside cover pages hereof, payable on the Interest Payment Dates in each year.

Interest on all 2023 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2023 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 2023 Bonds; provided, however, that if at the time of authentication of a 2023 Bond, interest is in default thereon, such 2023 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 2023 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 2023 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such 2023 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 2023 Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2023 Bonds at the Principal Office of the Fiscal Agent. All 2023 Bonds so paid by the Fiscal Agent shall be canceled by the Fiscal Agent.

### Redemption\*

***Optional Redemption – 2023A Development Special Tax Bonds.*** The 2023A Development Special Tax Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, 20\_\_, as a whole or in part as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2023A Development Special Tax Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

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\* Preliminary, subject to change.

<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 – 2023A Development Special Tax Bonds.** The 2023A Development Special Tax Bonds maturing on September 1, 20\_\_ (the “Term 2023A Development Special Tax Bonds”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund under the Development Special Tax Bonds Fiscal Agent Agreement, 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</u> <u>(September 1)</u>  (maturity)	<u>Principal Amount Subject to Redemption</u> \$

Provided, however, if some but not all of the Term 2023A Development Special Tax Bonds have been redeemed pursuant to optional redemption or redemption from Development Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2023A Development Special Tax Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the City.

**Optional Redemption – 2023B-1 Office Special Tax Bonds.** The 2023B-1 Office Special Tax Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Office Special Taxes, prior to their stated maturity on any date on or after September 1, 20\_\_, as a whole or in part as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2023B-1 Office Special Tax 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 – 2023B-1 Office Special Tax Bonds.** The 2023B-1 Office Special Tax Bonds maturing on September 1, 20\_\_ (the “Term 2023B-1 Office Special Tax Bonds”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund under the Office Special Tax Bonds Fiscal Agent Agreement, 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</u> <u>(September 1)</u>  (maturity)	<u>Principal Amount Subject to Redemption</u> \$

Provided, however, if some but not all of the Term 2023B-1 Office Special Tax Bonds have been redeemed pursuant to optional redemption or redemption from Office Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2023B-1 Office Special Tax Bonds 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.

***Make-Whole Optional Redemption Prior to September 1, 20\_\_ - Taxable 2023B-2 Office Special Tax Bonds.*** The Taxable 2023B-2 Office Special Tax Bonds are subject to optional redemption prior to their stated maturity dates, as directed by the City from sources of funds other than prepayments of Office Special Taxes, as a whole or in part, on any business day, prior to September 1, 20\_\_, at the Make-Whole Redemption Price, plus accrued and unpaid interest on the Taxable 2023B-2 Office Special Tax Bonds to be redeemed on the date fixed for redemption.

The “Make-Whole Redemption Price” is the greater of (i) 100 percent of the principal amount of the Taxable 2023B-2 Office Special Tax Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Taxable 2023B-2 Office Special Tax Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable 2023B-2 Office Special Tax Bonds are to be redeemed, discounted to the date on which the Taxable 2023B-2 Office Special Tax Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” defined below, plus the “Applicable Spread” defined below.

“Applicable Spread” means \_\_ basis points.

“Treasury Rate” means, with respect to any redemption date for a particular Taxable 2023B-2 Office Special Tax Bond, the yield to maturity as of such Valuation Date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available on the Valuation Date selected by the City (excluding inflation indexed securities) (or, if such Statistical release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Taxable 2023B-2 Office Special Tax Bond to be redeemed (taking into account any sinking fund installments for such Taxable 2023B-2 Office Special Tax Bonds); provided, however, that if the period from the redemption date to such maturity date (taking into account any sinking fund installments for such Taxable 2023B-2 Office Special Tax Bonds) is less than one year, the weekly average yield on actual traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the City or the Fiscal Agent, the Make-Whole Redemption Price of the Taxable 2023B-2 Office Special Tax Bonds, with respect to clause (ii) of the definition of Make-Whole Redemption Price, will be calculated by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City’s expense. The City and the Fiscal Agent may conclusively rely on the determination of the Treasury Rate by the investment banking firm or financial advisory firm and on any Make-Whole Redemption Price calculated by an independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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

***Optional Redemption on or after September 1, 20\_\_ – Taxable 2023B-2 Office Special Tax Bonds.*** The Taxable 2023B-2 Office Special Tax 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 Office Special Taxes, prior to their stated maturity on any date on or after September 1, 20\_\_, as a whole or in part as directed by the City, at a redemption price equal to the principal amount of the Taxable 2023B-2 Office Special Tax



Bonds to be redeemed, without premium, together with accrued interest thereon to the date fixed for redemption.

**Mandatory Sinking Fund Redemption – Taxable 2023B-2 Office Special Tax Bonds.** The Taxable 2023B-2 Office Special Tax Bonds maturing on September 1, 20\_\_, September 1, 20\_\_ and September 1, 20\_\_ (the “Term Taxable 2023B-2 Office Special Tax Bonds”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund under the Office Special Tax Bonds Fiscal Agent Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

Term Taxable 2023B-2 Office Special Tax Bonds Maturing September 1, 20\_\_

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

Term Taxable 2023B-2 Office Special Tax Bonds Maturing September 1, 20\_\_

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

Term Taxable 2023B-2 Office Special Tax Bonds Maturing September 1, 20\_\_

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

Provided, however, if some but not all of the Term Taxable 2023B-2 Office Special Tax Bonds of a given maturity have been redeemed pursuant to optional redemption or redemption from Office Special Tax Prepayments, the total amount of all future Sinking Fund Payments related to such maturity shall be reduced by the aggregate principal amount of Term Taxable 2023B-2 Office Special Tax Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the City.

**Optional Redemption – 2023C Shoreline (Tax Zone 1) Special Tax Bonds.** The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are subject to optional redemption as directed by the City, from sources

of funds other than prepayments of Shoreline (Tax Zone 1) Special Taxes, prior to their stated maturity on any date on or after September 1, 20\_\_, as a whole or in part as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax 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 – 2023C Shoreline (Tax Zone 1) Special Tax Bonds.*** The 2023C Shoreline (Tax Zone 1) Special Tax Bonds maturing on September 1, 20\_\_ (the “Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, 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:

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

Provided, however, if some but not all of the Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds have been redeemed pursuant to optional redemption or redemption from Shoreline (Tax Zone 1) Special Tax Prepayments, the total amount of all future Sinking Fund Payments related shall be reduced by the aggregate principal amount of Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the City.

***Redemption from Special Tax Prepayments.*** Development Special Tax Prepayments and any corresponding transfers from the 2023A Reserve Fund shall be used to redeem 2023A Development Special Tax 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 Development Special Tax Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price for the 2023A Development Special Tax Bonds (expressed as a percentage of the principal amount of the 2023A Development Special Tax Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

**Redemption Date**

**Redemption Price**

Any Interest Payment Date on or before March 1, 20\_\_ %  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and any Interest Payment Date thereafter

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

Office Special Tax Prepayments and any corresponding transfers from the 2023B-1 Reserve Fund shall be used to redeem 2023B-1 Office Special Tax 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 Office Special Tax Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price for the 2023B-1 Office Special Tax Bonds (expressed as a percentage of the principal amount of the 2023B-1 Office Special Tax Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

**Redemption Date**

**Redemption Price**

Any Interest Payment Date on or before March 1, 20\_\_ %  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and any Interest Payment Date thereafter

Office Special Tax Prepayments and any corresponding transfers from the 2023B-2 Reserve Fund shall be used to redeem Taxable 2023B-2 Office Special Tax 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 Office Special Tax Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price for the Taxable 2023B-2 Office Special Tax Bonds (expressed as a percentage of the principal amount of the Taxable 2023B-2 Office Special Tax Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

**Redemption Date**

**Redemption Price**

Any Interest Payment Date on or before March 1, 20\_\_ %  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and any Interest Payment Date thereafter

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

Shoreline (Tax Zone 1) Special Tax Prepayments and any corresponding transfers from the 2023C Reserve Fund shall be used to redeem 2023C Shoreline (Tax Zone 1) Special Tax 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 Shoreline (Tax Zone 1) Special Tax Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price for the 2023C Shoreline (Tax Zone 1) Special Tax Bonds (expressed as a percentage of the principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

**Redemption Date**

**Redemption Price**

Any Interest Payment Date on or before March 1, 20\_\_ %  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and March 1, 20\_\_  
September 1, 20\_\_ and any Interest Payment Date thereafter

Any other Shoreline (Tax Zone 1) Special Tax Bonds redeemed in connection with a Shoreline (Tax Zone 1) Special Tax Prepayment may also be redeemed from transfers from other applicable debt service reserve funds (if any) with respect to such other series of Shoreline (Tax Zone 1) Special Tax Bonds.

**Notice of Redemption.** The Fiscal Agent shall cause notice to be sent at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, and to the respective registered Owners of any 2023 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 2023 Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its Electronic Municipal Market Access (“EMMA”) system.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2023 Bonds of a series are to be called for redemption shall state as to any 2023 Bond of such series called in part the principal amount thereof to be redeemed, and shall require that such 2023 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 2023 Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City.

The City has the right to rescind any notice of the optional redemption of 2023 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 2023 Bonds of the applicable series then called for redemption, and such cancellation shall not constitute a default under the related 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 related Fiscal Agent Agreement.

**Selection of 2023 Bonds for Redemption.** Whenever the City has called for redemption of less than all of the Development Special Tax Bonds, the City shall determine which series and maturities shall be redeemed, as set forth in the Development Special Tax Bonds Fiscal Agent Agreement. Whenever provision is made in the related Fiscal Agent Agreement for the redemption of less than all of the Development Special Tax Bonds of any maturity, the Fiscal Agent shall select the Development Special Tax Bonds of such maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

Whenever the City has called for redemption of less than all of the Office Special Tax Bonds, the City shall determine which series shall be redeemed, as set forth in the Office Special Tax Bonds Fiscal Agent Agreement. Whenever provision is made in the Office Special Tax Bonds Fiscal Agent Agreement for the redemption of less than all of the Office Special Tax Bonds of any maturity, the Fiscal Agent shall select the Office Special Tax Bonds of such maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

Whenever the City has called for redemption of less than all of the Shoreline (Tax Zone 1) Special Tax Bonds, the City shall determine which series shall be redeemed, as set forth in the Shoreline (Tax

Zone 1) Special Tax Bonds Fiscal Agent Agreement. Whenever provision is made in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement for the redemption of less than all of the Shoreline (Tax Zone 1) Special Tax Bonds of any maturity, the Fiscal Agent shall select the Shoreline (Tax Zone 1) Special Tax Bonds of such maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

***Purchase of Bonds in Lieu of Redemption.*** In lieu of redemption under the related Fiscal Agent Agreement, moneys in the Bond Fund under such Fiscal Agent Agreement or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2023 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 2023 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 2023 Bonds were to be redeemed in accordance with such Fiscal Agent Agreement.

### **The Fiscal Agent**

Zions Bancorporation, National Association has been appointed as the Fiscal Agent for all of the 2023 Bonds under the Fiscal Agent Agreements. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreements, see APPENDIX C-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS,” APPENDIX C-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT OFFICE TAX BONDS” and APPENDIX C-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS” hereto.

### **Book-Entry System**

DTC will act as securities depository for the 2023 Bonds. The 2023 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 2023 Bonds will not receive physical certificates representing their interest in the 2023 Bonds. So long as the 2023 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 2023 Bonds. Payments of the principal of, premium, if any, and interest on the 2023 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 2023 Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” hereto.

### **Debt Service Schedules**

The following are the debt service schedules respectively for (1) the 2023A Bonds and the outstanding Development Special Tax Parity Bonds, (2) the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds, (3) and the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, in each case assuming no redemptions other than mandatory sinking fund redemptions.

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**DEVELOPMENT SPECIAL TAX BONDS DEBT SERVICE SCHEDULE**

<u>Year Ending (September 1)</u>	<u>Outstanding Development Special Tax Parity Bonds Debt Service<sup>(1)</sup></u>	<u>2023A Development Special Tax Bonds</u>		<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	
2024	\$	\$	\$	\$
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
Total	\$	\$	\$	\$

<sup>(1)</sup> Outstanding Development Special Tax Parity Bonds currently include only the 2021A Development Special Tax Bonds, the 2021B Development Special Tax Bonds and the 2021C Development Special Tax Bonds.

**OFFICE SPECIAL TAX BONDS DEBT SERVICE SCHEDULE**

<u>Year Ending (September 1)</u>	<u>2023B-1 Office Special Tax Bonds</u>		<u>Taxable 2023B-2 Office Special Tax Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$	\$	\$	\$	\$
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
2052					
2053					
<b>Total</b>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$	\$	\$	\$	\$

**SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS  
DEBT SERVICE SCHEDULE**

<u>Year Ending (September 1)</u>	<u>2023C Shoreline (Tax Zone 1) Special Tax Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	\$	\$	\$
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
Total	\$	\$	\$



## SECURITY FOR THE 2023 BONDS

### General

#### *Pledged Revenues.*

The Development Special Tax Bonds will be secured by a first pledge pursuant to the Development Special Tax Bonds Fiscal Agent Agreement of all of the “Revenues” as defined therein, which include Development Special Tax Revenues (which pledge shall be effected in the manner and to the extent provided in the Development Special Tax Bonds Fiscal Agent Agreement), and any available IFD Payment Amount (defined below; see “ - IFD Payment Amount Fund” below). Except as provided below, the Development Special Tax Bonds are also payable from amounts in certain funds and accounts including the Bond Fund (including the Development Special Tax Prepayments Account) under the Development Special Tax Bonds Fiscal Agent Agreement, the IFD Payment Amount Fund, the Development Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Development Special Taxes). Such Revenues and all moneys deposited into such funds and accounts (except as otherwise provided in such Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Development Special Tax Bonds as provided in such Fiscal Agent Agreement, the IFD Law (defined below) and the Special Tax Financing Law until all of the Development Special Tax Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under such Fiscal Agent Agreement. The Development Special Tax Bonds Fiscal Agent Agreement provides that “Revenues” do not include amounts deposited to any Administrative Expense Fund or any Improvement Fund, or any earnings thereon. See “ - Special Fund Administration Agreement and Related Funds and Accounts” and “IFD Payment Amount Fund” below and APPENDIX C-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS” and APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto.

The Office Special Tax Bonds will be secured by a first pledge pursuant to the Office Special Tax Bonds Fiscal Agent Agreement of all of the “Office Special Tax Revenues” as defined therein, which pledge shall be effected in the manner and to the extent provided in the Office Special Tax Bonds Fiscal Agent Agreement. Except as provided below, the Office Special Tax Bonds are also payable from amounts in certain funds and accounts including the Bond Fund (including the Office Special Tax Prepayments Account) under the Office Special Tax Bonds Fiscal Agent Agreement, the Office Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Office Special Taxes). Such Office Special Tax Revenues and all moneys deposited into such funds and accounts (except as otherwise provided in the Office Special Tax Bonds Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Office Special Tax Bonds as provided in the Office Special Tax Bonds Fiscal Agent Agreement and the Special Tax Financing Law until all of the Office Special Tax Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Office Special Tax Fiscal Agent Agreement. The Office Special Tax Bonds Fiscal Agent Agreement provides that “Revenues” do not include amounts deposited to any Administrative Expense Fund or any Improvement Fund, or any earnings thereon. See “ - Special Fund Administration Agreement and Related Funds and Accounts” and APPENDIX C-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE OFFICE SPECIAL TAX BONDS” hereto.

The Shoreline (Tax Zone 1) Special Tax Bonds will be secured by a first pledge pursuant to the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement of all of the “Shoreline (Tax Zone 1) Special Tax Revenues” as defined therein, which pledge shall be effected in the manner and to the extent provided in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. Except as provided below, the Shoreline (Tax Zone 1) Special Tax Bonds are also payable from amounts in certain funds and

accounts including the Bond Fund (including the Shoreline (Tax Zone 1) Special Tax Prepayments Account) under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, the Shoreline Zone 1 Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Shoreline (Tax Zone 1) Special Taxes). Such Revenues and all moneys deposited into such funds and accounts (except as otherwise provided in the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Shoreline (Tax Zone 1) Special Tax Bonds as provided in the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement and the Special Tax Financing Law until all of the Shoreline (Tax Zone 1) Special Tax Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement. The Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement provides that “Revenues” do not include amounts deposited to any Administrative Expense Fund or any Improvement Fund, or any earnings thereon. See “ - Special Fund Administration Agreement and Related Funds and Accounts” and APPENDIX C-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS” hereto.

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

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

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

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

“Office Special Tax Revenues” as defined in the Office Special Tax Bonds Fiscal Agent Agreement means the proceeds of the Office Special Taxes received by the City, including any scheduled payments thereof and any Office 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 Office 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 Office Special Tax Bonds or any penalties collected in connection with any such foreclosure.

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

“Shoreline (Tax Zone 1) Special Taxes” as defined in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement means the Shoreline Special Tax levied by the Board of Supervisors within Tax Zone 1 of the District under the Special Tax Financing Law, the Rate and Method, the Ordinance and the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. *The Board of Supervisors has*

*directed that the Rate and Method shall be administered in a manner that treats the Shoreline Special Tax levied in Tax Zone 1 and the Shoreline Special Tax levied in Tax Zone 2 as separate special taxes, until otherwise provided by the Board of Supervisors without materially affecting the security for any Bonds (as defined in the Rate and Method). Tax Zone 1 currently includes Parcels A, B, F and G.*

“Shoreline (Tax Zone 1) Special Tax Revenues” as defined in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement means the proceeds of the Shoreline (Tax Zone 1) Special Taxes received by the City, including any scheduled payments thereof and any Shoreline (Tax Zone 1) 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 Shoreline (Tax Zone 1) 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 Shoreline (Tax Zone 1) Special Tax Bonds or any penalties collected in connection with any such foreclosure.

“Shoreline (Tax Zone 1) Special Tax Prepayments” as defined in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement means the proceeds of any Shoreline (Tax Zone 1) Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method or the Act, less any administrative fees or penalties collected as part of any such prepayment.

“Leasehold Interest” as defined in the Rate and Method means a Master Lease, ground lease, or any other lease arrangement of a Parcel or Parcels against which special taxes described in the Rate and Method, including the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax, may be levied in any current or future Fiscal Year.

The Development Special Taxes, the Office Special Taxes and the Shoreline (Tax Zone 1) Special Taxes are to be apportioned, levied and collected according to the Rate and Method on Leasehold Interests in Taxable Parcels within the District (which in the case of the Shoreline (Tax Zone 1) Special Taxes, means only in Tax Zone 1). The Rate and Method contemplates levying other special taxes in the District, including the Contingent Services Special Tax. Of the special taxes under the Rate and Method, only the Development Special Tax is pledged under the Development Special Tax Bonds Fiscal Agent Agreement and constitutes a part of Revenues pledged to the Development Special Tax Bonds, only the Office Special Tax is pledged under the Office Special Tax Bonds Fiscal Agent Agreement to the Office Special Tax Bonds and only the Shoreline (Tax Zone 1) Special Tax is pledged under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement to the Shoreline (Tax Zone 1) Special Tax Bonds.

The Leasehold Interest in all of the Taxable Parcels in the District are subject to the Development Special Tax. The Leasehold Interest in a Taxable Parcel in the District with Office Square Footage is subject to the Office Special Tax. The Leasehold Interest in a Taxable Parcel in Tax Zone 1 of the District with Office Square Footage is subject to the Shoreline (Tax Zone 1) Special Tax.

Under the Master Lease and each Parcel Lease, the lessee’s right to terminate the lease has been suspended so long as 2023 Bonds issued when the right to terminate arose are outstanding or until a replacement lease extending until the maturity date of the outstanding 2023 Bonds is executed.

The City will covenant in each Fiscal Agent Agreement to inhibit the Port from terminating any Leasehold Interest in a Taxable Parcel except by entering into a “Replacement Lease.” In the case of each Fiscal Agent Agreement, a Replacement Lease is a lease that is subject to the Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes, as applicable, establishes a Leasehold Interest with a term that ends on or after the final maturity date of the Development Special Tax Bonds, Office Special Tax Bonds or Shoreline (Tax Zone 1) Special Tax Bonds, as applicable, and covers substantially the same real property and improvements as the existing lease. In connection with such a Replacement Lease, the City will covenant in each Fiscal Agent Agreement to cause the Port to require payment, either by the tenant under the terminated lease or the tenant under the Replacement Lease, of any scheduled Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes, as applicable, then due together with interest to the payment date at the interest rate borne by the Development

Special Tax Bonds, Office Special Tax Bonds or Shoreline (Tax Zone 1) Special Tax Bonds, as applicable (the Port may waive any interest in excess of the interest due thereon and any penalties). See “SPECIAL RISK FACTORS – Real Estate Investment Risks” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

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

See also the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2023 Bonds.

***Pledge of Moneys in the 2023A Reserve Fund.*** The 2023A Development Special Tax Bonds and all other 2023A Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the 2023A Reserve Fund. The moneys in the 2023A Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2023A Development Special Tax Bonds and all other 2023A Related Parity Bonds as provided in the Development Special Tax Bonds Fiscal Agent Agreement and in the Special Tax Financing Law until all of the 2023A Development Special Tax Bonds and all other 2023A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2023A Related Parity Bonds” means the 2023A Development Special Tax Bonds and any series of Development Special Tax Parity Bonds for which (i) the proceeds are deposited into the 2023A Reserve Fund so that the balance therein is equal to the 2023A Reserve Requirement following issuance of such Development Special Tax Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2023A Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Development Special Tax Parity Bonds. See “- Reserve Funds.”

The 2021A Development Special Tax Bonds, the 2021C Development Special Tax Bonds and all future 2021A Related Parity Bonds are secured by a pledge of moneys in the 2021A Reserve Fund. The 2023A Developmental Special Tax Bonds are not secured by moneys in the 2021A Reserve Fund.

The 2021B Development Special Tax Bonds and all future 2021B Related Parity Bonds are secured by a pledge of moneys in the 2021B Reserve Fund. The 2023A Developmental Special Tax Bonds are not secured by moneys in the 2021B Reserve Fund.

***Pledge of Moneys in the 2023B-1 Reserve Fund.*** The 2023B-1 Office Special Tax Bonds and all other 2023B-1 Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the 2023B-1 Reserve Fund. The moneys in the 2023B-1 Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2023B-1 Office Special Tax Bonds and all other 2023B-1 Related Parity Bonds as provided in the Office Special Tax Bonds Fiscal Agent Agreement and in the Special Tax Financing Law until all of the 2023B-1 Office Special Tax Bonds and all other 2023B-1 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2023B-1 Related Parity Bonds” means the 2023B-1 Office Special Tax Bonds and any series of Office Special Tax Parity Bonds for which (i) the proceeds are deposited into the 2023B-1 Reserve Fund so that the balance therein is equal to the 2023B-1 Reserve Requirement following issuance of such Office Special Tax Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2023B-1 Reserve

Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Office Special Tax Parity Bonds. See “ - Reserve Funds.”

***Pledge of Moneys in the 2023B-2 Reserve Fund.*** The Taxable 2023B-2 Office Special Tax Bonds and all other 2023B-2 Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the 2023B-2 Reserve Fund. The moneys in the 2023B-2 Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the Taxable 2023B-2 Office Special Tax Bonds and all other 2023B-2 Related Parity Bonds as provided in the Office Special Tax Bonds Fiscal Agent Agreement and in the Special Tax Financing Law until all of the Taxable 2023B-2 Office Special Tax Bonds and all other 2023B-2 Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2023B-2 Related Parity Bonds” means the Taxable 2023B-2 Office Special Tax Bonds and any series of Office Special Tax Parity Bonds for which (i) the proceeds are deposited into the 2023B-2 Reserve Fund so that the balance therein is equal to the 2023B-2 Reserve Requirement following issuance of such Office Special Tax Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2023B-2 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Office Special Tax Parity Bonds. See “ - Reserve Funds.”

***Pledge of Moneys in the 2023C Reserve Fund.*** The 2023C Shoreline (Tax Zone 1) Special Tax Bonds and all other 2023C Related Parity Bonds shall be secured by a first pledge of all moneys deposited in the 2023C Reserve Fund. The moneys in the 2023C Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and all other 2023C Related Parity Bonds as provided in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement and in the Special Tax Financing Law until all of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and all other 2023C Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2023C Related Parity Bonds” means the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any series of Shoreline (Tax Zone 1) Special Tax Parity Bonds for which (i) the proceeds are deposited into the 2023C Reserve Fund so that the balance therein is equal to the 2023C Reserve Requirement following issuance of such Shoreline (Tax Zone 1) Special Tax Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2023C Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Shoreline (Tax Zone 1) Special Tax Parity Bonds. See “ - Reserve Funds.”

***Unavailable Amounts.*** Amounts in any Improvement Fund (and the accounts therein) under each Fiscal Agent Agreement, the Administrative Expense Fund under each Fiscal Agent Agreement, the 2023A Costs of Issuance Fund, the 2023B-1 Costs of Issuance Fund, the 2023B-2 Costs of Issuance Fund and the 2023C Costs of Issuance Fund are not pledged to the repayment of the 2023 Bonds.

The 2023A Reserve Fund only secures the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds, and not any other bonds of the District. The 2021A Reserve Fund only secures the 2021A Development Special Tax Bonds and the 2021C Development Special Tax Bonds and any 2021A Related Parity Bonds, and not any other bonds of the District. The 2021B Reserve Fund only secures the 2021B Development Special Tax Bonds and any 2021B Related Parity Bonds, and not any other bonds of the District. The 2023B-1 Reserve Fund only secures the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds, and not any other bonds of the District. The 2023B-2 Reserve Fund only secures the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds, and not any other bonds of the District. The 2023C Reserve Fund only secures the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds, and not any other bonds of the District.

The Facilities are not pledged to the repayment of the Development Special Tax Bonds, Office Special Tax Bonds or Shoreline (Tax Zone 1) Special Tax Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Facilities.

### **Administration of Pledged Revenues under the Special Fund Administration Agreement and the Fiscal Agent Agreements**

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

Applicable law requires the proceeds of the Development Special Taxes, the Office Special Taxes and the Shoreline (Zone 1) Special Taxes to be deposited into a special fund, and the Port, as agent of the District, has established under the Special Fund Administration Agreement a “Development Special Taxes Subaccount,” an “Office Special Taxes Subaccount” and a “Shoreline Zone 1 Special Taxes Subaccount” within a “CFD Facilities Special Taxes Account” as such special fund.

The City has agreed in the applicable Fiscal Agent Agreement to promptly remit or cause to be remitted, the proceeds of the Development Special Taxes received by the City to the Special Fund Trustee for deposit in the Development Special Taxes Subaccount of the CFD Facilities Special Tax Account, the proceeds of the Office Special Taxes received by the City to the Special Fund Trustee for deposit in the Office Special Taxes Subaccount of the CFD Facilities Special Tax Account and the proceeds of the Shoreline (Zone 1) Special Taxes received by the City to the Special Fund Trustee for deposit in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Tax Account.

***Distribution of Development Special Tax Proceeds:*** Under the Development Special Tax Bonds Fiscal Agent Agreement, in each Bond Year, the City will cause the proceeds of the Development Special Taxes to be distributed in the following order of priority:

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

(ii) promptly upon receipt, the City will identify (or cause to be identified) any Development Special Tax Revenues constituting the collection of delinquencies in payment of Development Special Taxes and will cause such Development Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund under the Development Special Tax Bonds Fiscal Agent Agreement to pay any past due Debt Service on the Development Special Tax Bonds; (b) second, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in the 2021A Reserve Fund to the extent needed to increase the amount then on deposit in the 2021A Reserve Fund to the then 2021A Reserve Requirement, transferred for deposit in the 2021B Reserve Fund to the extent needed to increase the amount then on deposit in the 2021B Reserve Fund to the then 2021B Reserve Requirement, and transferred for deposit in the reserve account (including the 2023A Reserve Fund) for any Development Special Tax Parity Bonds that are neither 2021A Related Parity Bonds nor 2021B Related

Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

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

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City will cause proceeds of the Development Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund under the Development Special Tax Bonds Fiscal Agent Agreement in an amount, taking into account any amounts then on deposit in such Bond Fund and any expected transfers from the IFD Payment Amount Fund, the Improvement Fund(s) under the Development Special Tax Bonds Fiscal Agent Agreement as directed by the City, the 2021A Reserve Fund, the 2021B Reserve Fund, and any reserve account (including the 2023A Reserve Fund) for Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, the 2021B Capitalized Interest Account, the 2021C Capitalized Interest Account, a capitalized interest account for any Development Special Tax Parity Bonds, and the Development Special Tax Prepayments Account of such Bond Fund, such that the amount in such Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Development Special Tax Bonds on such Interest Payment Date and any past due principal or interest on the Development Special Tax Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City will cause proceeds of the Development Special Taxes, after taking into account any anticipated transfers from the IFD Payment Amount Fund, to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, (b) to the Fiscal Agent for deposit in the 2021B Reserve Fund an amount, taking into account amounts then on deposit in the 2021B Reserve Fund, such that the amount in the 2021B Reserve Fund is equal to the 2021B Reserve Requirement, and (c) for deposit in the reserve account (including the 2023A Reserve Fund) for any Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the IFD Payment Amount Fund and the Development Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2021A Reserve Fund, the 2021B Reserve Fund and any other reserve accounts (including the 2023A Reserve Fund) ratably based on the then Outstanding principal amount of the Development Special Tax Bonds); and

(vi) on each September 1, after the transfers described in preceding subparagraphs, the City will cause the Special Fund Trustee to transfer from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account, any amount required to

pay Administrative Expenses that may be paid from the Development Special Tax that cannot be paid from amounts then on deposit in the CFD Administrative Costs Account or the Administrative Expense Fund.

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

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

***Distribution of Office Special Tax Proceeds:*** Under the Office Special Tax Bonds Fiscal Agent Agreement, in each Bond Year, the City will cause the proceeds of the Office Special Taxes to be distributed in the following order of priority:

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

(ii) promptly upon receipt, the City will identify (or cause to be identified) any Office Special Tax Revenues constituting the collection of delinquencies in payment of Office Special Taxes and will cause such Office Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund under the Office Special Tax Bonds Fiscal Agent Agreement to pay any past due Debt Service on the Office Special Tax Bonds; (b) second, transferred by the Special Fund Trustee from the Office Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in (1) the 2023B-1 Reserve Fund to the extent needed to increase the amount then on deposit in the 2023B-1 Reserve Fund to the then 2023B-1 Reserve Requirement, (2) the 2023B-2 Reserve Fund to the extent needed to increase the amount then on deposit in the 2023B-2 Reserve Fund to the then 2023B-2 Reserve Requirement, and (3) the reserve account for any Office Special Tax Parity Bonds that are neither 2023B-1 Related Parity Bonds nor 2023B-2 Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

(iii) promptly upon receipt, the City will identify (or cause to be identified) any proceeds of Office Special Tax Prepayments and will cause such Office Special Tax Prepayments to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Office Special Taxes Subaccount of the



CFD Remainder Account that portion of any Office Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Office Special Tax Parity Bonds); and (b) second, transferred by the Special Trust Trustee from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit in the Office Special Tax Prepayments Account established pursuant to the Office Special Tax Bonds Fiscal Agent Agreement;

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City will cause proceeds of the Office Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund under the Office Special Tax Bonds Fiscal Agent Agreement in an amount, taking into account any amounts then on deposit in such Bond Fund, the Improvement Fund(s) under the Office Special Tax Bonds Fiscal Agent Agreement as directed by the City, the 2023B-1 Reserve Fund, the 2023B-2 Reserve Fund, and any reserve account for Office Special Tax Parity Bonds that are not 2023B-1 Related Parity Bonds or 2023B-2 Related Parity Bonds, the 2021B Capitalized Interest Account, the 2021C Capitalized Interest Account, a capitalized interest account for any Office Special Tax Parity Bonds, and the Office Special Tax Prepayments Account of such Bond Fund, such that the amount in such Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Office Special Tax Bonds on such Interest Payment Date and any past due principal or interest on the Office Special Tax Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City will cause proceeds of the Office Special Taxes to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2023B-1 Reserve Fund an amount, taking into account amounts then on deposit in the 2023B-1 Reserve Fund, such that the amount in the 2023B-1 Reserve Fund is equal to the 2023B-1 Reserve Requirement, (b) to the Fiscal Agent for deposit in the 2023B-2 Reserve Fund an amount, taking into account amounts then on deposit in the 2023B-2 Reserve Fund, such that the amount in the 2023B-2 Reserve Fund is equal to the 2023B-2 Reserve Requirement, and (c) for deposit in the reserve account for any Office Special Tax Parity Bonds that are not 2023B-1 Related Parity Bonds or 2023B-2 Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Office Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2023B-1 Reserve Fund, the 2023B-2 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Office Special Tax Bonds); and

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

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

The City has established the Mello-Roos Bonds Account (Office Special Taxes) under the Special Fund Administration Agreement for the purpose of facilitating a more orderly transfer of Office Special Taxes to the Fiscal Agent when required under the Fiscal Agent Agreement, and the Special Fund Administration Agreement provides for the transfer of Office Special Taxes from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Mello-Roos Bonds Account (Office Special Taxes). The Fiscal Agent Agreement provides that, if at any time during any Bond Year the City has caused to be set aside Office Special Taxes in the Mello-Roos Bonds Account (Office Special Taxes) in an amount sufficient to satisfy the payments described in clauses (iv) and (v) above in such Bond Year, then it may

apply Office Special Taxes in the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account for the purposes described in clauses (vi) and transfer any remaining Office Special Taxes to the Office Special Taxes Subaccount of the CFD Remainder Account, after which they will no longer be available to pay debt service on the Office Special Tax Bonds.

***Distribution of Shoreline (Zone 1) Special Tax Proceeds:*** Under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, in each Bond Year, the City will cause the proceeds of the Shoreline (Zone 1) Special Taxes to be distributed in the following order of priority:

(i) promptly upon receipt, the City will separately identify (or cause to be identified) the proceeds of the Shoreline (Zone 1) Special Taxes in an amount not to exceed the amount included in the Shoreline (Zone 1) Special Tax levy for such Fiscal Year for Administrative Expenses that may be paid from the Shoreline (Zone 1) Special Tax and will cause such proceeds to be transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account;

(ii) promptly upon receipt, the City will identify (or cause to be identified) any Shoreline (Zone 1) Special Tax Revenues constituting the collection of delinquencies in payment of Shoreline (Zone 1) Special Taxes and will cause such Shoreline (Zone 1) Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund under the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement to pay any past due Debt Service on the Shoreline (Zone 1) Special Tax Bonds; (b) second, transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in (1) the 2023C Reserve Fund to the extent needed to increase the amount then on deposit in the 2023C Reserve Fund to the then 2023C Reserve Requirement, and (2) the reserve account for any Shoreline (Zone 1) Special Tax Parity Bonds that are not 2023C Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

(iii) promptly upon receipt, the City will identify (or cause to be identified) any proceeds of Shoreline (Zone 1) Special Tax Prepayments and will cause such Shoreline (Zone 1) Special Tax Prepayments to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Shoreline Zone 1 Special Taxes Subaccount of the CFD Remainder Account that portion of any Shoreline (Zone 1) Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Shoreline (Zone 1) Special Tax Parity Bonds); and (b) second, transferred by the Special Trust Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit in the Shoreline (Zone 1) Special Tax Prepayments Account established pursuant to the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement;

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City will cause proceeds of the Shoreline (Zone 1) Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund under the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement in an amount, taking into account any amounts then on deposit in such Bond Fund, the Improvement Fund(s) under the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement as directed by the City, the 2023C Reserve Fund, and any reserve account for Shoreline (Zone 1) Special Tax Parity Bonds that are not 2023C Related Parity Bonds, the 2021B Capitalized Interest Account, the 2021C Capitalized Interest Account, a capitalized interest account for any Shoreline (Zone 1) Special Tax Parity Bonds, and the Shoreline (Zone 1) Special Tax Prepayments Account of such Bond Fund, such that the amount in such Bond Fund equals the principal (including any sinking payment), premium, if any, and

interest due on the Shoreline (Zone 1) Special Tax Bonds on such Interest Payment Date and any past due principal or interest on the Shoreline (Zone 1) Special Tax Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City will cause proceeds of the Shoreline (Zone 1) Special Taxes to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2023C Reserve Fund an amount, taking into account amounts then on deposit in the 2023C Reserve Fund, such that the amount in the 2023C Reserve Fund is equal to the 2023C Reserve Requirement and (b) for deposit in the reserve account for any Shoreline (Zone 1) Special Tax Parity Bonds that are not 2023C Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Shoreline Zone 1 Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2023C Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Shoreline (Zone 1) Special Tax Bonds); and

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

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

The City has established the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) under the Special Fund Administration Agreement for the purpose of facilitating a more orderly transfer of Shoreline (Zone 1) Special Taxes to the Fiscal Agent when required under the Fiscal Agent Agreement, and the Special Fund Administration Agreement provides for the transfer of Shoreline (Zone 1) Special Taxes from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes). The Fiscal Agent Agreement provides that, if at any time during any Bond Year the City has caused to be set aside Shoreline (Zone 1) Special Taxes in the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) in an amount sufficient to satisfy the payments described in clauses (iv) and (v) above in such Bond Year, then it may apply Shoreline (Zone 1) Special Taxes in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account for the purposes described in clauses (vi) and transfer any remaining Shoreline (Zone 1) Special Taxes to the Shoreline Zone 1 Special Taxes Subaccount of the CFD Remainder Account, after which they will no longer be available to pay debt service on the Shoreline (Zone 1) Special Tax Bonds.

### **IFD Payment Amount Fund**

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

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

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

Amounts in the IFD Payment Amount Fund will be used to pay principal of and interest on the Development Special Tax Bonds in the immediately succeeding Bond Year and, to the extent available, to make deposits into the 2021A Reserve Fund, the 2021B Reserve Fund or the reserve account (including the 2023A Reserve Fund) for any Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds in such Bond Year. For example, any IFD Payment Amount paid by the IFD to the Fiscal Agent on July 1, 2025 (which would be funded from the Pledged Tax Increment allocated to the IFD for fiscal year 2024-25) would be used to reduce the Development Special Tax levy for fiscal year 2025-26 and applied according to the Development Special Tax Fiscal Agent Agreement to pay debt service on the Development Special Tax Bonds for the Bond Year ending on September 1, 2026 (i.e., on March 1, 2026 and September 1, 2026).

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

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

Parcel Increment does not reduce the amount of other special taxes levied in the District under the Rate and Method and the IFD Payment Amount is not pledged to District bonds other than the Development Special Tax Bonds.

## **Bond Funds**

A Bond Fund is established under each Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent. Moneys in each Bond Fund will be held by the Fiscal Agent for the benefit of the City and the Owners of the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, respectively, and shall be disbursed for the payment of the principal of, and interest and any premium on, such bonds as provided below.

***Flow of Funds for Payment of Principal and Interest.*** At least ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Director of the Office of Public Finance of the City (or a successor official responsible for management of municipal bonds issued by the City) (the “Finance Director”) in writing as to the principal and premium, if any, and interest due on the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, respectively, on the next Interest Payment Date (whether as a result of scheduled principal of and interest on such bonds, optional redemption of such bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the related Bond Fund and pay to the Owners of the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, the principal of, and interest and any premium, due and payable on such Interest Payment Date on such 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 each Bond Fund are sufficient to pay the debt service due on the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, respectively, on the next Interest Payment Date. If amounts in a 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 under the Development Special Tax Bonds Fiscal Agent Agreement are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date for the Development Special Tax Bonds, the Fiscal Agent shall do the following:

(i) Withdraw from any reserve funds (including the 2023A Reserve Fund) established under a Supplemental Agreement related to Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Development Special Tax Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in such Bond Fund and used to pay debt service of the related Development Special Tax Bonds.

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

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

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

If amounts in the Bond Fund under the Office Special Tax Bonds Fiscal Agent Agreement are insufficient to pay the principal and premium, if any, and interest due with respect to any Interest Payment Date for the Office Special Tax Bonds, the Fiscal Agent shall do the following:

(i) Withdraw from the 2023B-1 Reserve Fund, in accordance with the provisions of the Office Special Tax Bonds Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds. Amounts so withdrawn from the 2023B-1 Reserve Fund shall be deposited in such Bond Fund and used to pay debt service on the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds.

(ii) Withdraw from the 2023B-2 Reserve Fund, in accordance with the provisions of the Office Special Tax Bonds Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds. Amounts so withdrawn from the 2023B-2 Reserve Fund shall be deposited in such Bond Fund and used to pay debt service of the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds.

(iii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Office Special Tax Parity Bonds that are not 2023B-1 Related Parity Bonds or 2023B-2 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 Office Special Tax Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in such Bond Fund and used to pay debt service of such Office Special Tax Bonds.

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

If amounts in the Bond Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement are insufficient to pay the principal and premium, if any, and interest due on any Interest Payment Date for the Shoreline (Tax Zone 1) Special Tax Bonds, the Fiscal Agent shall do the following:

(i) Withdraw from the 2023C Reserve Fund, in accordance with the provisions of the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds. Amounts so withdrawn from the 2023C Reserve Fund shall be deposited in such Bond Fund and used to pay debt service of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Shoreline (Tax Zone 1) Special Tax Parity Bonds that are not 2023C 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 Shoreline (Tax Zone 1) Special Tax Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in such Bond Fund and used to pay debt service of the related Shoreline (Tax Zone 1) Special Tax Bonds.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in such Bond Fund to make the payments provided for in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Shoreline (Tax Zone 1) Special Tax Bonds, then to the payment of principal due on the Shoreline (Tax Zone 1) Special Tax Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Shoreline (Tax Zone 1) Special Tax Bonds by reason of sinking payments.

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

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

Within the Bond Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement a separate account will be held by the Fiscal Agent, designated the “Shoreline (Tax Zone 1) Special Tax Prepayments Account.” Moneys in the Shoreline (Tax Zone 1) Special Tax Prepayments Account will be transferred by the Fiscal Agent to such Bond Fund on the next date for which notice of redemption of Shoreline (Tax Zone 1) Special Tax Bonds can timely be given under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement and will be used (together with any amounts transferred for the purpose) to redeem Shoreline (Tax Zone 1) Special Tax Bonds on the redemption date selected in accordance with the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement.

## **Reserve Funds**

### Development Special Tax Bonds Reserve Funds.

The City has established three debt service reserve funds under the Development Special Tax Bonds Fiscal Agent Agreement that secure specific series of Development Special Tax Bonds, as described below. The parity bonds test in the Development Special Tax Bonds Fiscal Agreement does not require the City to establish a debt service reserve fund for future Parity Bonds.

*2023A Reserve Fund.* The District will establish under the Development Special Tax Bonds Fiscal Agent Agreement a 2023A Reserve Fund. The 2023A Reserve Fund is established for the benefit of the 2023A Development Special Tax Bonds and any future 2023A Related Parity Bonds. Under the Development Special Tax Bonds Fiscal Agent Agreement, the District is obligated to fund the 2023A Reserve Fund in an amount equal to the 2023A Reserve Requirement.

“2023A Reserve Requirement” means, as of the date of calculation, an amount equal to the least of

(i) Maximum Annual Debt Service on the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds between the date of such calculation and the final maturity of such Development Special Tax Bonds ,

(ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds between the date of such calculation and the final maturity of such Development Special Tax Bonds, and

(iii) 10% of the outstanding principal amount of the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds;

provided, however,

(A) that with respect to the calculation of clause (iii), the issue price of the 2023A Development Special Tax Bonds or any 2023A Related Parity Bonds excluding accrued interest will be used rather than the outstanding principal amount, if (a) the net original issue discount or premium of the 2023A Development Special Tax Bonds or any other 2023A Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2023A Development Special Tax Bonds or any 2023A Related Parity Bonds and (b) using the issue price would produce a lower result than using the outstanding principal amount,

(B) that in no event shall the amount calculated exceed the amount on deposit in the 2023A Reserve Fund on the date of issuance of the 2023A Development Special Tax Bonds (if they are the only Development Special Tax Bonds covered by the 2023A Reserve Fund) or the most recently issued series of 2023A Related Parity Bonds except in connection with any increase associated with the issuance of 2023A Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2023A Reserve Fund in connection with the issuance of a series of 2023A Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at an unrestricted yield.

Upon issuance of the 2023A Development Special Tax Bonds, the initial 2023A Reserve Requirement will be \$\_\_\_\_\_. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Except as otherwise provided in the Development Special Tax Bonds Fiscal Agent Agreement, all amounts deposited in the 2023A Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund thereunder in the event of any deficiency at any time in such Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2023A Development Special Tax Bonds and any future 2023A Related Parity Bonds or, in accordance with the Fiscal Agent Agreement, for the purpose of redeeming 2023A Development Special Tax Bonds and any future 2023A Related Parity Bonds from such Bond Fund.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023A 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 2023A Development Special Tax Bonds or any 2023A 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.

*2021A Reserve Fund.* The District has established under the Development Special Tax Bonds Fiscal Agent Agreement a 2021A Reserve Fund. The 2021A Reserve Fund is established for the benefit of the 2021A Development Special Tax Bonds, the 2021C Development Special Tax Bonds and any future 2021A Related Parity Bonds. None of the 2023 Bonds will be designated as 2021A Related Parity Bonds and moneys in the 2021A Reserve Fund may not be used to pay debt service on the 2023 Bonds.

*2021B Reserve Fund.* The District has established under the Development Special Tax Bonds Fiscal Agent Agreement a 2021B Reserve Fund. The 2021B Reserve Fund is established for the benefit of the 2021B Development Special Tax Bonds and any future 2021B Related Parity Bonds. None of the 2023 Bonds will be designated as 2021B Related Parity Bonds and moneys in the 2021B Reserve Fund may not be used to pay debt service on the 2023 Bonds.

See APPENDIX C-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS” hereto for more information about the 2023A Reserve Fund.

#### Office Special Tax Bonds Reserve Fund.

The City will establish two debt service reserve funds under the Office Special Tax Bonds Fiscal Agent Agreement that secure specific series of Office Special Tax Bonds, as described below. The parity bonds test in the Office Special Tax Bonds Fiscal Agreement does not require the City to establish a debt service reserve fund for future Parity Bonds.

*2023B-1 Reserve Fund.* The District will establish under the Office Special Tax Bonds Fiscal Agent Agreement a 2023B-1 Reserve Fund. The 2023B-1 Reserve Fund is established for the benefit of the 2023B-1 Office Special Tax Bonds and any future 2023B-1 Related Parity Bonds. Under such Fiscal Agent Agreement, the District is obligated to fund the 2023B-1 Reserve Fund in an amount equal to the 2023B-1 Reserve Requirement.

“2023B-1 Reserve Requirement” means, as of the date of calculation, an amount equal to the least of



(i) Maximum Annual Debt Service on the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds between the date of such calculation and the final maturity of such Office Special Tax Bonds,

(ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds between the date of such calculation and the final maturity of such Office Special Tax Bonds, and

(iii) 10% of the outstanding principal amount of the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds;

provided, however,

(A) that with respect to the calculation of clause (iii), the issue price of the 2023B-1 Office Special Tax Bonds or any 2023B-1 Related Parity Bonds excluding accrued interest will be used rather than the outstanding principal amount, if (a) the net original issue discount or premium of the 2023B-1 Office Special Tax Bonds or any 2023B-1 Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2023B-1 Office Special Tax Bonds or any 2023B-1 Related Parity Bonds and (b) using the issue price would produce a lower result than using the outstanding principal amount,

(B) that in no event shall the amount calculated exceed the amount on deposit in the 2023B-1 Reserve Fund on the date of issuance of the 2023B-1 Office Special Tax Bonds (if they are the only Office Special Tax Bonds covered by the 2023B-1 Reserve Fund) or the most recently issued series of 2023B-1 Related Parity Bonds except in connection with any increase associated with the issuance of 2023B-1 Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2023B-1 Reserve Fund in connection with the issuance of a series of 2023B-1 Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at an unrestricted yield.

Upon issuance of the 2023B-1 Office Special Tax Bonds, the 2023B-1 Reserve Requirement of \$ \_\_\_\_\_ is expected to be satisfied from the proceeds of the 2023B-1 Office Special Tax Bonds.

Except as otherwise provided in the Office Special Tax Fiscal Agent Agreement, all amounts deposited in the 2023B-1 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund thereunder in the event of any deficiency at any time in such Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2023B-1 Office Special Tax Bonds and any future 2023B-1 Related Parity Bonds or, in accordance with such Fiscal Agent Agreement, for the purpose of redeeming 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds from such Bond Fund.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023B-1 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 2023B-1 Office Special Tax Bonds or any 2023B-1 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-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE OFFICE SPECIAL TAX BONDS” hereto for more information about the 2023B-1 Reserve Fund.

*2023B-2 Reserve Fund.* The District will establish under the Office Special Tax Bonds Fiscal Agent Agreement a 2023B-2 Reserve Fund. The 2023B-2 Reserve Fund is established for the benefit of the Taxable 2023B-2 Office Special Tax Bonds and any future 2023B-2 Related Parity Bonds. Under such Fiscal Agent Agreement, the District is obligated to fund the 2023B-2 Reserve Fund in an amount equal to the 2023B-2 Reserve Requirement.

“2023B-2 Reserve Requirement” means, (i) an amount equal to the Aggregate 2023B-1/2023B-2 Reserve Requirement less (ii) an amount equal to the 2023B-1 Reserve Requirement (defined above). Upon issuance of the Taxable 2023B-2 Office Special Tax Bonds, the 2023B-2 Reserve Requirement of \$ \_\_\_\_\_ is expected to be satisfied from the proceeds of the Taxable 2023B-2 Office Special Tax Bonds.

“Aggregate 2023B-1/2023B-2 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2023B-1 Office Special Tax Bonds, any 2023B-1 Related Parity Bonds, the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds, between the date of such calculation and the final maturity of such Office Special Tax Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Office Special Tax Bonds), (b) 125% of average Annual Debt Service on the 2023B-1 Office Special Tax Bonds, any 2023B-1 Related Parity Bonds, the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Office Development Tax Bonds), and (c) 10% of the outstanding principal of the 2023B-1 Office Special Tax Bonds, any 2023B-1 Related Parity Bonds, the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds; provided, however:

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

(B) that, with respect to each of the 2023B-1 Reserve Fund and the 2023B-2 Reserve Fund, considered separately, in no event shall the amount so calculated exceed the amount on deposit in such Fund on the date of issuance of the most recent issue of Office Development Tax Bonds secured by such Fund.

Except as otherwise provided in the Office Special Tax Fiscal Agent Agreement, all amounts deposited in the 2023B-2 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund thereunder in the event of any deficiency at any time in such Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Taxable 2023B-2 Office Special Tax Bonds and any future 2023B-2 Related Parity Bonds or, in accordance with such Fiscal Agent Agreement, for the purpose of redeeming Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds from such Bond Fund.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023B-2 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 Taxable 2023B-2 Office Special Tax Bonds or any 2023B-2 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-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE OFFICE SPECIAL TAX BONDS” hereto for more information about the 2023B-2 Reserve Fund.

Shoreline (Tax Zone 1) Special Tax Bonds Reserve Fund.

*2023C Reserve Fund.* The District will establish under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement a 2023C Reserve Fund. The 2023C Reserve Fund is established for the benefit of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any future 2023C Related Parity Bonds. Under such Fiscal Agent Agreement, the District is obligated to fund the 2023C Reserve Fund in an amount equal to the 2023C Reserve Requirement.

“2023C Reserve Requirement” means, as of the date of calculation, an amount equal to the least of

(i) Maximum Annual Debt Service on the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds between the date of such calculation and the final maturity of such Shoreline (Tax Zone 1) Special Tax Bonds,

(ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds between the date of such calculation and the final maturity of such Shoreline (Tax Zone 1) Special Tax Bonds, and

(iii) 10% of the outstanding principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any other 2023C Related Parity Bonds;

provided, however,

(A) that with respect to the calculation of clause (iii), the issue price of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds or any 2023C Related Parity Bonds excluding accrued interest will be used rather than the outstanding principal amount, if (a) the net original issue discount or premium of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds or any 2023C Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds or any 2023C Related Parity Bonds and (b) using the issue price would produce a lower result than using the outstanding principal amount,

(B) that in no event shall the amount calculated exceed the amount on deposit in the 2023C Reserve Fund on the date of issuance of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds (if they are the only Shoreline (Tax Zone 1) Special Tax Bonds covered by the 2023C Reserve Fund) or the most recently issued series of 2023C Related Parity Bonds except in connection with any increase associated with the issuance of 2023C Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2023C Reserve Fund in connection with the issuance of a series of 2023C Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at an unrestricted yield.

Upon issuance of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, the 2023C Reserve Requirement of \$\_\_\_\_\_ is expected to be satisfied from the proceeds of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds.

Except as otherwise provided in the Shoreline (Tax Zone 1) Special Tax Fiscal Agent Agreement, all amounts deposited in the 2023C Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund thereunder in the event of any deficiency at any time in such Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any other 2023C Related Parity

Bonds or, in accordance with such Fiscal Agent Agreement, for the purpose of redeeming 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any future 2023C Related Parity Bonds from such Bond Fund.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023C 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 2023C Shoreline (Tax Zone 1) Special Tax Bonds or any other 2023C 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-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS” hereto for more information about the 2023C Reserve Fund.

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

*The following is a brief summary of certain provisions of the Rate and Method. The summary is intended to provide an overview of the calculation and levy of the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax. The Rate and Method also authorizes the levy of a Shoreline Special Tax outside of Tax Zone 1 and a Contingent Services Special Tax. **Only the Development Special Tax constitutes the “Development Special Tax” as defined under the Development Special Tax Bonds Fiscal Agent Agreement. Only the Office Special Tax constitutes the “Office Special Tax” as defined under the Office Special Tax Bonds Fiscal Agent Agreement. Only the Shoreline (Tax Zone 1) Special Tax constitutes the “Shoreline (Tax Zone 1) Special Tax” as defined under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. The other taxes under the Rate and Method are not pledged to support the payment of the 2023 Bonds. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B. Capitalized terms used in this summary and not defined have the meanings give in Appendix B.***

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

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

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

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

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

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

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

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

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

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

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

“Office Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Office Special Tax Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on Office Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments; (iii) replenish reserve funds created for Office Special Tax Bonds under any indenture to the extent such replenishment has not been included in the computation of the Office Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Office Special Tax Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; (vi) pay other obligations described in the Financing Plan; and (vii) pay directly for Authorized Expenditures, so long as such levy under this clause (vii) does not increase the Office Special Tax levied on Undeveloped Property. The amount calculated to pay items (i) through (vii) above may be

reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Office Special Tax Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Office Special Tax Bonds Fiscal Agent Agreement; (b) in the sole and absolute discretion of the Port, proceeds received by the District from the collection of penalties associated with delinquent Office Special Taxes; and (c) any other revenues available to pay such costs, as determined by the Administrator, the City, and the Port.

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

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

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

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

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

“Shoreline Special Tax” means a special tax levied in any Fiscal Year to pay the Shoreline Special Tax Requirement. The Shoreline (Tax Zone 1) Special Tax is the Shoreline Special Tax levied in Tax Zone 1.

*The Board of Supervisors has directed that the Rate and Method shall be administered in a manner that treats the Shoreline Special Tax levied in Tax Zone 1 and the Shoreline Special Tax levied in Tax Zone 2 as separate special taxes, until otherwise provided by the Board of Supervisors without materially affecting the security for any Bonds (as defined in the Rate and Method).*

“Shoreline Special Tax Bonds” means any Bonds (as defined in the Rate and Method) secured solely by Shoreline Special Taxes that have been levied and are available after dividing the Shoreline Special Taxes as set forth in Financing Plan Section 4.7, and factoring in debt service coverage and related indenture requirements, as determined by the Administrator. Under Section 4.7 of the Financing Plan, the Shoreline Special Tax levied in Zone 1 of the Mission Rock Project (which corresponds to Tax Zone 1) initially may be used for different purposes than the Shoreline Special Tax levied in Zone 2 of the Mission Rock Project (which includes Taxable Parcels outside of Zone 1).

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

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

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

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

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

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

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

**General.** A Development Special Tax, Office Special Tax and Shoreline Special Tax applicable to each Leasehold Interest in Taxable Parcels in the District shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount per square foot for the applicable Square Footage Category in the building(s) on the Taxable Parcel and the applicable Tax Zone, and adjusted, for the Development Special Tax, in cases of Parcel Increment, as described below. The Leasehold Interests in the Taxable Parcels in the District shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including Leasehold Interests in property subsequently annexed to the District. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto. Each Fiscal Year, the Administrator is required to identify the current parcel numbers for all Taxable Parcels and determine: (i) whether each Taxable Parcel is Developed Property or Undeveloped Property, (ii) within which Planning Parcel and Tax Zone each Taxable Parcel is located, (iii) for Developed Property, the Market-Rate Residential Square Footage and Office Square Footage within each building, (iv) the Taxpayer for each Leasehold Interest in a Taxable Parcel, and (v) the Development Special Tax Requirement, Office Special Tax Requirement, Shoreline Special Tax Requirement, and, if applicable, Services Special Tax Requirement for the Fiscal Year.

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

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

<b>Square Footage Category</b>	<b>Special Tax Rate Tax Zone 1 (FY 2023-24) (per square foot of the applicable type)</b>	<b>Special Tax Rate Tax Zone 2 (FY 2023-24) (per square foot of the applicable type)</b>
<b><i>Base Development Special Tax</i></b>		
Market-Rate Residential Square Footage	\$9.29	\$9.29
Office Square Footage	\$7.04	\$7.04
Excess Exempt Square Footage		
Market-Rate Residential Square Footage	\$9.29	\$9.29
Office Square Footage	\$7.04	\$7.04
<b><i>Base Office Special Tax</i></b>		
Office Square Footage	\$2.08	\$1.74
Excess Exempt Square Footage	\$2.08	\$1.74
<b><i>Base Shoreline Special Tax</i></b>		
Office Square Footage	\$1.97	\$1.97
Excess Exempt Square Footage		
Market-Rate Residential Square Footage	\$1.97	\$1.97
Office Square Footage	\$1.97	\$1.97
<b><i>Base Contingent Services Special Tax</i></b>		
Market-Rate Residential Square Footage	\$1.61	\$1.61
Office Square Footage	\$1.61	\$1.61
Excess Exempt Square Footage	\$1.61	\$1.61

*Source: Goodwin Consulting Group, Inc.*

*The Board of Supervisors has directed that the Rate and Method shall be administered in a manner that treats the Shoreline Special Tax levied in Tax Zone 1 and the Shoreline Special Tax levied in Tax Zone 2 as separate special taxes, until otherwise provided by the Board of Supervisors without materially affecting the security for any Bonds (as defined in the Rate and Method).*



***Special Tax Rates.*** The Rate and Method provides how the special tax rates thereunder are determined. For Undeveloped Property, Development Special Tax rates are set forth in an attachment to the Rate and Method. No Contingent Services Special Tax will be levied on Undeveloped Property. For Developed Property, such special tax rates, Office special tax rates and Shoreline Special Tax rates are generally based on a maximum tax rate that varies based on the square footage of each Square Footage Category in the buildings(s) of the Taxable Parcel. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

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

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

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

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

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

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

Step 1d. For all Assessed Parcels:

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

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

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

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

Substep 1dC(ii). If, after coordination with the City and Port, the Administrator determines that a breakdown of Parcel Increment on a Parcel-by-Parcel basis cannot be provided in time for submission of the special tax levy, the Administrator shall determine the net tax levy on the Leasehold Interest in each Assessed Parcel (the "Net Assessed Parcel Tax Levy") by subtracting from the Maximum Development Special Tax for each Assessed Parcel a pro rata share of the Parcel Increment, with such pro rata share determined based on each Assessed Parcel's Maximum Development Special Tax as a percentage of the aggregate Maximum Development Special Tax for all Assessed Parcels in the District. The Administrator shall levy on the Leasehold Interest in each Assessed Parcel the Net Assessed Parcel Tax Levy for such Assessed Parcel. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

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

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

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

Step 1. Levy the Maximum Office Special Tax on Leasehold Interests in each Taxable Parcel of Developed Property. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

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

***Levy of the Shoreline (Tax Zone 1) Special Tax.*** Each Fiscal Year, the Administrator shall determine the Shoreline (Tax Zone 1) Special Tax Requirement, and the Shoreline (Tax Zone 1) Special Tax shall be levied in according to the following steps:

Step 1. Levy the Maximum Shoreline (Tax Zone 1) Special Tax on Leasehold Interests in each Taxable Parcel of Developed Property. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

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

***Exemptions to Special Taxes.*** Under the Rate and Method, for Developed Property, the square footage of buildings attributable to certain exempt uses is not included when calculating the Maximum Development Special Tax, Maximum Office Special Tax and the Maximum Shoreline (Tax Zone 1) Special Tax except Excess Exempt Square Footage (as defined in the Rate and Method). See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

### **Levy on the Secured Roll**

The Board of Supervisors approved the levy of the Development Special Taxes, the Office Special Taxes and the Shoreline Special Taxes on the secured roll pursuant to Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and approved by the Mayor on May 15, 2020, and the Board of Supervisors further agreed in the Resolution to continue such levy on the secured roll as long as the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds are outstanding. The benefit of levying such special taxes on the secured roll is that such special taxes will have a priority lien over all pre-existing and future private liens imposed on the Leasehold Interests.

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

***General.*** In the event of a delinquency in the payment of any installment of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, the City is authorized by the Special Tax Financing Law to order institution of an action in a Superior Court of the State to foreclose any lien for such delinquent installment. In such action, the Leasehold Interest subject to the applicable special taxes may be sold at a judicial foreclosure sale. For property owned or leased by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies, the City may be limited in its ability to foreclose the lien of delinquent unpaid Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes and may require prior consent of the property owner or lessee. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies” herein.

There could be a default or a delay in payments to the owners of the 2023 Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any. Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes may be levied

on the Leasehold Interests in Taxable Parcels within the District that are subject to such Special Taxes up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the related 2023 Bonds. However, under the Rate and Method, none of the Development Special Tax levy, Office Special Tax levy or Shoreline (Tax Zone 1) Special Tax levy on a Leasehold Interest in a Taxable Parcel may increase by more than 10% of the Maximum Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, respectively, as a consequence of delinquencies or defaults in payment of such tax levied on Leasehold Interests in another Parcel(s) in the District (a “Delinquency Levy”). In addition, the Delinquency Levy, if any, is determined when calculating the Development Special Tax Requirement. Accordingly, when determining the levy of Development Special Taxes on Leasehold Interests in Assessed Parcels, the Delinquency Levy, if any, has already been applied and, therefore, the Administrator shall not levy any additional Delinquency Levy on an Assessed Parcel that has its Development Special Tax levy reduced or eliminated by Parcel Increment.

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

***Covenant to Foreclose.*** As authorized under the Special Tax Financing Law, the City covenants in each Fiscal Agent Agreement with and for the benefit of the Owners of the related 2023 Bonds that it will order, and cause to be commenced as provided in such Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in a Superior Court of the State to foreclose the lien of any Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax, respectively, or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings. The City Attorney shall commence foreclosure proceedings by asking the Board of Supervisors to approve the removal of the delinquent installment from the secured property tax roll and initiate a foreclosure action in the Superior Court.

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Development Special Taxes theretofore levied in the District to the amount of Development Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Development Special Tax in the District is delinquent in the payment of one or more installments of Development Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the District is then participating in the Teeter Plan, or an equivalent procedure, (2) the amount in the 2021A Reserve Fund is at least equal to the 2021A Reserve Requirement, (3) the amount in the 2021B Reserve Fund is at least equal to the 2021B Reserve Requirement and (4) the amount in the reserve account (including the 2023A Reserve Fund) for any Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds is at least equal to the required amount.

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Office Special Taxes theretofore levied in the District to the amount of Office Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Office Special Tax in the District is delinquent in the payment of one or more

installments of Office Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the District is then participating in the Teeter Plan, or an equivalent procedure, (2) the amount in the 2023B-1 Reserve Fund is at least equal to the 2023B-1 Reserve Requirement, (3) the amount in the 2023B-2 Reserve Fund is at least equal to the 2023B-2 Reserve Requirement and (4) the amount in the reserve account for any Office Special Tax Parity Bonds that are not 2023B-1 Related Parity Bonds or 2023B-2 Related Parity Bonds is at least equal to the required amount.

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Shoreline (Tax Zone 1) Special Taxes theretofore levied in the District to the amount of Shoreline (Tax Zone 1) Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Shoreline (Tax Zone 1) Special Tax in the District is delinquent in the payment of one or more installments of Shoreline (Tax Zone 1) Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the District is then participating in the Teeter Plan, or an equivalent procedure, (2) the amount in the 2023C Reserve Fund is at least equal to the 2023C Reserve Requirement and (3) the amount in the reserve account for any Shoreline (Tax Zone 1) Special Tax Parity Bonds that are not 2023C Related Parity Bonds is at least equal to the required amount.

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

### **Limited Obligation**

*The 2023 Bonds of each series are limited obligations of the City, secured by and payable solely from certain pledged revenues, consisting of the "Revenues" (with respect to the 2023A Development Special Tax Bonds), the "Office Special Tax Revenues" (with respect to the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds) and the "Shoreline (Tax Zone 1) Special Tax Revenues" (with respect to the 2023C Shoreline (Tax Zone 1) Special Tax Bonds) as defined in, and the funds pledged therefor, under the related Fiscal Agent Agreement. The 2023 Bonds of each series are not payable from any source of funds other than the applicable pledged revenues for such series and the funds pledged therefor under the related Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on any series of 2023 Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement for each series of 2023 Bonds), the State of California or any political subdivision thereof is pledged to the payment of the Development Special Tax Bonds, the Office Special Tax Bonds or the Shoreline (Tax Zone 1) Special Tax Bonds.*

The City is under no obligation to 2023A Development Special Tax Bond Owners to levy any tax, other than the Development Special Taxes, or to transfer any funds of the City other than to transfer to the Fiscal Agent the Development Special Taxes as set forth in the Development Special Tax Bonds Fiscal Agent Agreement and to the IFD the ad valorem property tax increment revenue that is the source of the IFD Payment Amount. The City is under no obligation to 2023B-1 Office Special Tax Bond Owners and

Taxable 2023B-2 Office Special Tax Bonds Owners to levy any tax, other than the Office Special Taxes, or to transfer any funds of the City other than to transfer to the Fiscal Agent the Office Special Taxes as set forth in the Office Special Tax Bonds Fiscal Agent Agreement. The City is under no obligation to 2023C Shoreline (Tax Zone 1) Special Tax Bond Owners to levy any tax, other than the Shoreline (Tax Zone 1) Special Taxes, or to transfer any funds of the City other than to transfer to the Fiscal Agent the Shoreline (Tax Zone 1) Special Taxes as set forth in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. See “SECURITY FOR THE 2023 BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose liens upon delinquencies, “SECURITY FOR THE 2023 BONDS – Reserve Funds,” for a discussion of the 2023A Reserve Fund securing the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds, the 2021A Reserve Fund securing the 2021A Development Special Tax Bonds, the 2021C Development Special Tax Bonds and any other 2021A Related Parity Bonds, the 2023B-1 Reserve Fund securing the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds, the 2023B-2 Reserve Fund securing the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds and the 2023C Reserve Fund securing the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds.

### **Teeter Plan**

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

The Board of Supervisors, by resolution, has extended the Teeter Plan to the allocation and distribution of special taxes for a limited number of community facilities districts located within the City. However, the Board of Supervisors has not extended the Teeter Plan to the collection of special taxes within the District. Accordingly, the Teeter Plan is not expected to be available for the collection of the Development Special Taxes, the Office Special Tax and the Shoreline (Tax Zone 1) Special Taxes and the collection of the Development Special Taxes, the Office Special Tax and the Shoreline (Tax Zone 1) Special Taxes will reflect actual delinquencies.

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

### **Parity Bonds**

The District is authorized to incur \$3.7 billion of bonded indebtedness and other debt in the aggregate including the previously issued District bonds. Such bonded indebtedness and other debt includes the 2023 Bonds as well as bonded indebtedness and other debt payable from other special taxes levied under the Rate and Method.

*Development Special Tax Parity Bonds.* The 2023A Development Special Tax Bonds will be the fourth series of bonds issued for the District and the fourth series of bonds issued under the Development Special Tax Bonds Fiscal Agent Agreement. The City may issue additional bonds payable on a parity with the 2021A Development Special Tax Bonds, the 2021B/C Bonds and the 2023A Development Special Tax Bonds under the Development Special Tax Bonds Fiscal Agent Agreement (“Development Special Tax Parity Bonds”) pursuant to a Supplemental Agreement entered into by the City and the Fiscal Agent. See “– Future Indebtedness” below.

Any such Development Special Tax Parity Bonds shall be secured by a lien on the Revenues under the Development Special Tax Bonds Fiscal Agent Agreement and certain funds pledged for the payment of the Development Special Tax Bonds under the Development Special Tax Bonds Fiscal Agent Agreement on a parity with all other Development Special Tax Bonds Outstanding under the Development Special Tax Bonds Fiscal Agent Agreement. The City may issue such Development Special Tax Parity Bonds subject to the following specific conditions precedent:

(A) *Compliance.* Following issuance of the Development Special Tax Parity Bonds, the City shall be in compliance with all covenants set forth in the Development Special Tax Bonds Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Development Special Tax Parity Bonds shall not cause the City to exceed the District's \$3.7 billion limitation on debt.

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

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

(i) a deposit to the 2021A Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2021A Reserve Requirement following issuance of the Development Special Tax Parity Bonds;

(ii) a deposit to a reserve account for the Development Special Tax Parity Bonds (and such other series of Development Special Tax 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 Development Special Tax Parity Bonds will have no interest in or claim to the 2021A Reserve Fund and that the Owners of the Development Special Tax Bonds covered by the 2021A Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the 2021A Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Development Special Tax Parity Bonds will have no interest in or claim to the 2021A Reserve Fund or any other reserve account.

The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Development Special Tax Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Special Tax District Value.* The Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Development Special Tax Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Development Special Tax Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Development Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds (as defined in such Fiscal Agent Agreement). For purposes of the provisions described in this paragraph:

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

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

“Other Special Tax Bonds” under the Development Special Tax Bonds Fiscal Agent Agreement means the following: (a) bonds issued by or for a community facilities district or special tax district other than the District that are outstanding and payable at least partially from special taxes to be levied on parcels of land within the District, and (b) bonds issued by or for the District that are payable from special taxes levied under the Rate and Method other than the Development Special Tax and that do not constitute Development Special Tax Bonds under the Development Special Tax Bonds Fiscal Agent Agreement. The Office Special Tax Bonds and Shoreline (Tax Zone 1) Special Tax Bonds are other Special Tax Bonds under the Development Special Tax Bonds Fiscal Agent Agreement.

“Special Tax District Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interests in all Taxable Parcels subject to the levy of the Development Special Taxes and not delinquent in the payment of any Development Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund under the Development Special Tax Bonds Fiscal Agent Agreement and with the proceeds of any proposed series of Development Special Tax Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Development Special Tax Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. In the Development Special Tax Bonds Fiscal Agent Agreement, it is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Under the Development Special Tax Bonds Fiscal Agent Agreement, neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any appraiser pursuant to this definition.

(E) *Coverage.* An independent financial consultant shall certify that for each Fiscal Year after issuance of the Development Special Tax Parity Bonds, beginning in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of the Officer’s Certificate described in clause (F) below are expected to first collectively constitute Developed Property under the Rate and Method, the maximum amount of the Development Special Taxes that could be levied on the Leasehold Interests in all of the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Development Special Tax Bonds Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses that may be paid from the Development Special Tax for each respective Fiscal Year, will be at least 110% of the total Annual Debt Service of the then Outstanding Bonds Development Special Tax and the proposed Development Special Tax Parity Bonds for each Bond Year that commences in each such Fiscal Year.



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

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

“Taxable Parcel Value” under the Development Special Tax Bonds Fiscal Agent Agreement means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interest in a Taxable Parcel, including with respect to such Leasehold Interest the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Development Special Tax Parity Bonds, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Development Special Tax Parity Bonds by an Appraiser selected by the City, or (ii) in the alternative, the assessed value as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

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

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

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

See “ – Future Indebtedness” below.

*Office Special Tax Parity Bonds.* The 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds will be the fifth and sixth series of bonds issued for the District and the first and second series of bonds issued under the Office Special Tax Bonds Fiscal Agent Agreement. The City may issue additional bonds payable on a parity with the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds under the Office Special Tax Bonds Fiscal Agent Agreement (“Office Special Tax Parity Bonds”) pursuant to a Supplemental Agreement entered into by the City and the Fiscal Agent. See “ – Future Indebtedness” below.

Any such Office Special Tax Parity Bonds shall be secured by a lien on the Office Special Tax Revenues under the Office Special Tax Bonds Fiscal Agent Agreement and certain funds pledged for the payment of the Office Special Tax Bonds under such Fiscal Agent Agreement on a parity with all other Office Special Tax Bonds Outstanding under such Fiscal Agent Agreement. The City may issue such Office Special Tax Parity Bonds subject to the following specific conditions precedent:

(A) *Compliance.* Following issuance of the Office Special Tax Parity Bonds, the City shall be in compliance with all covenants set forth in the Office Special Tax Bonds Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Office Special Tax Parity Bonds shall not cause the City to exceed the District’s \$3.7 billion limitation on debt.

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

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

(i) a deposit to the 2023B-1 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2023B-1 Reserve Requirement following issuance of the Office Special Tax Parity Bonds;

(ii) a deposit to the 2023B-2 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2023B-2 Requirement following issuance of the Office Special Tax Parity Bonds;

(iii) a deposit to a reserve account for the Office Special Tax Parity Bonds (and such other series of Office Special Tax 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 Office Special Tax Parity Bonds will have no interest in or claim to the 2023B-1 Reserve Fund or the 2023B-2 Reserve Fund and that the Owners of the Office Special Tax Bonds covered by the 2023B-1 Reserve Fund and the 2023B-2 Reserve Fund will have no interest in or claim to such other reserve account; or

(iv) no deposit to either the 2023B-1 Reserve Fund, the 2023B-2 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Office Special Tax Parity Bonds will have no interest in or claim to the 2023B-1 Reserve Fund, the 2023B-2 Reserve Fund or any other reserve account.

The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Office Special Tax Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

In connection with the issuance of the 2023B-1 Office Special Tax Bonds and the Taxable 2023B-2 Office Special Tax Bonds, proceeds of the 2023B-1 Office Special Tax Bonds will be deposited in the 2023B-1 Reserve Fund so that the balance therein upon issuance will be equal to the 2023B-1 Reserve Requirement, and proceeds of the Taxable 2023B-2 Office Special Tax Bonds will be deposited in the 2023B-2 Reserve Fund so that the balance therein upon issuance will be equal to the 2023B-2 Reserve Requirement.

(D) *Special Tax District Value.* As long as any Development Special Tax Bonds are Outstanding (as defined in the Development Special Tax Bonds Fiscal Agent Agreement), the City shall comply with the Special Tax District Value tests set forth in the Development Special Tax Bonds Fiscal Agent Agreement in connection with the issuance by the City of the Office Special Tax Parity Bonds.

In addition, the Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Office Special Tax Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Office Special Tax Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Office Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds (as defined in such Fiscal Agent Agreement). For purposes of the provisions described in this paragraph, the applicable aggregate principal amount of Other Special Tax Bonds is equal to the aggregate outstanding principal amount of such Other Special Tax Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that could be levied for such Other Special Tax Bonds on Leasehold Interests in Taxable Parcels within the District that are subject to the Office Special Tax, and the denominator of which is the total amount of special taxes that could be levied to pay such Other Special Tax Bonds on all parcels of land against which the special taxes could be levied to pay such Other Special Tax Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on such bonds occurs), based upon information from the most recent available Fiscal Year.

“Other Special Tax Bonds” under such Office Special Tax Bonds Fiscal Agent Agreement means the following: (a) bonds issued by or for a community facilities district or special tax district other than the District that are outstanding and payable at least partially from special taxes to be levied on parcels of land within the District, and (b) bonds issued by or for the District that are payable from special taxes levied under the Rate and Method other than the Office Special Tax and that do not constitute Office Special Tax Bonds under the Office Special Tax Bonds Fiscal Agent Agreement. The Development Special Tax Bonds and Shoreline (Tax Zone 1) Special Tax Bonds are Other Special Tax Bonds under such Fiscal Agent Agreement.

“Special Tax District Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interests in all Taxable Parcels subject to the levy of the Office Special Taxes and not delinquent in the payment of any Office Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund under the Office Special Tax Bonds Fiscal Agent Agreement and with the proceeds of any proposed series of Office Special Tax Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Office Special Tax Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. In such Fiscal Agent Agreement, it is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Under such Fiscal Agent Agreement, neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal

provided for purposes of this definition or by reason of any exercise of discretion made by any appraiser pursuant to this definition.

(E) *Coverage.* An independent financial consultant shall certify that for each Fiscal Year after issuance of the Office Special Tax Parity Bonds, beginning in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of the Officer's Certificate described in clause (F) below are expected to first collectively constitute Developed Property under the Rate and Method, the maximum amount of the Office Special Taxes that could be levied on the Leasehold Interests in all of the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Office Special Tax Bonds Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses that may be paid from the Office Special Tax for each respective Fiscal Year, will be at least 110% of the total Annual Debt Service of the then Outstanding Office Special Tax Bonds and the proposed Office Special Tax Parity Bonds for each Bond Year that commences in each such Fiscal Year.

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

"Taxable Parcel Value" under the Office Special Tax Bonds Fiscal Agent Agreement means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interest in a Taxable Parcel, including with respect to such Leasehold Interest the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Office Special Tax Parity Bonds, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Office Special Tax Parity Bonds by an Appraiser selected by the City, or (ii) in the alternative, the assessed value as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

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

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

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

See “ – Future Indebtedness” below.

*Shoreline (Tax Zone 1) Special Tax Parity Bonds.* The 2023C Shoreline (Tax Zone 1) Special Tax Bonds will be the seventh series of bonds issued for the District and the first series of bonds issued under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. The City may issue additional bonds payable on a parity with the 2023C Shoreline (Tax Zone 1) Special Tax Bonds under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement (“Shoreline (Tax Zone 1) Special Tax Parity Bonds”) pursuant to a Supplemental Agreement entered into by the City and the Fiscal Agent. See “ – Future Indebtedness” below.

Any such Shoreline (Tax Zone 1) Special Tax Parity Bonds shall be secured by a lien on the Shoreline (Tax Zone 1) Special Tax Revenues under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement and certain funds pledged for the payment of the Shoreline (Tax Zone 1) Special Tax Bonds under such Fiscal Agent Agreement on a parity with all other Shoreline (Tax Zone 1) Special Tax Bonds Outstanding under such Fiscal Agent Agreement. The City may issue such Shoreline (Tax Zone 1) Special Tax Parity Bonds subject to the following specific conditions precedent:

(A) *Compliance.* Following issuance of the Shoreline (Tax Zone 1) Special Tax Parity Bonds, the City shall be in compliance with all covenants set forth in the Shoreline (Zone 1) Special Tax Bonds Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Shoreline (Tax Zone 1) Special Tax Parity Bonds shall not cause the City to exceed the District’s \$3.7 billion limitation on debt.

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

(C) *Reserve Funds.* The Supplemental Agreement providing for issuance of the Shoreline (Tax Zone 1) Special Tax Parity Bonds shall provide for:

(i) a deposit to the 2023C Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2023C Reserve Requirement following issuance of the Shoreline (Tax Zone 1) Special Tax Parity Bonds;

(ii) a deposit to a reserve account for the Shoreline (Tax Zone 1) Special Tax Parity Bonds (and such other series of Shoreline (Tax Zone 1) Special Tax 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 Shoreline (Tax Zone 1) Special Tax Parity Bonds will have no interest in or claim to the 2023C Reserve Fund and that the Owners of the Shoreline (Tax Zone 1) Special Tax Bonds covered by the 2023C Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the 2023C Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Shoreline (Tax Zone 1) Special Tax Parity Bonds will have no interest in or claim to the 2023C Reserve Fund or any other reserve account.

The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Shoreline (Tax Zone 1) Special Tax Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

In connection with the issuance of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, proceeds of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds will be deposited in the 2023C Reserve Fund so that the balance therein upon issuance will be equal to the 2023C Reserve Requirement.

(D) *Special Tax District Value.* As long as any Development Special Tax Bonds are Outstanding (as defined in the Development Special Tax Bonds Fiscal Agent Agreement), the City shall comply with the Special Tax District Value tests set forth in the Development Special Tax Bonds Fiscal Agent Agreement in connection with the issuance by the City of the Shoreline (Tax Zone 1) Special Tax Parity Bonds.

In addition, the Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Shoreline (Tax Zone 1) Special Tax Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Shoreline (Tax Zone 1) Special Tax Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Shoreline (Tax Zone 1) Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds (as defined in such Fiscal Agent Agreement). For purposes of the provisions described in this paragraph, the applicable aggregate principal amount of Other Special Tax Bonds is equal to the aggregate outstanding principal amount of such Other Special Tax Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that could be levied for such Other Special Tax Bonds on Leasehold Interests in Taxable Parcels within the District that are subject to the Shoreline (Tax Zone 1) Special Tax, and the denominator of which is the total amount of special taxes that could be levied to pay such Other Special Tax Bonds on all parcels of land against which the special taxes could be levied to pay such Other Special Tax Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on such bonds occurs), based upon information from the most recent available Fiscal Year.

“Other Special Tax Bonds” under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement means the following: (a) bonds issued by or for a community facilities district or special tax district other than the District that are outstanding and payable at least partially from special taxes to be levied on parcels of land within the District, and (b) bonds issued by or for the District that are payable from special taxes levied under the Rate and Method other than the Shoreline (Tax Zone 1) Special Tax and that do not constitute Shoreline (Tax Zone 1) Special Tax Bonds under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. The Development Special Tax Bonds and Office Special Tax Bonds are Other Special Tax Bonds under such Fiscal Agent Agreement.

“Special Tax District Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interests in all Taxable Parcels subject to the levy of the Shoreline (Tax Zone 1) Special Taxes and not delinquent in the payment of any Shoreline (Tax Zone 1) Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement and with the proceeds of any proposed series of Shoreline (Tax Zone 1) Special Tax Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of

issuance of any proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. In such Fiscal Agent Agreement, it is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Under such Fiscal Agent Agreement, neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any appraiser pursuant to this definition.

(E) *Coverage.* An independent financial consultant shall certify that for each Fiscal Year after issuance of the Shoreline (Tax Zone 1) Special Tax Parity Bonds, beginning in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of the Officer's Certificate described in clause (F) below are expected to first collectively constitute Developed Property under the Rate and Method, the maximum amount of the Shoreline (Tax Zone 1) Special Taxes that could be levied on the Leasehold Interests in all of the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses that may be paid from the Shoreline (Tax Zone 1) Special Tax for each respective Fiscal Year, will be at least 110% of the total Annual Debt Service of the then Outstanding the Shoreline (Tax Zone 1) Special Tax Bonds and the proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For purposes of clause (E) above, "Qualifying Taxable Parcel" means, as of the date of the Officer's Certificate described in clause (F) below, a Taxable Parcel that (i) is subject to a Parcel Lease, (ii) the Leasehold Interest in which is subject to the Shoreline (Tax Zone 1) Special Tax Bonds and not delinquent in the payment of Shoreline (Tax Zone 1) Special Taxes and (iii) the Leasehold Interest in which has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Shoreline (Tax Zone 1) Special Tax Bonds then Outstanding that is allocable to such Leasehold Interest, plus (x) the portion of the aggregate principal amount of the series of Shoreline (Tax Zone 1) Special Tax Parity Bonds proposed to be issued that is allocable to such Leasehold Interest, plus (y) the aggregate principal amount of any fixed assessment liens on such Leasehold Interest, plus (z) the portion of the applicable principal amount of any and all Other Special Tax Bonds that is allocable to such Leasehold Interest. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Shoreline (Tax Zone 1) Special Tax Bonds, Shoreline (Tax Zone 1) Special Tax Parity Bonds or Other Special Tax Bonds allocable to each Leasehold Interest in a Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Shoreline (Tax Zone 1) Special Tax Bonds, proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds or Other Special Tax Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied to pay for the Shoreline (Tax Zone 1) Special Tax Bonds, proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds or Other Special Tax Bonds on such Leasehold Interest in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of issuance of the proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds are expected to first collectively constitute Developed Property under the Rate and Method, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Shoreline (Tax Zone 1) Special Tax Bonds, Shoreline (Tax Zone 1) Special Tax Parity Bonds or Other Special Tax Bonds in such fiscal year.

"Taxable Parcel Value" under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interest in a Taxable Parcel, including with respect to such Leasehold Interest the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and

with the proceeds of any proposed series of Shoreline (Tax Zone 1) Special Tax Parity Bonds, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds by an Appraiser selected by the City, or (ii) in the alternative, the assessed value as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

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

(F) *Certificates.* The City is required to deliver to the Fiscal Agent an Officer’s Certificate certifying that the conditions precedent to the issuance of such Shoreline (Tax Zone 1) Special Tax Parity Bonds set forth in clauses (A), (B), (C), (D) and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Shoreline (Tax Zone 1) Special Tax Parity Bonds without the need to satisfy the requirements of clauses (D) or (E) above, and, in connection therewith, the Officer’s Certificate in clause (F) above need not make reference to clauses (D) and (E).

See “ – Future Indebtedness” below.

### **Subordinate and Unsecured Obligations**

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

The City, for and on behalf of the District, has executed a promissory note to the Port in a principal amount of \$43 million. The promissory note evidences the principal of and interest on the loans made by the Port as DRP Advances (defined below). As of June 30, 2023, the amount of the promissory note, including accreted interest, was about \$48.6 million. (The Port lent this amount to the District as a DRP Advance, as reflected in Table 5, below.) The District reimbursed Master Developer for entitlement costs and capital costs of the Horizontal Improvements with the DRP Advance. The promissory note is payable from special taxes under the Rate and Method, including Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, after payment of debt service on the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds. The promissory note is (i) not secured by a pledge of Development Special Tax Revenues, Office Special Tax Revenues, Shoreline (Tax Zone 1) Special Tax Revenues or other District special taxes and (ii) secured by a pledge of Allocated Tax Increment that is subordinate to the pledge of the Pledged Increment as security for the IFD Payment Amount under the Pledge Agreement. See “ – Special Fund Administration Agreement and Related Funds and Accounts” and “ – IFD Payment Amount Fund” above. See “THE MISSION ROCK PROJECT – Overview of Mission Rock Transaction Structure – Financing Plan” and “SPECIAL RISK FACTORS – Future Indebtedness” herein.

The Financing Plan provides for the repayment of the Port for Port Capital Advances from District Special Taxes and Allocated Tax Increment on a basis subordinate to the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, as applicable. The Port may ask for the repayment obligation to be documented in a promissory note and a pledge agreement similar to those described in the previous paragraph. See “THE MISSION ROCK PROJECT – Overview of



Mission Rock Transaction Structure – Phase 1 Budget” and “ – Development and Financing Plan for the Mission Rock Project” herein.

### **Other Indebtedness and Obligations**

The properties in the District may be subject to other existing authorized indebtedness payable from taxes and assessments that may be levied. Existing authorized indebtedness is shown in Table 13 under “THE MISSION ROCK PROJECT - Direct and Overlapping Debt” herein.

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

### **Future Indebtedness**

As discussed under the caption “ - Parity Bonds” above, the District is authorized to issue \$3.7 billion of bonded indebtedness and other debt in the aggregate including the previously issued District bonds. Assuming development within the District progresses as projected by the Master Developer, the City anticipates issuing additional community facilities district bonds for the District. The City does not expect to issue additional bonds associated with Phase 1. Additional bonds that will be sized based on the Development Special Taxes, Office Special Taxes and Shoreline Special Taxes on parcels in Phases 2 through 4 (referred to herein as the Shoreline (Tax Zone 2) Special Tax) may follow as development proceeds. See Table 5 below. Issuance of additional District bonds may result in overall appraised value-to-lien ratios for the District as a whole and for individual Parcels that are lower than current ratios unless sufficient additional investment by the Master Developer and/or the Vertical Developers occurs before the issuance of such bonds.

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

## **FORMATION OF THE DISTRICT**

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

On April 14, 2020, after holding a noticed public hearing, the Board of Supervisors adopted (i) Resolution No. 160-20 forming the District and the Future Annexation Area, approving the levy of special taxes within the District according to the Rate and Method and approving an initial \$3,700,000,000 annual appropriation limit for the District, subject to approval of the qualified electors, (ii) Resolution No. 161-20 declaring the necessity to incur bonded indebtedness and other debt in an amount not to exceed \$3,700,000,000, subject to approval of the qualified electors and (iii) Resolution No. 162-20, calling an

election of the qualified landowner electors in the District. The Mayor approved these resolutions on April 24, 2020.

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

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

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

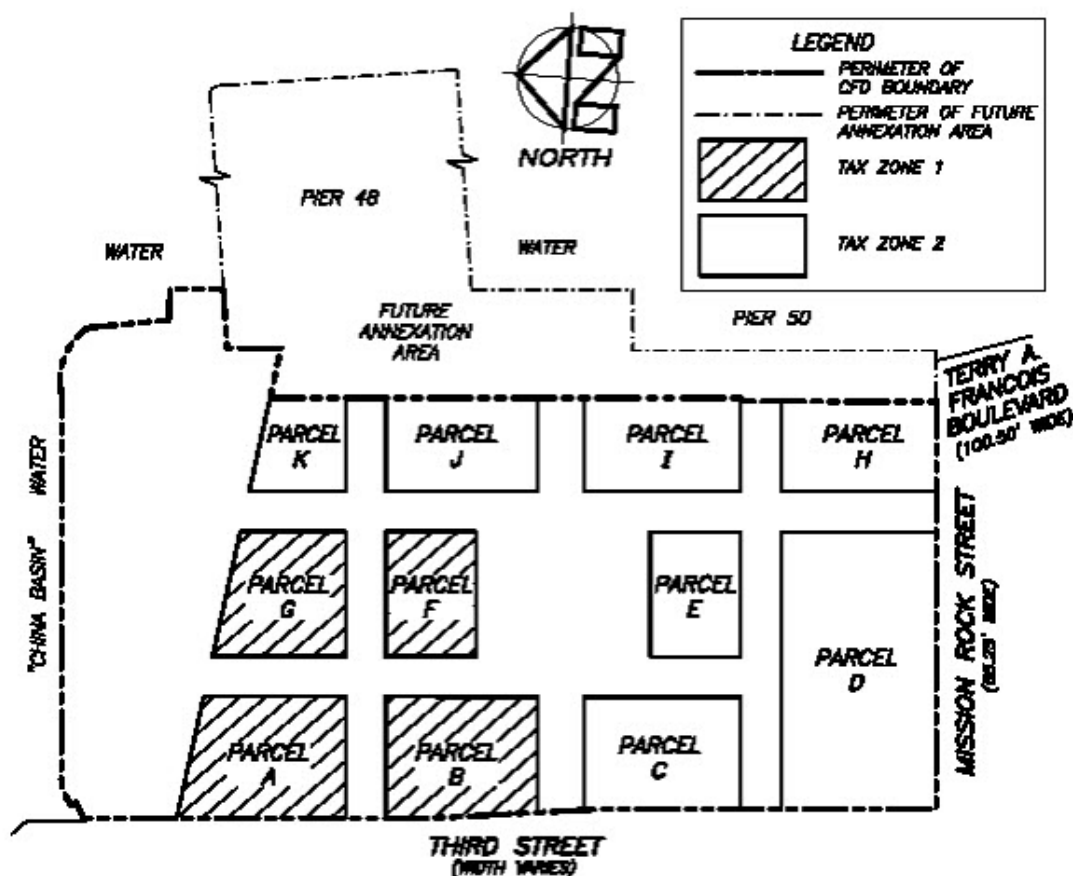
On May 22, 2020, a Notice of Special Tax Lien was recorded against the property in the District as Instrument No. 2020-K933385-00. The Notice of Special Tax Lien establishes the lien of special taxes pursuant to the Rate and Method against the Leasehold Interests in property in the District in accordance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

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

On May 11, 2021, the Board of Supervisors adopted Resolution No. 224-21, further supplementing Resolution No. 196-20, and approving the form of a First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$64,900,000 of special tax bonds in one or more series. The Mayor approved this resolution on May 21, 2021. On November 10, 2021, the 2021B Development Special Tax Bonds and the 2021C Development Special Tax Bonds were issued and delivered in the aggregate original principal amount of \$64,280,000 under the authorization provided by this resolution.

***Only certain property in the District is subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax that secure payment on the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, respectively.*** Pier 48 and certain adjacent areas (also owned by the Port) are part of the Mission Rock Project, but are not currently located within the District. Pier 48 consists of five acres located to the east of the District and is currently used for parking and special events. Pier 48 and certain adjacent areas have been identified as a Future Annexation Area and may be annexed into the District in the future only with the unanimous approval of the owner or owners of each parcel or parcels seeking annexation at the time of annexation into the District, whereupon a special tax will become a continuing lien on the Leasehold Interest in annexed parcels according to the Rate and Method. See “THE MISSION ROCK PROJECT” for more information about Pier 48 and the Future Annexation Area.

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



## 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”). 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. As of January 1, 2023, the State estimates the City’s population to be 831,703, among the largest in the country. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” attached hereto.

The City benefits from a broad economic base, anchored by major technology companies such as Salesforce Inc., Uber Technologies Inc., Accenture and Cisco Systems Inc. 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, University of California, San Francisco and UC Law San Francisco.

**Continuing Impact of COVID-19 Pandemic and Other Factors on San Francisco Economy.** Beginning in late winter 2020, the City faced significant negative impacts resulting from the global COVID-

19 pandemic and efforts to contain it, including the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools throughout the City. While public health restrictions have been loosened or eliminated in response to positive public health data on COVID-19, economic conditions have not fully recovered. Recent economic conditions in the City also reflect periods of very high inflation experienced nationwide, which has declined but continues, as well as increasing interest rates driven by Federal Reserve rate-setting actions aimed at mitigating inflation. Housing affordability, homelessness and crime, which have posed challenges in urban areas like the City in recent years, may also negatively impact economic activities.

The impacts on the City's economy have been material and in many cases adverse. The pandemic and recent economic conditions have resulted in a decline in population, reductions in tourism and disruption of the local economy, widespread business closures, and significantly higher levels of unemployment for a time. A recent forecast from the State's Department of Finance indicates that the City's population is likely to remain below 2020 levels through 2060. The projected population increases attributable to births and continuing net inward migration are expected to be diminished by population decreases attributable to death rates.

In the City, numerous businesses have closed on a permanent basis and tourism-related economic activity has declined. As of June 2023, hotel revenue was at about 75% of 2019 levels. Domestic and international enplanements were also below pre-pandemic levels. A large-scale return to workplaces has yet to materialize, which is also reflected in continued low transit ridership to workplace centers in the City.

The unemployment rate in the City rose to a high of 13.0% in April 2020 from 2.2% in February 2020, before declining to 2.2% in December 2022. It has increased more recently to 3.2% in June 2023.

In addition, the pandemic negatively impacted values in certain segments of the real estate market. The City's office vacancy rate was 28.3% as of the second quarter of 2023. [Condo price description to come.] The downtown office market has been particularly impacted. Apartment rents, however, are growing, surpassing the national growth rate, with vacancy rates under 6% as of July 2023. Building permits for single and multifamily homes in 2022 numbered near 2020 levels, which was a ten-year low, with permits in 2023 issuing at an even slower annualized pace through June.

See "RISK FACTORS – Real Estate Investment Risks" and "– Public Health Emergencies" herein.

## **THE PORT**

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

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

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

and for other public trust-consistent uses permitted under SB 815. See “ - Overview of Mission Rock Transaction Structure” below.

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

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

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

## **THE MISSION ROCK PROJECT**

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

*No assurance can be given by the City, including the Port, that development of the Mission Rock Project will be completed, or that it will be completed in a timely manner, including, but not limited to construction of the infrastructure required to occupy future buildings in the District. See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2023 Bonds.*

*The information in this Official Statement regarding the District and the Mission Rock Project has considered the current public health orders and any other local restrictions in disclosing estimated time frames for development in the District. Since the beginning of the COVID-19 pandemic, construction projects that are considered essential businesses, including the Mission Rock Project, have been able to continue all construction activities, subject to social distancing requirements. However, the impact of COVID-19 and the public health orders is likely to evolve over time, which could adversely impact the development within the District and the Mission Rock Project as a whole. See “SPECIAL RISK FACTORS – Public Health Emergencies” herein. Neither the Master Developer nor the Vertical Developers can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will have a material adverse effect on the ability to develop the Mission Rock Project as planned and described herein, or the availability of Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes from the District in an amount sufficient to pay debt service on the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, respectively.*

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

The property in the District is part of the larger “Mission Rock Project,” which includes the development of a new mixed-use waterfront neighborhood within the Mission Bay neighborhood of the City. It includes the development of a 28-acre area bounded generally by China Basin to the north, San Francisco Bay to the east, Mission Rock Street to the south, and Third Street to the west. More specifically,

the Mission Rock Project area consists of (i) Seawall Lot 337, (ii) 3.53 acres along Terry A. Francois Boulevard from Third Street to Mission Rock Street, (iii) ½ acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier 50 and (iv) Pier 48. Pier 48, itself, and certain adjacent areas are part of the Mission Rock Project but outside the current boundaries of the District, in an area designated as a Future Annexation Area. See diagram under “- Project Entitlements, Phasing and Mapping Process” below.

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

At full build out, the Mission Rock Project is anticipated to include:

- Approximately 1,119 residential rental units, with 40 percent affordable to low and moderate income households earning 45-150% of the area median income.
- About 8 acres of parks and open space, including the signature 4.4-acre China Basin Park on the waterfront.
- Up to 1.4 million square feet of new, high quality office space.
- Approximately 175,000 square feet of neighborhood-serving retail and production space (considered part of the active ground floor retail space).
- Up to 3,000 space parking structure to serve Oracle Park and neighborhood needs.
- Rehabilitation of historic Pier 48.
- Public waterfront access and improvements, including a segment of the Blue Greenway trail connection from Embarcadero to Hunters Point.

The Mission Rock Project is planned to be subdivided into approximately 12 development parcels (sometimes referred to as “Parcels A, B, F and G” and “Blocks C, D1, D2, E, H, I, J and K,” respectively) and developed in four phases (“Phases 1, 2, 3, and 4,” respectively, with Phase 1 further divided into a Phase 1A and Phase 1B), although the Master Developer may consolidate one or more future phases. Active development of Phase 1A, including Parcels A, B, F and G, is nearing completion and Phase 1B, which includes China Basin Park, is underway. (See “- Project Entitlements, Phasing and Mapping Process” below.)

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

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

Mission Rock Partners is a joint venture with the following members: (i) Giants Development, and (ii) Tishman Speyer.

***San Francisco Giants.*** The Giants franchise, founded in 1883 and one of the oldest teams in Major League Baseball, moved to San Francisco from New York in 1958. After playing for 42 years in Seals Stadium and Candlestick Park, the team privately constructed Oracle Park pursuant to a Port ground lease in 2000. The 40,000-plus seat Oracle Park is now the home baseball stadium of the San Francisco Giants. Since opening its gates, Oracle Park has become internationally-renowned as a premier venue in the world of both sports and entertainment.

***Tishman Speyer.*** Tishman Speyer is a leading owner, developer, operator and fund manager of first-class real estate around the world. Founded in 1978, Tishman Speyer is active across the United States, Europe, Latin America and Asia, building and managing premier office, residential and retail space in 30 key global markets for industry-leading tenants. The firm has acquired, developed and operated a portfolio of over 219 million square feet with a total value of approximately \$124 billion. Signature assets include New York City's Rockefeller Center, São Paulo's Torre Norte, The Springs in Shanghai, Lumière in Paris and OpernTurm in Frankfurt. Tishman Speyer currently has projects at different stages of development in Boston, Brasília, Frankfurt, Gurgaon, Hyderabad, Los Angeles, New York City, Paris, Rio de Janeiro, São Paulo, Shanghai, Shenzhen and Washington, D.C. In San Francisco, the firm has been responsible for projects such as Infinity, Lumina, 555 Mission and 222 2nd Street. The firm also operates portfolios of prominent office property portfolios in Berlin, Chicago and London.

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

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

## **Overview of Mission Rock Transaction Structure**

The City, acting by and through the Port, and the Master Developer entered into a series of agreements related to the development of the Mission Rock Project, as discussed below. The leasehold interests created by the Master Lease and the Parcel Leases are the Leasehold Interests that are subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax under the Rate and Method.

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

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

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

**Financing Plan.** A financing plan (the “Financing Plan”) establishes the agreement between the Master Developer and the Port for the financing of the Horizontal Improvements using revenue generated by the Mission Rock Project itself, including special tax revenues from the District, property tax increment from Project Area I and ground rent paid by developers of the Vertical Parcels (each a “Vertical Developer”). Certain Horizontal Improvements will be acquired by the Port, on its own behalf or on the behalf of the appropriate public agency (the “Acquiring Agency”) at a price, agreed to represent fair market value; provided, that payment will be made only as, and to the extent, that the identified “Project Payment Sources” are available. The identified “Project Payment Sources” include: (i) District revenues, including both District bond proceeds and special taxes levied in the District (the special taxes are secured by liens on the Leasehold Interests on the Master Lease and the Parcel Leases); (ii) property tax increment generated by development within the Mission Rock Project, captured through IFD Project Area I; (iii) Port capital, but only if the Port elects, through its approval of the Phase Budget, to use such capital to pay development costs of the Horizontal Improvements; and (iv) prepaid rent (“Development Rights Payments”) paid by Vertical Developers upon conveyance under Parcel Leases. The Financing Plan includes provisions that allow Development Rights Payments to be credited against amounts due to the Master Developer for Horizontal Improvements in lieu of payment in cash. The Port will loan certain Development Rights Payments to the District (each loan a “DRP Advance”), and the District will repay the DRP Advances, with interest, from special taxes under the Rate and Method, including Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, after payment of all obligations to the Master Developer and after payment of debt service on the 2023 Bonds. The loan of DRP Advances is evidenced by a promissory note. Such promissory note is (i) not secured by a pledge of Development Special Tax Revenues, Office Special Tax Revenues, Shoreline (Tax Zone 1) Special Tax Revenues or other District special taxes and (ii) secured by a pledge of Allocated Tax Increment that is subordinate to the pledge under the Pledge Agreement. See “SECURITY FOR THE BONDS - Infrastructure Financing District Pledge Supporting Bonds” and “ - Subordinate and Unsecured Obligations” herein.

**Master Lease.** The City, by and through the Port, and the Master Developer entered into the Master Lease pursuant to which the Master Developer leases the entirety of the Project Site for a term of up to thirty (30) years ending on August 15, 2048, unless extended. The Master Lease permits the Master Developer to use the existing surface lot for parking, and permits the Master Developer to construct the Horizontal Improvements within the leased premises in accordance with the DDA. The Master Developer may also use the leased premises for other ancillary uses, such as special events and construction staging. The Master Lease provides for payment of percentage rent to the Port, subject to a minimum rent, based upon the revenue generated from use of the leased premises for parking and other uses.

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



As the Port enters into Parcel Leases, the vertical development sites leased under the Parcel Leases are released from the Master Lease premises. The areas within each approved Phase that are to be improved with Horizontal Improvements remain subject to the Master Lease and part of the Master Lease premises until such Horizontal Improvements are completed. Once complete, the Acquiring Agency will accept and acquire the completed Horizontal Improvements, and the accepted Horizontal Improvements are released from the premises leased under the Master Lease. Though such portions may be released upon completion, the area to be developed in subsequent Phases (Phases 2, 3, and 4) remains within the Master Lease premises, and the Master Developer may continue to use those remaining areas for parking, construction staging, and other ancillary uses. This process will be repeated for future Phases until the term of the Master Lease expires or all of the leased premises has been released from the Master Lease, either as a Horizontal Improvement acquired by an Acquiring Agency or as a Vertical Parcel leased to a Vertical Developer.

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

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

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

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

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

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

**Phase 1 Budget.** The Master Developer has a Port-approved Phase Budget for Phase 1 to construct the Phase 1A Horizontal Improvements required for the Vertical Developers of Parcels A, B, F and G to obtain certificates of occupancy for the vertical improvements on those Parcels and to construct Phase 1B (China Basin Park). [The Phase Budget for Phase 1 was most recently amended in [October] 2023 to reflect additional costs attributable to (1) sequencing complexity and project time extensions, impacting both hard and soft costs; (2) unforeseen conditions related to soils, dewatering and underground utilities; (3) enhanced security improvements and reinforcing of concrete in China Basin Park; (4) inflation and cost increases of labor and resources; and (5) increased Master Developer, City, and Port staff costs required to implement the project, including coordination of unique design features. The budget increase was approximately \$[\_\_\_\_\_] in the aggregate.] The Master Developer is currently on track to complete the Phase 1A and 1B improvements within the approved budget. [The Phase 1 and future phase budgets are reflected in [the Appraisal Report and] the financial tables herein.] See “ - Development and Financing Plan for the Mission Rock Project” below.

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

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

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

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

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**Table 2**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Overview of the Mission Rock Project**  
**(as of April 1, 2023)**

<b>Parcel/ Block</b>	<b>Phase</b>	<b>Tax Zone</b>	<b>Acreage</b>	<b>Rentable Residential Sq. Ft.<sup>(1)</sup></b>	<b>Rentable Office Sq. Ft.<sup>(1)</sup></b>	<b>Rentable Retail Sq. Ft.<sup>(1)</sup></b>
A	1	1	0.96	214,135	58,136	12,500
B	1	1	0.93	--	274,005	15,300
F	1	1	0.58	177,898	21,600	8,000
G	1	1	0.78	--	303,629	17,300
C	2	2	0.90	--	300,000	27,250
D1	2	2	0.58	188,963	--	--
E	3	2	0.58	--	112,748	14,450
H <sup>(2)</sup>	4	2	0.72	85,175	50,000	21,798
I <sup>(2)</sup>	4	2	0.75	--	116,760	19,979
J <sup>(2)</sup>	4	2	0.72	--	114,259	22,524
K	4	2	0.41	89,461	--	8,391
D2 <sup>(3)</sup>	2	2	1.62	--	--	9,388
<b>Totals</b>			<b>9.53</b>	<b>755,632</b>	<b>1,351,137</b>	<b>176,880</b>

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

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

<sup>(3)</sup> Block D2’s intended uses include a parking garage and retail space. Those developable uses are not subject to the Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes securing the applicable 2023 Bonds.

*Source: Master Developer*

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An overview of the proposed residential development in the Mission Rock Project is set forth below in Table 3, though one of these parcels in Table 3 below has flexible entitlements, as shown in Table 2 above.

**Table 3**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Residential Overview**  
**(as of [ ] 1, 2023)**

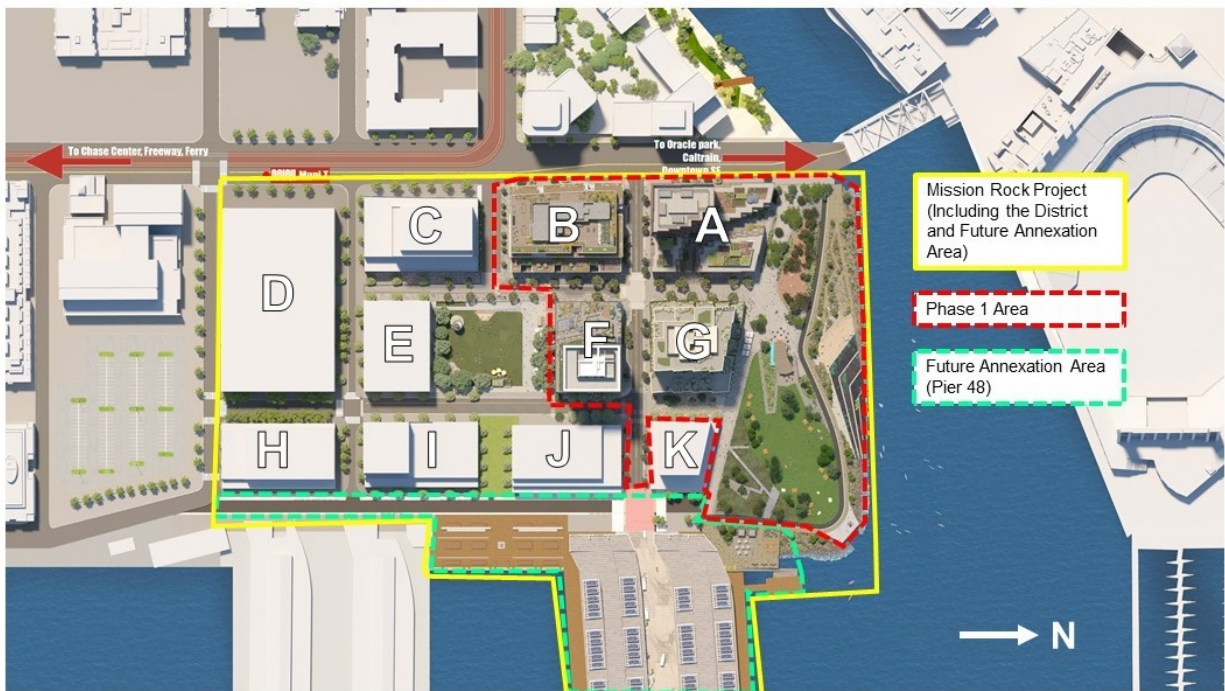
Parcel/ Block	Phase	Tax Zone	Number of Units		
			Market Rate Units	Inclusionary Units <sup>(1)</sup>	Total
A	1	1	181	102	283
F	1	1	157	97	254
D1	2	2	114	145	259
H <sup>(2)</sup>	4	2	128	64	128
K	4	2	92	39	131
<b>Totals</b>			<b>672</b>	<b>447</b>	<b>1,119</b>

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

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

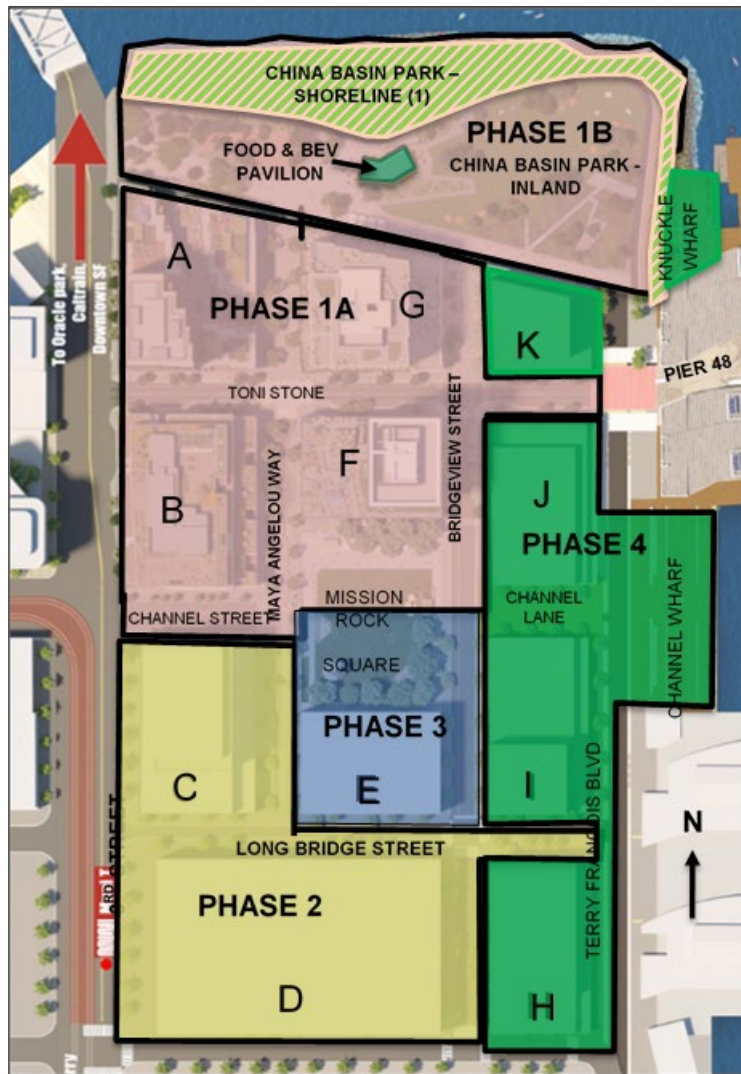
Source: Master Developer

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



## Project Phasing and Mapping Process

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



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

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

Public Improvement Agreement (Mission Rock – Phase 1) (“PIA”) with the Port and the City, acting by and through its Department of Public Works, for the public improvements associated with Phase 1A, which includes all horizontal improvements permitted by the Department of Public Works required for the Vertical Developers of Parcels A, B, F and G to obtain certificates of occupancy for the vertical improvements constructed on Parcels A, B, F and G upon completion of such construction. The Street Improvement Permit for the horizontal improvements for Phase 1A was issued in October 2020. The Site Permit for Phase 1B to construct China Basin Park was issued in March 2022. The Final Subdivision Maps for Phase 1B (China Basin Park) and Phases 2-4 are anticipated to be completed in accordance with the development timeline for the Mission Rock Project that is subject to market conditions.

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

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

**Cost Estimates of Public Improvements for the Mission Rock Project.** [To be updated with revised phase budget.] The table below identifies the estimated costs of the improvements required to be constructed and the fees required to be paid by the Master Developer to develop the property in the District as of April 1, 2023. The estimated public improvement costs set forth in the table below are estimates, and actual costs may be affected by known and unknown risks, uncertainties and other factors which may cause actual costs to be materially different from these estimates.

The table below reflects the current Phase 1 Budget as approved by the Port Commission on [August 10, 2021].

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**Table 4**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Cost Estimates for Horizontal Infrastructure for Mission Rock Project**  
**(as of April 1, 2023)**

Description	Estimated Public Improvement Costs <sup>(1)</sup>	Spent To Date	Percent Complete
Phase 1A <sup>(2)(3)</sup>			
Entitlement Phase	\$ 29,330,000	\$ 29,330,000	100%
Hard Costs <sup>(4)</sup>	74,678,342	60,128,073	81%
Mission Rock Utilities Systems <sup>(5)</sup>	43,525,000	33,648,470	77%
A&E & Testing	23,277,001	21,245,297	91%
Fees/Bonds/Permits/City	13,570,000	5,444,149	40%
Developer Reimbursables	18,903,844	17,558,923	93%
Other Soft Costs <sup>(6)</sup>	20,272,653	18,446,829	91%
<b>Totals Phase 1A</b>	<b>\$223,556,840</b>	<b>\$185,801,741</b>	<b>83%</b>
Phase 1B through Phase 4 <sup>(7)</sup>			
Phase 1B China Basin Park Hard Costs	\$ 33,395,980	\$10,259,800	31%
Phase 2 – 4 Hard Costs <sup>(4)(8)</sup>	110,400,000	-	-
Hard Costs Outside of GMP <sup>(8)</sup>	42,000,000	-	-
Soft Costs <sup>(9)</sup>	33,600,000	1,882,392	6%
<b>Totals Phase 1B through Phase 4</b>	<b>\$219,395,980</b>	<b>\$ 12,142,192</b>	<b>6%</b>
<b>Totals for Mission Rock Project</b>	<b>\$442,952,820</b>	<b>\$197,943,933</b>	<b>45%</b>

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

<sup>(2)</sup> The Phase I Sub’s obligation to complete the infrastructure improvements is partially backed by (i) a performance bond, which has been reduced based on completed work, of \$7.8 million to secure satisfactory performance by Phase I Sub and (ii) a payment bond, which has been reduced based on completed work, of about \$3.9 million as a guarantee of payment for labor, materials, equipment, and services required for the Phase 1A Horizontal Improvements. See “SPECIAL RISK FACTORS – Real Estate Investment Risks – *Public Infrastructure Construction Delays*” herein.

<sup>(3)</sup> Remaining Infrastructure Costs represented in the Appraisal Report are based on Phase 1A costs and Phase 1A amounts spent to [\_\_\_\_, 2023].

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

<sup>(5)</sup> The Mission Rock Utilities Systems was financed by sources other than the Master Developer. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein.

<sup>(6)</sup> Other Soft Costs includes insurance, tax, accounting, legal, general conditions, contingency and estimated debt service on 2021A Development Special Tax Bonds, the 2021B/C Bonds and the 2023 Bonds prior to tax levy on Vertical Parcels classified as “Developed Property” as defined in the Rate and Method.

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

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

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

Source: Master Developer

**Horizontal Financing Plan.** [To be updated with revised phase budget, including Port capital component, if any.] The Master Developer, through the Phase I Sub, estimates the costs to complete horizontal infrastructure required to support the planned development within Mission Rock Project as of April 1, 2023 to be approximately \$443.0 million in total, of which approximately \$223.6 million is attributable to Phase 1A and \$219.4 million is attributable to Phases 1B - 4. Approximately \$185.8 million has been spent in Phase 1A, including entitlement costs, and approximately \$12.1 million has been spent

in Phase 1B - 4. Remaining costs total approximately \$245.0 million, of which approximately \$37.8 million is attributable to Phase 1A, and \$207.3 million attributable to Phases 1B - 4.

As of April 1, 2023, the Phase I Sub has funded its site development costs related to Phase 1A and Phase 1B of the Mission Rock Project through internally generated funds, Mission Rock Utilities bond anticipation notes proceeds (see “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” below) and other sources. A portion of the development costs have already been reimbursed through DRP Advances, 2021A Development Special Tax Bonds proceeds, 2021B/C Bond proceeds and other sources.

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

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

	Actual As of 4/1/23 <sup>(1)</sup>	Projected Through 12/31/23	Projected After 1/1/24	Totals
<b>Sources Phase 1A</b>				
DRP Advances <sup>(2)</sup>	\$ 42,247,500	\$ -	\$ -	\$ 42,247,500
CFD Proceeds <sup>(3)</sup>	99,030,318	46,328,404	-	145,358,722
Mission Rock Utilities Bonds	43,525,000	-	-	43,525,000
Developer Equity <sup>(4)</sup>	122,823,271	27,878,569	-	150,701,840
<b>TOTAL SOURCES PHASE 1A</b>	<b>\$307,626,089</b>	<b>\$74,206,973</b>	<b>\$ 0</b>	<b>\$381,833,062</b>
<b>Uses Phase 1A</b>				
Entitlement Costs <sup>(5)</sup>	\$ 29,330,000	-	-	\$ 29,330,000
Mission Rock Utilities Systems	33,648,470	9,876,530	-	43,525,000
Phase 1A Infrastructure <sup>(6)</sup>	122,823,271	27,878,569	-	150,701,840
<b>TOTAL USES PHASE 1A</b>	<b>\$185,801,741</b>	<b>\$37,755,099</b>	<b>\$ 0</b>	<b>\$223,556,840</b>
<b>NET CASH FLOW PHASE 1A</b>	<b>\$121,824,348</b>	<b>\$36,451,874</b>	<b>\$ 0</b>	<b>\$158,276,222</b>
<b>Sources Phase 1B – 4</b>				
DRP Advances <sup>(2)</sup>	\$ -	\$ -	\$ 39,300,000	\$ 39,300,000
CFD Proceeds <sup>(3)</sup>	-	-	136,395,950	136,395,950
Developer Equity	12,142,192	23,136,180	184,117,608	219,395,980
<b>TOTAL SOURCES PHASE 1B - 4</b>	<b>\$ 12,142,192</b>	<b>\$23,136,180</b>	<b>\$359,813,558</b>	<b>\$395,091,930</b>
<b>Uses Phase 1B - 4</b>				
Phase 1B-4 Infrastructure	\$ 12,142,192	\$23,136,180	\$184,117,608	\$219,395,980
<b>TOTAL USES PHASE 1B - 4</b>	<b>\$ 12,142,192</b>	<b>\$23,136,180</b>	<b>\$184,117,608</b>	<b>\$219,395,980</b>
<b>NET CASH FLOW PHASE 1B - 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$175,695,950</b>	<b>\$175,695,950</b>
<b>NET CASH FLOW</b>	<b>\$121,824,348</b>	<b>\$36,451,874</b>	<b>\$175,695,950</b>	<b>\$333,972,172</b>

<sup>(1)</sup> Includes only revenues and costs associated with the construction of infrastructure as of April 1, 2023; does not include every source or cost incurred by the Master Developer (or through the Phase I Sub) as of April 1, 2023.

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

<sup>(3)</sup> CFD Proceeds reflected in the table above are net of transaction costs and capitalized interest, if applicable. CFD Proceeds after April 1, 2023 reflect estimates. Reflects expected additional CFD bonds leveraging Development Special Tax Revenues, as well as Office Special Tax Revenues and Shoreline Special Tax Revenues.

<sup>(4)</sup> Phase 1A Infrastructure costs include estimated debt service on currently outstanding Bonds issuances until the vertical parcels are subject to pay Development Special Taxes, Office Special Taxes, or Shoreline (Tax Zone 1) Special Taxes.

<sup>(5)</sup> Entitlement Costs are costs related to the entitlement of the Mission Rock Project through August 2018. All costs after that date are considered Phase Infrastructure costs.

<sup>(6)</sup> The Master Developer’s obligation (through the Phase I Sub) to complete the infrastructure improvements for Phase 1 under the Development Agreement is partially backed by subdivision improvement bonds in limited amounts provided to the City and the Successor Agency (Public Works) under the PIA.

Source: Master Developer

**Horizontal Infrastructure Status.** Construction of Phase 1A horizontal improvements commenced through early works permits in January 2020 and are scheduled to be substantially completed in early 2024. Phase 1B horizontal improvements commenced construction in March 2022 and are expected to be substantially completed in early 2024. Phase 2 horizontal construction commencement will be dependent upon market conditions. The developer continues to closely monitor the viability of Phase 2.

Pursuant to the PIA, the Phase I Sub posted subdivision payment and performance bonds for use by the City related to the Phase 1A public improvements permitted by the City. Specifically, the Phase I Sub had posted (i) a performance bond of about \$29.6 million to secure the satisfactory performance of Phase I Sub’s obligations and (ii) a payment bond of about \$14.8 million as a guarantee of payment for labor, materials, equipment, and services required for the Phase 1A Horizontal Improvements (though amounts available under the performance bond and the payment bond cannot be aggregated). As of June 5, 2023, the performance bond was reduced to \$7.8 million to reflect the value of the work remaining to be completed. The public improvements supported by the performance bonds do not include those permitted by the Port in its regulatory capacity or the Mission Rock Utilities Systems (as defined below) but do include the pump station planned for use with the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” below and “SPECIAL RISK FACTORS - Real Estate Investment Risks – Public Infrastructure Construction Delays” herein.

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

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

**Utilities.**

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

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

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

**Thermal DES.** In general, to receive a certificate of occupancy, a building must provide heating and cooling. Usually, a building will have a system constructed within the building itself, including boilers, chillers and cooling towers. For the Mission Rock Project, the Master Developer constructed the Thermal DES within the building on Parcel A. The Thermal DES supplies hot and chilled water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings in the Mission Rock Project. The Thermal DES contains heating and cooling equipment for the entire

development which will replace the need to have this type of equipment inside each building. Since March 2023, the Thermal DES is operational.

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

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

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

*The Mission Rock Utilities Systems.* Pursuant to the CC&Rs, buildings in the District are required to receive thermal energy and blackwater recycling services from MRU upon completion of the Mission Rock Utilities Systems. Before completion of the first Vertical Parcel, long-term utility service agreements were put in place that require the Mission Rock Owners Association (a California nonprofit mutual benefit corporation, of which each of the holders of leasehold interest in the Vertical Parcels is a member) to use MRU to provide thermal energy and blackwater recycling services to buildings in the District through the Mission Rock Utilities Systems. In addition, parks and open spaces in the District will use recycled water from the Mission Rock Utilities Systems. Utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs.

The central plants of the Blackwater Facility and the Thermal DES are located separately in two of the first four buildings constructed as part of Phase 1A of the Mission Rock Project. The central plants are located in subleased areas.

*Financing the Mission Rock Utilities Systems.* In July 2022, Mission Rock Utilities Inc. issued bond anticipation notes in the amount of \$43.5 million. The notes have a 7% interest rate payable semiannually and mature on July 1, 2027. The notes are secured by the revenue from the customer agreements. This issuance was used to repay a previous \$25 million issue of bond anticipation notes, and fund the remaining Mission Rock Utilities System costs. Additional permanent financing for the Mission Rock Utilities Systems may take the form of the proceeds of a subsequent series of District bonds (if the Mission Rock Utilities Systems is included in a future Phase Budget approved by the Port), long-term revenue bonds, equity, some other form of financing, or some combination of any of the foregoing.

*Environmental Mitigation.* There is a Soil Management Plan and a Dust Control Plan for Seawall Lot 337 because of existing hazardous materials contamination in soils. Seawall Lot 337 was formerly used for commercial and industrial purposes along San Francisco Bay. Seawall Lot 337 was created, as early as 1913, by placing fill materials along the San Francisco Bay shoreline. Former uses on the site were associated with the use, storage, and/or handling of hazardous materials include railway yards and

associated structures, metal/machine shops, truck repair shops, and a hazardous waste treatment facility (H&H Ship Service Company). The H&H Ship Service Company facility was cleaned up and closed in 1999, with a land use covenant imposed restricting usage of the site to commercial/industrial as one of the terms of closure completion. In 2019, the California Department of Toxic Substances Control, following additional testing, and public review of additional health risk assessments, approved a modification of the land use covenant to permit residential use. (DTSC File Number 60002504.) Soil and groundwater at the site is known to contain residual contamination consisting of volatile organic compounds (VOCs), polycyclic aromatic hydrocarbons (PAHs), and heavy metals. The development of Seawall Lot 337 has been planned to incorporate several feet of imported fill, geofoam material, and concrete podium-style buildings, or landscaped or hardscape open space to provide barriers or exposure caps between the existing soil and site users.

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

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

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

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

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

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

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

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

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

As contemplated by the DDA, and as set forth in separate Vertical Cooperation Agreements (“VCAs”) that have been executed among the Master Developer, the Phase I Sub, the Parcel A Owner, the Parcel G Owner, the Parcel B Owner, and the Parcel F Owner, the Master Developer has agreed or will agree to pay all special taxes levied by the District on the Leasehold Interests in Parcels A, B, F and G until the vertical parcel is considered “Developed Property” under the Rate and Method (i.e., the Fiscal Year following the Fiscal Year in which the VDDA was executed). See Table 6 below for information regarding the first Fiscal Year as Developed Property. Accordingly, 100% of the debt service on the 2023 Bonds will be paid through the respective special tax levy on the Phase 1 vertical parcels.

Phase 1A vertical improvements began in December 2020. Three of the four planned buildings have received temporary certificates of occupancy, and the fourth is expected to be completed in the second quarter of 2024. Future Phase construction commencement is currently dependent on market conditions. The expected development and the anticipated construction schedule in Phase 1A is summarized in the tables below as of April 1, 2023:

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**Table 6**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Overview of Phase 1A of Mission Rock Project**  
**(projected dates as of April 1, 2023)**

Vertical Developer/Leaseholder Use	<b>Parcel A</b>	<b>Parcel B</b>	<b>Parcel F</b>	<b>Parcel G</b>
	Mission Rock Parcel A Owner, L.L.C. Residential/Office	Mission Rock Parcel B Owner, L.L.C. Office	Mission Rock Parcel F Owner, L.L.C. Residential/Office	Mission Rock Parcel G Owner, L.L.C. Office
Rentable Office Square Feet <sup>(1)</sup>	58,136	274,005	21,600	302,920
Rentable Retail Square Feet <sup>(1)</sup>	12,500	15,300	8,000	17,300
Rentable Residential Square Feet <sup>(1)</sup>	214,135	-	177,898	-
Rental Residential Units	283	-	254	-
Date of Parcel Lease Execution	October 2020	October 2020	October 2020	June 2020
First Fiscal Year as Developed Property under the Rate and Method	2023-2024	2023-2024	2023-2024	2022-2023
Ground Breaking	1/2021	6/2021	4/2022	12/2020
Core/Shell Completion	1/2023	4/2023	6/2024	1/2023
Lease Up Commencement	7/2023	5/2023	7/2024	9/2022 <sup>(5)</sup>
Stabilization	6/2024 <sup>(2)</sup>	12/2024 <sup>(3)</sup>	6/2025 <sup>(4)</sup>	3/2023 <sup>(5)</sup>

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

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

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

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

<sup>(5)</sup> Floors above Floor 1 were delivered to Visa in September 2022; stabilization is defined as commencement of the Visa, Inc. lease, which occurred in March 2023.

Source: Master Developer

**Parcel A (The Canyon).** Mission Rock Parcel A Owner, L.L.C., a Delaware limited liability company (the “Parcel A Vertical Developer”) developed Parcel A as a 23-story building that consists of 283 residential rental units, approximately 58,136 rentable square feet of office space, and approximately 12,500 rentable square feet of first floor retail. Of the 283 residential units in Parcel A, 102 will be designated as below-market rental units (“inclusionary units”), set at rental rates for households whose income is 90%-150% of area-median-income. The building has been named “The Canyon.”

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

The site permit and first addendum to the site permit that allows for vertical construction were issued in December 2020. Vertical construction commenced in January 2021, and the building received a temporary certificate of occupancy in May 2023. The first residents moved into the building on June 1, 2023. The Below-Market-Rate unit marketing process was launched in April 2023. As of \_\_\_, 2023, \_\_\_ rental units have been leased. Technology firm Capgemini America, has leased approximately 30,000 square feet of office space at The Canyon for a ten-year term, with move in scheduled to begin in April 2024.

The Parcel A Vertical Developer secured a total construction loan in November 2020. The Parcel A Loan matures on December 9, 2023, with two, one-year extension options. Parcel A Vertical Developer currently expects to exercise a one-year option to extend. The Parcel A Loan is secured by the leasehold interest in Parcel A.

Parcel A is subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax.

**Parcel B.** Mission Rock Parcel B Owner, L.L.C., a Delaware limited liability company (the “Parcel B Vertical Developer”), developed Parcel B as an 8-story building planned for approximately 274,005 rentable square feet of office (suitable for life science uses and other office uses) and approximately 15,300 rentable square feet of retail. Designed by prominent architecture firm WORKac out of New York, the Parcel B design features expansive floor plates, abundant natural light, and lush outdoor spaces. Each floor features multiple outdoor gardens and terraces for employees to enjoy.

Vertical construction commenced in June 2021, and the building received a temporary certificate of occupancy in June 2023. The commercial space in the building is being actively marketed for lease. Leases have been announced for three of the [seven] ground floor retail spaces.

Parcel B is subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax.

**Parcel F.** Mission Rock Parcel F Owner, L.L.C., a Delaware limited liability company (the “Parcel F Vertical Developer”) is developing Parcel F as a 23-story building that is planned to consist of 254 residential rental units, approximately 21,600 of rentable square feet of office space and approximately 8,000 rentable square feet of retail space. Since the 2021B/C Bond issuance, the Parcel F Vertical Developer eliminated the basement, re-programmed the ground floor space, and designated portions of the second and third floors of the building as office. The program changes result in a net increase in special taxes paid to the District.

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

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

As of April 1, 2023, the Parcel F Vertical Developer has incurred approximately \$141.3 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional \$177.7 million will be required to be expended on such costs to complete the building on Parcel F. The Parcel F Vertical Developer financed a portion of the costs to complete Parcel F through \$116.2 million in loan proceeds provided by Wells Fargo Bank. The Parcel F Vertical Developer expects the remaining costs of [\$\_\_ million] to be financed from the Jobs/Housing Equivalency Fee subsidy of \$103.6 million and equity. The site permit was issued in March 2022 and the Parcel F construction began

in April 2022. The Parcel F Vertical Developer poured the concrete foundation slab in late September 2022. The foundation was then inspected and approved by a member of the Port engineering staff, releasing the Jobs/Housing Equivalency subsidy on October 5, 2022. As of April 1, 2023, concrete has been poured for levels 1-14, and façade installation is underway. Project completion is currently expected in 2024.

Parcel F is subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax.

**Parcel G.** Mission Rock Parcel G Owner, L.L.C., a Delaware limited liability company (the “Parcel G Vertical Developer”) is developing Parcel G as a 13-story building planned for approximately 302,920 square feet of office and 17,300 square feet of retail. Vertical construction commenced in early December 2020, and the building received a temporary certificate of occupancy in January 2023. As of April 1, 2023, the Parcel G Vertical Developer delivered the entirety of the office space to Visa, Inc. In addition, [three] of the [seven] retail suites has been leased.

Parcel G is subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax.

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

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

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

The Parcel G Vertical Developer secured a total construction loan commitment of \$285 million (the “Parcel G Loan”) from a syndicate of lenders led by Bank of America, N.A. (“BofA”) in October 2020 for a three-year term maturing October 29, 2023, with a one-year extension option. The Parcel G Vertical Developer currently intends to exercise the available one-year extension option. The syndicate of lenders will be responsible for each making their pro rata share of the Parcel G Loan, with BofA also acting as the administrative agent for the Parcel G Loan. The Parcel G Loan is secured by the leasehold interest in Parcel G. The Vertical Developer expects the remaining costs to be funded with equity.

Table 7 below provides details on the residential unit mix planned for Parcels A and F. Table 8 below provides details on the vertical construction costs and financing sources for Parcel F, the Phase 1A parcel that has not yet received a temporary certificate of occupancy. The amounts set forth in Table 8 are estimates as of April 1, 2023 and are subject to change.



**Table 7**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Parcels A and F – Residential Unit Summary**  
**(as of April 1, 2023)**

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

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

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

Source: Master Developer

**Table 8**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Parcel F – Financing Summary**  
**(as of April 1, 2023)**  
**(\$ in millions)**

<b>Total Cost</b>	<b>Financing Sources</b>			<b>% Equity</b>	<b>% Debt</b>	<b>Spent to Date</b>	<b>Remaining</b>	<b>Financing Status</b>
	<b>JHEF<sup>(1)</sup></b>	<b>Total Debt</b>	<b>Total Equity</b>					
\$319.0	\$103.6	\$116.2	\$99.3	64%	36%	\$141.3	\$177.7	Construction loan closed

<sup>(1)</sup> “JHEF” means Jobs/Housing Equivalency Fee subsidy.

Source: Master Developer

### **Assessment Appeals; Late Payments**

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

On September 15, 2022, affiliates of the Master Developer filed appeals of the tax assessments on Parcels A, B, F and G for the fiscal year 2020-21 and 2021-22. The appeal was based on elevated land values that did not take into account a higher percentage of BMR units [than originally planned], obligations to pay Jobs Housing Equivalency Fees, and special tax requirements for parcels in the District. As of August 2023, these appeals were resolved by an administrative change made by the Assessor’s Office to decrease the land value assessments for Parcels A, B, F and G for their original tax years. These changes will be

carried forward for all future tax years. All property taxes were paid while under appeal. [Appealed tax values equal or exceed the values used in bond underwriting.]

The first installment of Fiscal Year 2022-23 property taxes and special taxes that was due on December 10, 2022 for assessor parcel numbers 8719A-005 and 8719A-006 in the District were [inadvertently] paid late. However, the amounts due in respect of those parcels were paid in full on February 1, 2023 and January 6, 2023, respectively, along with applicable late-payment penalties.

Due to a clerical error, the Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes for assessor parcel number 8719A-008 were inadvertently assigned to assessor parcel number 8719A-009, resulting in untimely payment of those amounts. Upon discovering the error, Port staff notified the taxpayer and issued corrected tax bills. No penalties were charged because of the clerical error. The corrected bill was paid on [February \_\_, 2023.] Additional procedures have been implemented in response to the foregoing late payment.

None of the late payments described above delayed payment of debt service on District bonds.

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

## Expected Land Use and Expected Maximum Special Tax Revenues

The following table sets forth expected land uses, expected square footage, expected Maximum Development Special Tax Revenues, expected Maximum Office Special Tax Revenues, and expected Maximum Shoreline (Tax Zone 1) Special Tax Revenues.

**Table 9**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Expected Land Uses, Expected Square Footage,**  
**Expected Maximum Development Special Tax Revenues,**  
**Expected Maximum Office Special Tax Revenues,**  
**and Expected Maximum Shoreline (Tax Zone 1) Special Tax Revenues**

Planning Parcel <sup>(1)</sup>	Expected Land Uses <sup>(2)</sup>	Expected Square Footage	Expected Maximum Development Special Tax Revenues (FY 2023-24) <sup>(3)</sup>	Expected Maximum Office Special Tax Revenues (FY 2023-24) <sup>(3)</sup>	Expected Maximum Shoreline (Tax Zone 1) Special Tax Revenues (FY 2023-24) <sup>(3)</sup>
<b>TAX ZONE 1</b>					
A	Market-Rate Residential	141,909	\$1,317,947	\$ 0	\$ 0
	Office	42,113	296,299	87,522	82,964
B	Office	258,994	1,822,232	538,259	510,225
F	Market-Rate Residential	110,548	1,026,689	0	0
	Office	21,966	154,549	45,651	43,274
G	Office	283,125	1,993,407	588,410	557,764
	Subtotal		\$6,611,122	\$1,259,843	\$1,194,226
<b>TAX ZONE 2</b>					
C	Office	324,548	\$2,283,458	\$ 565,595	N/A
D	Market-Rate Residential	104,650	971,913	0	N/A
E	Office	125,275	881,411	218,319	N/A
H	Market-Rate Residential	54,079	502,246	0	N/A
	Office	49,999	351,783	87,134	N/A
I	Office	129,733	912,777	226,088	N/A
J	Office	129,458	910,842	225,608	N/A
K	Market-Rate Residential	62,828	583,500	0	N/A
	Subtotal		\$7,397,930	\$1,322,744	N/A
	<b>TOTAL<sup>(4)</sup></b>		<b>\$14,009,052</b>	<b>\$2,582,587</b>	<b>\$1,194,226</b>

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

<sup>(2)</sup> Based on expected land uses at buildout as of August 1, 2023, per the Master Developer. For Parcel G, the Master Developer identified a slight decrease in the taxable square footage from the amount used to determine the fiscal year 2022-23 special tax levy, which is reflected in the table above. Pursuant to the Rate and Method, if the First Bond Sale (as defined therein) has taken place, under no circumstances shall the maximum special tax on Developed Property be reduced. Since the first Development Special Tax Bonds were issued in 2021, the square footage used to calculate the Development Special Tax for Parcel G is maintained at 283,323 square feet.

<sup>(3)</sup> Only Shoreline Special Tax Revenues from Tax Zone 1 (and not Tax Zone 2) secure the Shoreline (Tax Zone 1) Special Tax Bonds.

<sup>(4)</sup> Each July 1, the Base Development Special Tax, the Base Office Special Tax, and the Base Shoreline (Tax Zone 1) Special Tax shall be escalated as set forth in Section D.1 of the Rate and Method. See definitions set forth in the Rate and Method, APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

Source: Goodwin Consulting Group, Inc.

Table 10 below sets forth the expected Maximum Development Special Tax Revenues, Maximum Office Special Tax Revenues and Maximum Shoreline (Tax Zone 1) Special Tax Revenues for Fiscal Year 2023-24 and the actual Development Special Tax levy, Office Special Tax levy and Shoreline (Tax Zone 1) Special Tax levy for Fiscal Year 2023-24 based on the Parcel Lease execution dates for each of the parcels in Phase 1A.

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

Planning Parcel	Market-Rate Residential Square Footage <sup>(1)</sup>	Office Square Footage <sup>(1)(2)</sup>	Total Expected Square Footage <sup>(1)</sup>	Maximum Special Tax Revenues and Fiscal Year 2023-24 Actual Special Tax Levies									
				Development Special Tax			Office Special Tax			Shoreline (Tax Zone 1) Special Tax <sup>(4)</sup>			
				FY 2023-24 Expected Maximum Development Special Tax Revenues	FY 2023-24 Actual Development Special Tax Levy	Percent of Actual Development Special Tax Levy	FY 2023-24 Actual Office Special Tax Levy	FY 2023-24 Actual Office Special Tax Levy	Percent of Actual Office Special Tax Levy	FY 2023-24 Expected Maximum Shoreline Special Tax Revenues	FY 2023-24 Actual Shoreline Special Tax Levy	Percent of Actual Shoreline Special Tax Levy	
Phase 1 <sup>(3)</sup>													
A	141,909	42,113	184,022	\$1,614,246	\$1,614,246	24.4%	\$ 87,522	\$ 87,522	6.9%	\$ 82,964	\$82,964	6.9%	
B	0	258,994	258,994	1,822,232	1,822,232	27.6	538,259	538,259	42.7	510,225	\$510,225	42.7	
F	110,548	21,966	132,514	1,181,237	1,181,237	17.9	45,651	45,651	3.6	43,274	\$43,274	3.6	
G	0	283,125	283,125	1,993,407	1,993,407	30.2	588,410	588,410	46.7	557,764	\$557,764	46.7	
<b>Subtotal</b>	<b>252,457</b>	<b>606,198</b>	<b>858,655</b>	<b>\$6,611,122</b>	<b>\$6,611,122</b>	<b>100.0%</b>	<b>\$1,259,843</b>	<b>\$1,259,843</b>	<b>100.0%</b>	<b>\$1,194,226</b>	<b>\$1,194,226</b>	<b>100.0%</b>	
Phases 2-4 <sup>(5)</sup>													
C	0	324,548	324,548	\$ 2,283,458	\$ 0	0.0%	\$ 565,595	\$ 0	0.0%	N/A	N/A	N/A	
D	104,650	0	104,650	971,913	0	0.0	0	0	0.0	N/A	N/A	N/A	
E	0	125,275	125,275	881,411	0	0.0	218,319	0	0.0	N/A	N/A	N/A	
H	54,079	49,999	104,078	854,030	0	0.0	87,134	0	0.0	N/A	N/A	N/A	
I	0	129,733	129,733	912,777	0	0.0	226,088	0	0.0	N/A	N/A	N/A	
J	0	129,458	129,458	910,842	0	0.0	225,608	0	0.0	N/A	N/A	N/A	
K	62,828	0	62,828	583,500	0	0.0	0	0	0.0	N/A	N/A	N/A	
<b>Subtotal</b>	<b>221,557</b>	<b>759,013</b>	<b>980,570</b>	<b>\$ 7,397,930</b>	<b>\$ 0</b>	<b>0.0%</b>	<b>\$1,322,744</b>	<b>\$ 0</b>	<b>0.0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>Total</b>	<b>474,014</b>	<b>1,365,211</b>	<b>1,839,225</b>	<b>\$14,009,052</b>	<b>\$6,611,122</b>		<b>\$2,582,587</b>	<b>\$1,259,843</b>		<b>\$1,194,226</b>	<b>\$1,194,226</b>		

<sup>(1)</sup> Based on the expected land uses at buildout as of August 1, 2023, per the Master Developer. As defined in the Rate and Method, the special taxes are charged based on the following square footage measurements: for office use, the Planning Gross Square Footage measurement, consistent with the Prop M allowance granted to that parcel, as designated on the site permit; for residential: the market rate rentable square footage (excludes any inclusionary unit rentable square footage).

<sup>(2)</sup> Based on expected land uses at buildout as of August 1, 2023, per the Master Developer. For Parcel G, the Master Developer identified a slight decrease in the taxable square footage from the amount used to determine the fiscal year 2022-23 special tax levy, which is reflected in the table above. Pursuant to the Rate and Method, if the First Bond Sale (as defined therein) has taken place, under no circumstances shall the maximum special tax on Developed Property be reduced. Since the first Development Special Tax Bonds were issued in 2021, the square footage used to calculate the Development Special Tax for Parcel G is maintained at 283,323 square feet.

<sup>(3)</sup> Per the Rate and Method, all of the parcels in Phase 1 are in Tax Zone 1 and are currently taxed as Developed Property. Developed Property means all taxable parcels for which the 24-month anniversary of the Parcel Lease Execution Date has occurred in the preceding fiscal year.

<sup>(4)</sup> Only Shoreline Special Tax Revenues from Tax Zone 1 (and not Tax Zone 2) secure the Shoreline (Tax Zone 1) Special Tax Bonds.

<sup>(5)</sup> Phases 2-4 correspond to Tax Zone 2.

Sources: Goodwin Consulting Group, Inc.

## Property Values

**Assessed Value.** There are 14 assessor parcel numbers in the District, of which 6 correspond to Taxable Parcels. All of the remaining eight assessor parcels have exempt uses (e.g., streets), with no assessed value assigned to them as a result. Total assessed values for fiscal years 2021-22 through 2023-24 for the six assessor parcel numbers that correspond to Taxable Parcels are set forth in the table below. [Table to be updated to reflect recent adjustment by Assessor’s Office.]

**Table 11**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Assessed Values of Taxable Parcels**

Fiscal Year	Land Value	Improved Value	Total Value	Percent Change
2021-22	\$ 11,950,424	\$ 0	\$ 11,950,424	NA
2022-23	12,257,139	0	12,257,139	2.6
2023-24	219,759,533	467,897,000	687,656,533	56.1

Source: San Francisco County Assessor; Goodwin Consulting Group, Inc.

The sale prices of the Taxable Parcels were not established through an arms-length market transaction. Without adequate market exposures, such sales prices and, consequently, the assessed value based on such sales prices may be different than market sales prices. Accordingly, there can be no assurance that the assessed valuations of the Taxable Parcels with the District accurately reflect market values.

Assessed values in the District were reduced upon appeal for a reduction of assessed value (see “ – Assessment Appeals” above).

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

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

The Appraisal Report of the leasehold interests (by ownership) in all Taxable Parcels within the District was prepared by the Appraiser in connection with the issuance of the 2023 Bonds. In the Appraisal Report, the Appraiser concluded that the aggregate value (by ownership) of the leasehold interest in the appraised properties as of September 15, 2023 was \$698,880,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report. For purposes of the Appraisal Report, the inspection of the Taxable Parcels in the District occurred on August 4, 2023.

The Appraisal Report provided a market value of the leasehold interests (by ownership) in the appraised property, subject to hypothetical conditions, including the condition that proceeds from the 2023 Bonds are available for public improvements, as of September 15, 2023.

Regarding the multifamily rental housing market, the Appraisal Report observes that the San Francisco Bay Area multifamily market experienced strong demand during the last expansion cycle as tech companies expanded rapidly in the region. Multifamily construction activity surged, with demand keeping pace with development prior to the pandemic, resulting in vacancy rates throughout most of the areas in or below the 5% range. However, market conditions declined significantly after the onset of the COVID-19 pandemic, but have been slowly improving as renter demand has returned. Nonetheless, conditions remain below their pre-pandemic levels. The Appraisal Report cites sources indicating that as of the third quarter of 2023, vacancy has leveled off, but at higher levels than before the pandemic. Rent growth is generally flat. Vacancy in the second quarter of 2023 is 6.9% and rents are lower than in 2019. Construction activity has shifted from the City to the peninsula. Investment activity is muted. As construction costs have steadily increased in recent years, developers have been re-evaluating the feasibility of new development and there have been fewer new projects breaking ground since mid-2018.

The Appraisal Report cites sources indicating that the average asking monthly rental rate as of the second quarter of 2023 was \$3,041, up from \$3,028 in the first quarter 2023 and down from \$3,082 a year prior. Rental rate growth had been moderating since 2016 and declined significantly following the onset of the pandemic, while rent concessions increased substantially. Luxury apartments were the most heavily impacted and offered the greatest discounts, as they faced a slow leasing environment as well as additional competition from newly constructed projects. Rental rates began improving in 2021 after five quarters of decline and have been relatively stable over the past two years. The Appraisal Report cautions that guarded reliance should be placed on reported average asking rental rates due to the number of variables impacting these figures. For multifamily rental housing property sale activity, sales volume and pricing have remained subdued as investors continue to exercise caution. Investor interest has further slowed over the past year due to the rapidly rising interest rates and economic uncertainty, both in the local economy and in the nation at large.

The Appraisal Report observes that key market indicators in the San Francisco office market remain well below pre-pandemic levels, as activity continues to be affected by the severe drop in office use. The transition to remote working during the pandemic heavily impacted this market, and the effects are still unfolding. Growth plans were halted and office space needs were evaluated, resulting predominantly in downsizing and consolidating. Coupled with macroeconomic uncertainty, the office market continues to deteriorate. Recent leasing activity has been dominated by renewals and subleases. From 2016 until 2018 vacancy ranged in the mid-7% to mid-8%. Vacancy has increased each quarter after the second quarter 2020. The average vacancy rate was 27.1% in the second quarter 2023, up from 24.8% the previous quarter and up from 21.7% a year ago. Sublease space continues to be a significant source of vacancy, accounting for 27% of all vacancy in the market. Net absorption was negative each quarter in 2020 and totaled negative 9.4 million square feet by year end. Factors contributing to the negative absorption included tech firms reducing, or “right-sizing” their footprint, small and mid-sized tenants vacating their spaces as they struggled to maintain operations, and tenants leaving the market in search of more affordable alternatives. As pandemic-related restrictions eased in the economy, leasing activity improved, but net absorption remained negative, totaling negative 4.2 million square feet by year end 2021. Conditions continued to decline through 2022 as companies continued to downsize/consolidate, giving more space back than what was leased. Net absorption in 2022 was negative 5.1 million square feet. The first half of 2023 posted negative net absorption of 4.1 million square feet, with 2,345,728 square feet lost in the second quarter. According to market research reports cited in the Appraisal Report, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and were then flat to slightly increasing until the third quarter 2020, when they began to decline. As of the second quarter of 2023, the region’s average asking rate was \$6.01 psf/month (full service), down from \$6.02 psf/month in the first quarter and down from \$6.30 psf/month the previous year. The Appraisal Report indicates that guarded reliance should be placed on average asking rates given the number of variables impacting such figures.

See the Appraisal Report in Appendix G for additional information related to the residential, office and retail rental markets.

The Appraisal Report appraised the leasehold interests (by ownership) in the District that are subject to the special taxes respectively securing the 2023 Bonds of each series, representing 11 of the 12 blocks within the District. The uses planned for development of Block D2 (intended to include a parking garage and retail space) are not subject to the special taxes securing the respective 2023 Bonds, therefore, Block D2 was excluded from the appraised leasehold interests.

**Valuation Method.** The Appraisal Report’s analysis begins with direct capitalization analyses to determine the market value of the developing vertical (leasehold) improvements as if stabilized. The income capitalization approach reflects the market’s perception of a relationship between a property’s potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate.

Next, the Appraisal Report employed extraction analyses to determine the value of each of the Parcels in their as is condition (substantially improved for Phase 1A and land for Phases 2-4). This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each block and deducts these costs from the market value as if stabilized to arrive at the value of the property. As the four blocks comprising Phase 1A (Tax Zone 1) are all under vertical construction and held by vertical developers, the estimates of market value derived in the Appraisal Report require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1A (Tax Zone 1) blocks is considered on a proportionate share per block. The Appraisal Report conducted an extraction analysis for each of the District’s taxable blocks.

Finally, the subdivision development method is used to estimate the market value of the Taxable Parcels in the District. The subdivision development method is a form of discounted cash flow analysis in which the expected revenue, absorption period, expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered. While the results of the subdivision development method is a conclusion of value, in bulk, for the subject property, the Appraisers concluded the existing entitlements and planned development uses may warrant reconsideration in light of current market conditions and the future Phases 2-4 of the subject property is in a transitional state, with a concluded market value as speculative land (leasehold interest) of \$1,000,000.

**Value Estimate.** Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of September 15, 2023, the aggregate market value (by ownership) of the leasehold interests in the Taxable Parcels within the District was \$698,880,000. The Appraisal Report displays the value among leaseholds as set forth in the following table:

<u>Ownership</u>	<u>Value Conclusion</u>
Mission Rock Parcel A Owner L.L.C.	\$211,630,000
Mission Rock Parcel B Owner L.L.C.	142,890,000
Mission Rock Parcel F Owner L.L.C.	96,920,000
Mission Rock Parcel G Owner L.L.C.	246,440,000
Seawall Lot 337 Associates, LLC	1,000,000
Total Aggregate, or Cumulative, Value	<u>\$698,880,000</u>

The value of property within the District is an important factor in determining the investment quality of the 2023 Bonds. If a taxpayer defaults in the payment of the Development Special Tax, the Office



Special Tax or the Shoreline (Tax Zone 1) Special Tax, the District’s primary remedy is to foreclose on the leasehold interest in the delinquent property in an attempt to obtain funds with which to pay the delinquent special tax. The Development Special Tax, the Office Special Tax or the Shoreline (Tax Zone 1) Special Tax are not personal obligations of the owners or tenants of the property. A variety of economic, political and natural occurrences incapable of being accurately predicted can affect property values.

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

### **Special Tax Levy and Value-to-Lien Ratios**

The following table 12 sets forth the Fiscal Year 2023-24 actual Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax levies and a summary of value-to-lien ratios. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” and “ – Future Indebtedness” herein. Pursuant to the Act and the Rate and Method, the principal amount of the 2023 Bonds is not allocable among the parcels in the District based on the value of the parcels. A downturn of the economy or other market factors may depress property values and hence the value-to-lien ratios. See “SPECIAL RISK FACTORS – Real Estate Investment Risks,” “– Public Health Emergencies” and “– Value-to-Lien Ratios; Future Indebtedness; Parity Liens” herein.

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**Table 12**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Fiscal Year 2023-24 Actual Special Tax Levy and Summary of Value-to-Lien Ratios**  
**(Development Status as August 1, 2023)**

**Fiscal Year 2023-24 Actual Special Tax Levy**

Development Class and Planning Parcel	Appraised Value	Development Special Tax Levy	Office Special Tax Levy	Shoreline Special (Tax Zone 1) Tax Levy	Total Special Tax Levy	Allocated Development Special Tax Bond Debt <sup>(1)</sup>	Allocated Office Special Tax Bond Debt*	Allocated Shoreline (Tax Zone 1) Special Tax Bond Debt <sup>(2)</sup>	Total Allocated Bond Debt <sup>(3)</sup>	Average Value-to-Lien <sup>(4)*</sup>
Developed Property										
A	\$211,630,000	\$1,614,246	\$87,522	\$82,964	\$1,784,732	\$27,769,595	\$1,528,356	\$1,528,355	\$30,826,306	6.87
B	142,890,000	1,822,232	538,259	510,225	2,870,717	31,347,549	9,399,351	9,399,352	50,146,252	2.85
F	96,920,000	1,181,237	45,651	43,274	1,270,162	20,320,625	797,185	797,185	21,914,996	4.42
G	246,440,000	1,993,407	588,410	557,764	3,139,580	34,292,230	10,275,108	10,275,108	54,842,446	4.49
<b>Subtotal</b>	<b>\$697,880,000</b>	<b>\$6,611,122</b>	<b>\$1,259,843</b>	<b>\$1,194,226</b>	<b>\$9,065,191</b>	<b>\$113,730,000</b>	<b>\$22,000,000</b>	<b>\$22,000,000</b>	<b>\$157,730,000</b>	<b>4.42</b>
Undeveloped Property										
C	\$	\$ 0	\$ 0	N/A	\$ 0	\$ 0	\$ 0	N/A	\$ 0	0.00
D		0	0	N/A	0	0	0	N/A	0	0.00
E		0	0	N/A	0	0	0	N/A	0	0.00
H		0	0	N/A	0	0	0	N/A	0	0.00
I		0	0	N/A	0	0	0	N/A	0	0.00
J		0	0	N/A	0	0	0	N/A	0	0.00
K		0	0	N/A	0	0	0	N/A	0	0.00
<b>Subtotal</b>	<b>\$ 1,000,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>N/A</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>N/A</b>	<b>\$ 0</b>	<b>0.00</b>
<b>Total</b>	<b>\$698,880,000</b>	<b>\$6,611,122</b>	<b>\$1,259,843</b>	<b>\$1,194,226</b>	<b>\$9,065,191</b>	<b>\$113,730,000</b>	<b>\$22,000,000</b>	<b>\$22,000,000</b>	<b>\$157,730,000</b>	<b>4.43</b>

<sup>(1)</sup> Represents the debt lien of \$41,950,000 in 2021A Development Special Tax Bonds, \$64,280,000 for the 2021B/C Bonds, and \$7,500,000\* for the 2023A Development Special Tax Bonds.

<sup>(2)</sup> Only Shoreline Special Tax Revenues from Tax Zone 1 (and not Tax Zone 2) secure the Shoreline (Tax Zone 1) Special Tax Bonds.

<sup>(3)</sup> Allocated based on the fiscal year 2023-24 actual special tax levy.

<sup>(4)</sup> Value-to-line ratios do not reflect the promissory note(s) described in “Subordinate and Unsecured Obligations” because the note(s) are not secured by a pledge of Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes, and the pledge of Allocated Tax Increment is subordinate to the pledge under the Pledge Agreement related to the Development Special Tax Bonds.

\* Preliminary, subject to change.

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

## **Delinquency History**

Under the provisions of the Special Tax Financing Law, the Development Special Taxes, the Office Special Taxes and the Shoreline (Tax Zone 1) Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Development Special Tax Bonds, Office Special Tax Bonds and Shoreline (Tax Zone 1) Special Tax Bonds are to be derived, will be billed to holders of Leasehold Interests 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 holder of a Leasehold Interest to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installment payments in the future. See the caption “SPECIAL RISK FACTORS – Tax Delinquencies.”

Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes were levied for the first time in Fiscal Year 2020-21, thus offering no historical information regarding payment delinquencies before that fiscal year. All installments of the Development Special Tax levy in Fiscal Year 2020-21 were paid in full. The first installment of Fiscal Year 2022-23 special taxes that was due on December 10, 2022 for assessor parcel numbers 8719A-005 and 8719A-006 was [inadvertently] paid late and such first installment for Office Special Taxes and the Shoreline (Tax Zone 1) Special Taxes for assessor parcel number 8719A-008 was paid late due to a clerical error in billing. See “ - Assessment Appeals; Late Payments” above. No District special tax payments are currently delinquent. Because the County’s Teeter Plan is not available for the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes collections of such special taxes will reflect actual deficiencies. Neither the City, the Port, the Underwriters nor the District can predict the willingness or ability of the holders of Leasehold Interests to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes.

See the caption “SECURITY FOR THE 2023 BONDS – Covenant for Superior Court Foreclosure” for a discussion of the provisions that apply, and procedures that the City is obligated to follow, in the event of delinquency in the payment of Development Special Tax, Office Special Tax or Shoreline (Tax Zone 1) Special Tax installments.

## Direct and Overlapping Debt

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

**Table 13**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Direct and Overlapping Tax and Assessment Debt**  
**(as of September 1, 2023)**

2023-24 Assessed Valuation: \$687,656,533 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/23</u>
Bay Area Rapid Transit District General Obligation Bonds	0.068%	\$ 1,665,347
San Francisco City and County General Obligation Bonds	0.202	5,224,773
San Francisco Unified School District General Obligation Bonds	0.202	2,076,848
San Francisco Community College District General Obligation Bonds	0.202	801,343
<b>San Francisco City and County Community Facilities District No. 2020-1</b>	<b>100.</b>	<b><u>106,230,000</u></b> <sup>(1)</sup>
 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		 \$115,998,311

<sup>(1)</sup> Excludes special tax bonds to be sold.

Ratios to 2023-24 Assessed Valuation:

<b>Direct Debt (\$106,230,000)</b> .....	<b>15.45%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	16.87%

*Source: California Municipal Statistics, Inc.*

## SPECIAL RISK FACTORS

*The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2023 Bonds. This discussion does not purport to be comprehensive or definitive, and other risk factors could arise in the future that could have a bearing on the 2023 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of holders of Leasehold Interests in the District to pay their Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due. Such failures to pay could result in the inability of the City to make full and punctual payments of debt service on the related 2023 Bonds, or could otherwise affect the market price and liquidity of the 2023 Bonds in the secondary market. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District or the City’s ability to recover delinquent Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in foreclosure proceedings.*

### Real Estate Investment Risks

**Generally.** The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal

policies, (iii) natural disasters (including, without limitation, earthquakes, subsidence and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction, and (iv) the impacts of a public health emergency, such as the COVID-19 pandemic, on construction and sales activity, the national and regional economy and financial circumstances of property owners in the District. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of holders of Leasehold Interests in the District to pay their Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due. See [“THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy”] and “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein.

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

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

Only a portion of Horizontal Improvements in the Mission Rock Project are complete, with a substantial portion for Phases 1B through Phase 4 still incomplete. See Table 4 herein. Should Horizontal Improvements in the Mission Rock Project remain incomplete, the buildings that remain to be constructed in Phase 1B through Phase 4 will not have access to public and other shared infrastructure and will be inherently less valuable than property with access to that infrastructure and would provide less security to

the Bondowners in the event the City, on behalf of the District, forecloses on a Leasehold Interest due to the nonpayment of Development Special Taxes, Office Special Taxes or Shoreline Special Taxes.

Because rates for service by the Mission Rock Utilities System will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs, if, development of later buildings are delayed, the costs of service for ratepayers in buildings completed earlier may be proportionally higher. For example, ratepayers in Phase 1 buildings would pay proportionally higher while buildings in Phases 2 through 4 are delayed. See “THE MISSION ROCK PROJECT - Development and Financing Plan for the Mission Rock Project - Horizontal Infrastructure Status” herein. The debt service component of such costs could also increase for ratepayers generally if the cost of future financing or other costs components are higher. The Appraisal Report’s assumptions include projections regarding the cost of utilities services. Actual costs that will be charged to ratepayers or borne by tenants may be higher than projected and higher than comparable services outside the District, which higher costs, if not mitigated, could reduce demand for District spaces compared to spaces outside the District.

Any delays in developing required infrastructure, or the decision not to construct required infrastructure, or increased costs due to higher utility service rates, may affect the willingness and ability of the holders of Leasehold Interests in property within the District to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due.

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

***Ownership and Allocation of Development Rights and Obligations.*** Vertical Developers have limited rights to construct the Horizontal Improvements required to obtain regulatory approvals to occupy the buildings to be constructed in the Mission Rock Project. Vertical Developers’ rights are limited to construction of Deferred Infrastructure, if any. Deferred Infrastructure is defined as Horizontal Improvements that would be Horizontal Improvements built or installed by the Master Developer but for the Port’s agreement through a Phase Approval to require Vertical Developers to construct, limited to (i) utility infrastructure, (ii) public right of way improvements, and (iii) fixtures installed between right-of-way curbs and the boundaries of a Development Parcel, such as sidewalks and curb cuts, lighting, street furnishings, landscaping, and utility boxes and laterals serving the parcel. There is no Deferred Infrastructure in Phase 1A. Since the leaseholders of the parcels are subject to change, the same development plans outlined in this Official Statement may not be continued by the subsequent leaseholders if the parcels are transferred (such as upon foreclosure on the Leasehold Interest) to different leaseholders, although a transferee of the leasehold under the Master Lease would be obligated to comply with the DDA (until satisfied), and a transferee of a Parcel Lease would be obligated to comply with the VDDA (until satisfied) and will be subject to the policies and requirements of the City.

***Concentration of Ownership of Leasehold Interests.*** Failure of any significant holder of Leasehold Interests in Taxable Parcels in the District to pay when due the annual special taxes securing 2023 Bonds could result in the rapid, total depletion of the reserve fund supporting such 2023 Bonds prior to replenishment from the resale of the Leasehold Interest upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the affected 2023 Bonds. In addition, the Office Square Footage that generates Office Special Tax Revenues securing Office Special Tax Bonds and Shoreline (Tax Zone 1) Special Tax Revenues supporting Shoreline (Tax Zone 1) Special Tax Bonds is currently concentrated in Parcels B and G. See Table 10 under “THE MISSION ROCK PROJECT - Expected Land Use and Expected Maximum Special Tax Revenues” herein.

The Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes are not a personal obligation of the owners of the Leasehold Interests on which such special taxes are levied, and no assurances can be given that the holder of the Leasehold Interest in property within the District will be financially able to pay the special taxes levied on such Leasehold Interest or that they will choose to pay even if financially able to do so. Such risk is greater and its consequence more severe when ownership of Leasehold Interests is concentrated and may be expected to decrease when ownership of the Leasehold Interests is diversified. At present, all of the Leasehold Interests in the District are owned by either the Master Developer or one of four Vertical Developers, each of which is affiliated with the Master Developer.

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

***Failure to Develop Properties.*** Phase 1A Horizontal Improvements commenced in January 2020; vertical improvements on Parcel G began in December 2020, vertical improvements on Parcel A began in January 2021, vertical improvements on Parcel B began in June 2021 and vertical improvements on Parcel F began in April 2022. The buildings constructed on Parcels A, B and G (but not Parcel F) have been issued temporary certificates of occupancy. Construction of Phase 1B is not yet completed, and construction of Phases 2, 3 and 4 has not yet commenced. See “THE MISSION ROCK PROJECT - Overview of the Mission Rock Project” herein. Unimproved or partially improved land is inherently less valuable than land with improvements on it, especially if there are restrictions on development, and provides less security to the Bondowners should it be necessary for the City to foreclose on Leasehold Interest due to the nonpayment of Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes. See “SECURITY FOR THE 2023 BONDS – Future Indebtedness” and “THE MISSION ROCK PROJECT - Special Tax Levy and Value-to-Lien Ratios” herein. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the holders of Leasehold Interests in property within the District to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or to satisfy such governmental requirements could adversely affect planned land development. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within the District, will be enacted, and a risk that future voter approved land use initiatives could add more restrictions and requirements on development within the District.

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

Moreover, there can be no assurance that the means and incentive to conduct land development operations within the District will not be adversely affected by a deterioration of the real estate market and

economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership or Leasehold Interests, the national economy, or natural disasters.

Continued financing will be needed to complete the development of the property within the District. No assurance can be given that the required funding will be secured or that the proposed development will be partially or fully completed, and it is possible that cost overruns will be incurred that will require additional funding beyond that currently projected, which may or may not be available. See “THE MISSION ROCK PROJECT— Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project” for a discussion of the estimated sources of funding for the completion of the construction of certain of the projects in District.

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

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

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

## **Public Health Emergencies**

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The WHO declared the COVID-19 outbreak to be a pandemic. The spread of COVID-19 has had and continues to have significant adverse health and financial impacts throughout the world, including the City.

While COVID-19 case rates have significantly declined, vaccination rates have increased, certain emergency orders have been lifted, and the national and local economy has been improving, the COVID-19 pandemic is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the operations and finances of



the City, the District, the Master Developer or the Vertical Developers and the real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City, the District, Master Developer or the Vertical Developers. Adverse impacts to the development within the District as a whole could include, without limitation, one or more of the following: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction; (iv) extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession, (vii) reduced demand for development projects; (viii) delinquencies in payment of special taxes and (ix) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus sufficient to counteract economic impacts of the public health emergency.

The 2023 Bonds are limited obligations of the City, secured by and payable solely from the Development Special Tax Revenues, Office Special Tax Revenues and Shoreline (Tax Zone 1) Special Tax Revenues, as applicable, and the funds pledged therefor under the respective Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 or other public health emergencies on the City's finances does not suggest that the City has an obligation to pay debt service on the 2023 Bonds from any other sources of funds. See "SECURITY FOR THE 2023 BONDS – Limited Obligation" herein.

Neither the City, the Underwriters, the Master Developer nor the Vertical Developers can predict the ultimate effects of the COVID-19 outbreak or other public health emergencies or whether any such effects will not have material adverse effect on the ability to develop the Mission Rock Project as planned and described herein, or the availability of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in an amount sufficient to pay debt service on the applicable 2023 Bonds.

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

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the "collateral" supporting the willingness of property owners or lessees to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the leasehold interest as measured by assessed values or appraised values and the denominator of which is the "lien" of governmental bonds payable from the assessments or special taxes. A value-to-lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Property values are sensitive to economic cycles. Assessed or appraised values may not reflect the current market value of leasehold interest property. A downturn of the economy or other market factors may depress leasehold interest values and lower the value-to-lien ratios.

[According to the Master Developer, an affiliate of the Master Developer, China Basin Ballpark Company (previously defined as "CBBC"), as operator of the parking lot serving Oracle Park and the surrounding neighborhood, has filed an appeal of the tax assessment on the parking lot. The appeal is currently pending. See "THE MISSION ROCK PROJECT – Assessment Appeals" herein.]

Further, the value-to-lien ratios may vary widely from parcel to parcel. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a Leasehold Interest with delinquent Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1)

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

Additional debt issued for the District and debt issuance by another entity could dilute value-to-lien ratios and reduce the ability or willingness of property owners in the District to pay their Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due. The cost of any additional improvements may well increase the public and private debt for which the Leasehold Interests in the District provides security, and such increased debt could reduce the ability or desire of holders of Leasehold Interests to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes levied against the Leasehold Interests in the District. The City has the authority, on behalf of the District, to issue additional bonded indebtedness and other debt from the other special taxes that may be levied under the Rate and Method (i.e., the Shoreline Special Tax in Tax Zone 2 and Contingent Services Special Tax); these special taxes have a lien on a parity with the lien of the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes. In addition, while the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes have priority over all existing and future private liens imposed on the Leasehold Interests, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes. The City is authorized to issue on behalf of the District bonded indebtedness and other debt, including future Development Special Tax Bonds, Office Special Tax Bonds, Shoreline (Tax Zone 1) Special Tax Bonds and bonds payable from other special taxes levied under the Rate and Method in an aggregate amount not to exceed \$3.7 billion.

See “SECURITY FOR THE 2023 BONDS – Parity Bonds” and “ – Future Indebtedness” herein.

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

### **Billing of Special Taxes**

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

Under provisions of the Act, the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes are levied on Leasehold Interests in Taxable Parcels within the District. Such Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of the holder of a Leasehold Interest to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make installment payments of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in the

future. See “SECURITY FOR THE 2023 BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes.

### **Maximum Special Tax Rates**

Within the limits of the Rate and Method, in the event of Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax delinquencies by one or more Taxable Parcels, the City may adjust the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes levied on all property within the District to provide the amount required each year to pay annual debt service on the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, respectively, to replenish the 2023A Reserve Fund to an amount equal to the 2023A Reserve Requirement from Development Special Taxes, the 2021A Reserve Fund to an amount equal to the 2021A Reserve Requirement from Development Special Taxes, to replenish the 2021B Reserve Fund to an amount equal to the 2021B Reserve Requirement from Development Special Taxes, to replenish the 2023B-1 Reserve Fund to an amount equal to the 2023B-1 Reserve Requirement from Office Special Taxes, to replenish the 2023B-2 Reserve Fund to an amount equal to the 2023B-2 Reserve Requirement from Office Special Taxes, and to replenish the 2023C Reserve Fund to an amount equal to the 2023C Reserve Requirement from Shoreline (Tax Zone 1) Special Taxes, but the Development Special Tax levy, the Office Special Tax levy and the Shoreline (Tax Zone 1) Special Tax levy on a Leasehold Interest in a Taxable Parcel may not increase by more than ten percent (10%) of the respective Maximum Development Special Tax, Maximum Office Special Tax, or Maximum Shoreline (Tax Zone 1) Special Tax for that Parcel as a consequence of delinquencies or defaults in payment on Leasehold Interests in another Parcel(s) in the District (a “Delinquency Levy”). However, the amount of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) 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 delinquencies, there is no assurance that the maximum tax rates for property in the District would be sufficient to meet debt service obligations on the 2023 Bonds. See “SECURITY FOR THE 2023 BONDS” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

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

Under the Rate and Method, the annual amount of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes to be levied on each Leasehold Interest in a Taxable Parcel in the District will be based primarily on the property use category or categories and corresponding square footages. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” and “SECURITY FOR THE 2023 BONDS – Rate and Method of Apportionment of Special Taxes.” The Act provides that, if any Leasehold Interest in property within the District not otherwise exempt from the Development Special Tax, Office Special Tax, or Shoreline (Tax Zone 1) Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax will continue to be levied on and enforceable against the public entity that acquired the Leasehold Interest. In addition, the Act provides that, if a Leasehold Interest in property subject to the Development Special Tax, Office Special Tax or Shoreline (Tax Zone 1) Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax with respect to that Leasehold Interest is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. In particular, insofar as the Act requires payment of the Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes by a federal entity acquiring property within the District, it may be unconstitutional.

In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

*If a substantial portion of Leasehold Interests within the District became exempt from the Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax, the maximum Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax that could be levied upon the remaining Leasehold Interests might not be sufficient to pay principal of and interest on the respective 2023 Bonds when due and a default could occur with respect to the payment of such principal and interest. Only Leasehold Interests may be subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax. The fee interest of the City in the property within in the District is not subject to the Development Special Tax, the Office Special Tax or the Shoreline (Tax Zone 1) Special Tax.*

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

Under provisions of the Act, the Development Special Taxes, the Office Special Taxes and the Shoreline (Tax Zone 1) Special Tax, from which funds necessary for the payment of principal of, and interest on, the applicable 2023 Bonds are derived, will be billed to the holders of Leasehold Interests within the District on the regular property tax bills sent to holders of Leasehold Interest in such properties. Such Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installments are due and payable consistent with, and bear the same penalties and interest for non-payment, as do regular property tax installments. Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a holder of a Leasehold Interest in property to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Development Special Tax, Office Special Tax or Shoreline (Tax Zone 1) Special Tax installment payments in the future.

See “SECURITY FOR THE 2023 BONDS – Reserve Funds” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein, for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the applicable Fiscal Agent Agreement, in the event of delinquency in the payment of Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installments.

The City has covenanted in the Fiscal Agent Agreements to institute foreclosure proceedings under certain conditions against Leasehold Interests with delinquent Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes to obtain funds to pay debt service on the related 2023 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) 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 applicable 2023 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the Leasehold Interest subject to foreclosure and sale at a judicial foreclosure sale would be sold or, if sold, that the proceeds of such sale would be sufficient to pay any delinquent Development Special Taxes installment, Office Special Taxes installment or Shoreline (Tax Zone 1) Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the City is not required to purchase or otherwise acquire any Leasehold Interest sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE 2023 BONDS –Covenant for Superior Court Foreclosure.”

Because the Teeter Plan is not available to special taxes levied in the District, collections of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes will reflect actual delinquencies.

### **Disclosure to Future Lessees**

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

### **Potential Early Redemption of 2023 Bonds from Special Tax Prepayments**

In the event a Leasehold Interest within the District is purchased by a public entity, the Act provides that the Board of Supervisors may permit such public entity to prepay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes relating to such Leasehold Interest, but only if the Board of Supervisors finds and determines that the prepayment arrangement will fully protect the interests of the owners of the related 2023 Bonds.

Similarly, in the event a Taxable Parcel is developed with an affordable housing use that qualifies for a welfare exemption under Section 214(g) of the California Revenue and Taxation Code, the Act provides that the Board of Supervisors may permit the owner of the Leasehold Interest to prepay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes relating to such Leasehold Interest, but only if the Board of Supervisors finds and determines that the prepayment arrangement will not adversely affect the City's ability to make scheduled payments of debt service on the related 2023 Bonds.

A Development Special Tax Prepayment will result in a mandatory redemption of 2023A Development Special Tax Bonds from such Development Special Tax Prepayment on the Interest Payment Date for which timely notice may be given under the related Fiscal Agent Agreement following the receipt of such Development Special Tax Prepayment. An Office Special Tax Prepayment will result in a mandatory redemption of 2023B-1 Office Special Tax Bonds and Taxable 2023B-2 Office Special Tax Bonds from such Office Special Tax Prepayment on the Interest Payment Date for which timely notice may be given under the related Fiscal Agent Agreement following the receipt of such Office Special Tax Prepayment. A Shoreline (Tax Zone 1) Special Tax Prepayment will result in a mandatory redemption of 2023C Shoreline (Tax Zone 1) Special Tax Bonds from such Shoreline (Tax Zone 1) Special Tax Prepayment on the Interest Payment Date for which timely notice may be given under the related Fiscal Agent Agreement following the receipt of such Shoreline (Tax Zone 1) Special Tax Prepayment. The resulting redemption of 2023 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2023 Bonds. See "THE 2023 BONDS – Redemption – Redemption from Special Tax Prepayments" herein.

## Seismic Risks

**General.** The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Seismic events may cause damage, or temporary or permanent loss of occupancy to buildings in the District, as well as to transportation infrastructure that serves the District. These faults include the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

**California Earthquake Probabilities Study.** In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to buildings subject to the Development Special Taxes, the Office Special Tax or the Shoreline (Tax Zone 1) Special Tax, due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, infrastructure and residential and business real property values, including in the District.

**Earthquake Safety Implementation Plan ("ESIP").** ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety ("CAPSS"), a 10-year-long study evaluating the seismic vulnerabilities San Francisco faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, San Francisco has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2021. As of March 21, 2023, 90% of the buildings have been brought into compliance. Currently, the City is implementing a façade ordinance requiring owners of 5-story or higher buildings to submit inspection reports every 10 years. The first set of inspections focus on pre-1910 buildings. Inspection reports for more recent buildings will be phased in over the next four years. Future tasks will address the seismic vulnerability of older nonductile concrete and concrete tilt-up buildings, which are at high risk of severe damage or collapse in an earthquake. This retrofit program is currently in development.

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

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather

events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

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

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

Adapting to sea level rise is a key component of the City’s policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled “Sea Level Rise Action Plan,” identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor’s Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

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

Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over \$5 million consider mitigation and/or adaptation measures.

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

The City has already incorporated site specific adaptation plans in the conditions of approval for certain large waterfront development projects, including the Mission Rock Project, as well as the Candlestick/Hunters Point Shipyard, Treasure Island and Pier 70 projects. Also, the City is in the process of planning to fortify the Port’s Bay shoreline against earthquakes, flooding, and sea level rise. The City expects short-term upgrades to cost over \$650 million and long-term upgrades to cost more than \$5 billion. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to \$425 million in general obligation bonds for repair and improvement projects on the Seawall. The City has thus far issued about \$88.7 million of bonds under Proposition A. The City has expended \$48.4 million through fiscal year 2022-23. An August 2020 multi-hazard seismic and flood risk assessment of the Port Commission and the City infrastructure along the Seawall is being used as a guide to inform project planning. The Port Commission and the United States Army Corps of Engineers have also partnered to study and develop coastal flood defenses to address the flooding and sea level rise along the Port’s Bay waterfront which will yield a recommendation to Congress as to the federal interest in funding coastal flood defenses.

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

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City’s control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the 2023 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 San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change



adaptation. In July 2018, the United States District Court for the Northern District of California denied the People's motion for remand to State court and then dismissed the lawsuit, which the City had joined as a plaintiff. The plaintiffs appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which in May 2020 vacated the District Court's order that found the case arose under federal law, remanding the case back to the District Court to determine if there were any other grounds for federal jurisdiction. In June 2021, the U.S. Supreme Court declined to review the Ninth Circuit's decision. In October 2022, the District Court ordered the case remanded to State court and stayed the remand pending any appeals. The defendants have appealed the District Court's decision to the Ninth Circuit. While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.]

The District may be particularly susceptible to the impacts of sea level rise or other impacts of climate change or flooding because of its location on the waterfront of the City. The City is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City, the local economy or, in particular, the Leasehold Interests in the District that are subject to the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax and the ability of a holder of a Leasehold Interest in the District to pay the levy of such special taxes.

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

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

In September 2010, a Pacific Gas & Electric ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

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

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

In recent years, California experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted, and future wildfires may impact, the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

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

As a result of the occurrence of events like those described above, a substantial portion of the Leasehold Interest owners in the District may be unable or unwilling to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due, and the 2023A Reserve Fund, the 2021A Reserve Fund, the 2021B Reserve Fund, the 2023B-1 Reserve Fund, the 2023B-2 Reserve Fund and the 2023C Reserve Fund may become depleted.

## **Hazardous Substances**

A serious risk in terms of the potential reduction in the value of a parcel within the District would be the discovery of a hazardous substance. In general, the owners and operators of a parcel within the District may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a Leasehold Interest within the District that is realizable upon a delinquency.

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

## **Bankruptcy and Foreclosure**

The payment of taxes by the holders of Leasehold Interests and the ability of the District to foreclose the lien of a delinquent unpaid Development Special Tax, Office Special Tax or Shoreline (Tax Zone 1) 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 2023 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 2023 Bonds (including Bond Counsel's approving legal opinions) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of the holder of a Leasehold Interest (or such lessee's partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2023 Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes depends upon whether a court were to determine that the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes levied after the filing of a petition in bankruptcy.*

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

The City's ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the FDIC or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Development Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest

(including a mortgage interest) in any of the Leasehold Interests subject to the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2023 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 property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

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

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a Leasehold Interest in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a Leasehold Interest at a foreclosure sale. Owners of the 2023 Bonds should assume that the City will be unable to foreclose on any Leasehold Interest in which the FDIC has an interest. Such an outcome would cause a draw on the 2023A Reserve Fund, the 2021A Reserve Fund, the 2021B Reserve Fund, the 2023B-1 Reserve Fund, the 2023B-2 Reserve Fund and the 2023C Reserve Fund and perhaps, ultimately, a default in payment of the 2023 Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the Leasehold Interests in the District that are subject to the

Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2023 Bonds are outstanding.

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

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

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes by the City within the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The City has completed its proceedings for the levy of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in accordance with the provisions of Section 4 of Article XIII A. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Development Special Tax, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2023 Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes in a manner which does not interfere with the timely repayment of the applicable 2023 Bonds, but which does reduce the maximum amount of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in amounts greater than the amount necessary for the timely retirement of the applicable 2023 Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of

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

### **Validity of Landowner Elections**

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

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

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

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego's argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State's constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the

Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax within the District, and the City, as the owner of the property in the District, was the qualified elector for the District.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for the District pursuant to the requirements of the Act on April 27, 2020. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

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

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

### **No Acceleration**

The Development Tax Bonds, Office Special Tax Bonds and Shoreline (Tax Zone 1) Special Tax Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of such bonds or the related Fiscal Agent Agreement or upon any adverse change in the tax status of interest on such bonds. There is no provision in the Act or the Fiscal Agent Agreements for acceleration of the Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes in the event of a payment default by a holder of a Leasehold Interest within the District. Pursuant to each Fiscal Agent Agreement, an Owner of a bond issued thereunder is given the right for the equal benefit and protection of all such bond Owners to pursue certain remedies described in APPENDIX C-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS,” APPENDIX C-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT OFFICE TAX BONDS” and APPENDIX C-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS” hereto.

### **Limitations on Remedies**

Remedies available to the 2023 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 2023 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2023 Bonds and of the Fiscal Agent Agreements 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 2023 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the related 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 2023 Bond Owners.

Enforceability of the rights and remedies of the 2023 Bond Owners, and the obligations incurred by the City on behalf of the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the applicable limitations on remedies against public agencies in the State. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure."

### **Limited Secondary Market**

As stated herein, investment in the 2023 Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand and appreciate the risk of such investments should consider investment in the 2023 Bonds. The 2023 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 2023 Bonds or, if a secondary market exists, that the 2023 Bonds can or could be sold for any particular price.

### **Cybersecurity**

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

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

The City has also appointed a City Chief Information Security Officer ("CCISO"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security



risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

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

## **CONTINUING DISCLOSURE**

### **The City**

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2023 Bonds (the "City Disclosure Certificate"), the City has covenanted for the benefit of owners of the 2023 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 2022-23 Fiscal Year (which is due not later than March 31, 2024). The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E-1 – "FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made by the City in order to assist the 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.

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

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

### **Master Developer**

The Master Developer is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the 2023 Bonds (the "Developer Disclosure Certificate"), the Master Developer has voluntarily agreed to provide, or cause to be provided, to the

EMMA system: (a) on a semiannual basis, certain information concerning the Mission Rock Project and the development of Phase 1A of the Mission Rock Project; and (b) and notice of certain enumerated events. Each semiannual report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2024.

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

This is the fourth continuing disclosure undertaking by the Master Developer.

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

## TAX MATTERS

***Federal Tax Status – 2023A Development Special Tax Bonds, 2023B-1 Office Special Tax Bonds and 2023C Shoreline (Tax Zone 1) Special Tax Bonds.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2023A Development Special Tax Bonds, 2023B-1 Office Special Tax Bonds and 2023C Shoreline (Tax Zone 1) Special Tax Bonds (the “Tax Exempt 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. Interest on the Tax Exempt Bonds may be subject to the corporate 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 Tax Exempt 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 Tax Exempt Bonds.

***Tax Treatment of Original Issue Discount and Premium – Tax Exempt Bonds.*** If the initial offering price to the public at which a Tax Exempt 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 Tax Exempt 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 Tax Exempt 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 Tax Exempt Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Tax Exempt Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Tax Exempt Bonds who purchase the Tax Exempt Bonds after the initial offering of a substantial amount of such maturity. Owners

of such Tax Exempt Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax Exempt 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 Tax Exempt Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Tax Exempt Bond (said term being the shorter of the Tax Exempt 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 Tax Exempt Bonds for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Tax Exempt Bonds is amortized each year over the term to maturity of the Tax Exempt 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 Tax Exempt 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 Tax Exempt Bonds.

**Federal Tax Status – Taxable 2023B-2 Office Special Tax Bonds.** The City does not intend for the interest on the Taxable 2023B-2 Office Special Tax Bonds to be excluded from gross income for federal income tax purposes.

**California Tax Status – 2023 Bonds.** In the further opinion of Bond Counsel, interest on the 2023 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 2023 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 2023 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 2023 Bonds, or as to the consequences of owning or receiving interest on the 2023 Bonds, as of any future date. Prospective purchasers of the 2023 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 2023 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2023 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 2023 Bonds, the ownership, sale or disposition of the 2023 Bonds, or the amount, accrual or receipt of interest on the 2023 Bonds.

**Forms of Opinion.** The forms of opinion of Bond Counsel are set forth as Appendix D hereto.

## **UNDERWRITING**

Stifel, Nicolaus & Company Incorporated and Piper Sandler & Co. (the “Underwriters”) purchased the 2023A Development Special Tax Bonds at a purchase price of \$ \_\_\_\_\_, representing the principal amount of the 2023A Development Special Tax Bonds, plus an original issue premium of \$ \_\_\_\_\_ and less an Underwriters’ discount of \$ \_\_\_\_\_, the 2023B-1 Office Special Tax Bonds at a purchase price of \$ \_\_\_\_\_, representing the principal amount of the 2023B-1 Office Special Tax Bonds, plus an original issue premium of \$ \_\_\_\_\_ and less an Underwriters’ discount of \$ \_\_\_\_\_, the Taxable 2023B-2 Office Special Tax Bonds at a purchase price of \$ \_\_\_\_\_, representing the principal amount of the Taxable 2023B-2 Office Special Tax Bonds less an Underwriters’ discount of \$ \_\_\_\_\_ and the 2023C Shoreline (Tax Zone 1) Special Tax Bonds at a purchase price of \$ \_\_\_\_\_, representing the principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, plus an original issue premium of \$ \_\_\_\_\_ and less an Underwriters’ discount of \$ \_\_\_\_\_. The Underwriters intend to offer the 2023 Bonds to the public initially at the prices set forth on the inside cover pages 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 2023 Bonds to the public. The Underwriters may offer and sell the 2023 Bonds to certain dealers (including dealers depositing 2023 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 2023 Bonds, in substantially the forms set forth in Appendix D hereto, will be made available to purchasers of the 2023 Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2023 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 2023 Bonds. Bond Counsel’s opinion will speak only as of its date, and subsequent distributions of the opinion by recirculation of this Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. Bond Counsel assumes no obligation to revise or supplement the opinion to reflect any facts or circumstances that may come to their attention after the date of original delivery of the Bonds, or any changes in law that may occur after the date of original delivery of the 2023 Bonds. In rendering the opinion, Bond Counsel will rely upon certain certifications and opinions, which Bond Counsel will not have independently verified. The opinions contained in the opinion are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, the opinions contained in the opinion represent the legal judgment of Bond Counsel based upon their review of existing law that they deem relevant to such opinions and in reliance upon the certifications and opinions referenced above.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, Norton Rose Fulbright US LLP, as Disclosure Counsel, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriters’ counsel, is contingent on the issuance and delivery of the 2023 Bonds.

Norton Rose Fulbright US LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where

information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Upon issuance and delivery of the 2023 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 (including without limitation exclusion of any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included herein, and information in Appendices B and F hereof, as to all of which Disclosure Counsel will express no view), no facts have come to the attention of the personnel with Norton Rose Fulbright US LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2023 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder or other person or party, other than the addressee of the letter, will be entitled to or may rely on such letter of Disclosure Counsel.

### **TRANSFER RESTRICTIONS**

The Fiscal Agent Agreements provide that the 2023 Bonds are only each to be sold (including in secondary market transactions) to “Qualified Purchasers,” which is defined in the Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933).

Neither the Underwriters nor any Holder or Beneficial Owner of the 2023 Bonds shall deposit the 2023 Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Underwriters nor any Holder or Beneficial Owner shall deposit the 2023 Bonds in any trust or account under its control the majority of the assets of which constitute the 2023 Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers; provided that none of the Underwriters, Holders or Beneficial Owners shall have an obligation to independently establish or confirm that any transferee of a 2023 Bond is Qualified Purchaser, however any actual transfer of a 2023 Bond to any entity that is not a Qualified Purchaser shall be deemed null and void as provided in the Fiscal Agent Agreements.

Under the Fiscal Agent Agreements, no transfer, sale or other disposition of any 2023 Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2023 Bond for its own account for investment purposes and not with a view to distributing such 2023 Bond. Each purchaser of any 2023 Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the City, the Underwriters and the Fiscal Agent as follows:

1. That the 2023 Bonds are payable solely from Revenues, and from certain funds and accounts established and maintained pursuant to the related Fiscal Agent Agreement;
2. That it is a Qualified Purchaser and that it is purchasing the 2023 Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933 or other applicable securities laws;

3. That such purchaser acknowledges that the 2023 Bonds and beneficial ownership interests therein may only be transferred to Qualified Purchasers;

4. That the City, the Fiscal Agent, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements; and

5. If a holder of the 2023 Bonds makes an assignment of its beneficial ownership interest in the 2023 Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein.

## **NO LITIGATION**

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

To the knowledge of the City, Port and the District, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City, Port and the District, which questions the formation or existence of the District, or contests the authority of the City on behalf of the District to levy and collect the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes or to issue the 2023 Bonds.

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

There is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body pending against the Master Developer (with proper service of process to the Master Developer having been accomplished) or, to the actual knowledge of the person signing a certificate to this effect, is pending against Mission Rock Partners, the Phase I Sub, Mission Rock Parcel A Owner, L.L.C., Mission Rock Parcel B Owner, L.L.C., Mission Rock Parcel F Owner, L.L.C., or Mission Rock Parcel G Owner, L.L.C. (the “Affiliates”) with proper service of process to such Affiliate having been accomplished), or, to the actual knowledge of the person signing a certificate to this effect, threatened in writing against the Master Developer or any such Affiliate, which if successful, is reasonably likely to materially and adversely affect the Master Developer’s or its Affiliate’s ability to develop the Mission Rock Project as described in the Official Statement or to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes (to the extent the responsibility of the Master Developer or its Affiliates) prior to delinquency.

### **Ongoing Investigations**

[In January 2020, the City’s former Director of Public Works, Mohammad Nuru, was criminally charged with public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation (“FBI”) agents. In February 2020, then-City Attorney Dennis Herrera and Controller Ben Rosenfield announced the initiation of a joint investigation stemming from the federal criminal charges against Mr. Nuru. The City Attorney’s Office focused on holding public officials and City vendors accountable. The Controller undertook a public integrity review of contracts, purchase orders, and grants to the City.

Mr. Nuru resigned from employment with the City in February 2020. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

Mr. Wong was criminally charged in June 2020 with conspiring with City officials and laundering money. As part of the criminal investigation into Mr. Nuru and Mr. Wong, the San Francisco Public Utilities Commission (“SFPUC”) received a federal, criminal, grand jury subpoena in June 2020 to produce documents, communications, contracts and records, including the complete personnel file of the SFPUC’s former General Manager, Harlan L. Kelly, Jr.

In November 2020, Mr. Kelly was charged in a criminal complaint with one count of honest services wire fraud. The complaint alleged that Mr. Kelly also engaged in a long-running bribery scheme and corrupt partnership with Mr. Wong. The complaint further alleged that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong’s business ventures. According to the criminal complaint against Mr. Kelly, Mr. Wong bribed Mr. Kelly with thousands of dollars in airfare, meals, jewelry, and travel expenses, as well as by making improvements to Mr. Kelly’s home.

Mr. Wong pled guilty in July 2020 and continues to cooperate with the ongoing federal criminal investigation. Mr. Wong has not been sentenced.

Mr. Wong settled civilly with the City in May 2021. As part of his civil settlement, he and his companies agreed to pay the City more than \$300,000 in ethics fines and more than \$1 million in restitution. The total restitution amount to the City includes \$73,000 that he received through the SFPUC when Mr. Kelly was General Manager.

Mr. Kelly resigned from employment with the City, effective November 30, 2020.

Since Mr. Nuru’s arrest in January 2020, the Controller’s Office, in consultation with the City Attorney, has issued 11 public integrity reviews, all of which can be found on the Controller’s website.

In October 2021, a criminal grand jury returned an indictment against Mr. Kelly and Victor Makras, a San Francisco real estate broker and property developer. Mr. Makras formerly served on several City boards and commissions, including the Port Commission, Police Commission, Public Utilities Commission, and Retirement Board. In addition to the original charges against Mr. Kelly of conspiracy with Mr. Wong, the indictment added charges of bank fraud and bank fraud conspiracy related to a \$1.3 million loan Mr. Kelly obtained from Quicken Loans.

Mr. Makras’ case was severed from Mr. Kelly’s, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to the bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined \$15,200.

On July 14, 2023, Mr. Kelly was convicted of one count of conspiracy to commit honest services wire fraud, one count of honest services wire fraud, and four counts related to charges stemming from a bank fraud scheme. The jury found Mr. Kelly not guilty of two honest services wire fraud counts. No sentence has been pronounced for Mr. Kelly.

The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation.]

## **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 2023 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 2023 Bonds. The lack of a bond rating could impact the market price or liquidity for the 2023 Bonds in the secondary market. See “SPECIAL RISK FACTORS - Limited Secondary Market.”

### **MUNICIPAL ADVISOR**

The City has retained PFM California Advisors LLC as Municipal Advisor in connection with the issuance of the 2023 Bonds. The Municipal Advisor has 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 2023 Bonds. The Municipal Advisor is 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 Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing the 2023 Bonds.

Compensation paid to the Municipal Advisor is contingent upon the successful issuance of the 2023 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 2023 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
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 2023 Bonds, and the City has not undertaken in its Continuing Disclosure Certificate to update this information. The 2023 Bonds are limited obligations of the City, secured by and payable solely from the Revenues and the funds pledged therefor under the related Fiscal Agent Agreement. The 2023 Bonds are not payable from any other source of funds other than Revenues and the funds pledged therefor under the related Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the 2023 Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the related Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2023 Bonds.*

**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

**APPENDIX C-1**

**SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS  
RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS**

**APPENDIX C-2**

**SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS  
RELATING TO THE OFFICE SPECIAL TAX BONDS**

**APPENDIX C-3**

**SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS  
RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS**

**APPENDIX D**  
**FORMS OF BOND COUNSEL OPINION**

APPENDIX E-1

FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

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

§[A Par]<sup>1</sup>  
DEVELOPMENT  
SPECIAL TAX BONDS,  
SERIES 2023A

§[B-1 Par]\*  
OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-1

§[B-2 Par]\*  
OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-2  
(FEDERALLY TAXABLE)

§[B-3 Par]\*  
SHORELINE (TAX ZONE 1)  
SPECIAL TAX BONDS,  
SERIES 2023C

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) in connection with the issuance of the above-captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by the Mayor on May 18, 2020, as supplemented by Resolution No. 565-20, which was adopted by the Board of Supervisors on December 8, 2020 and approved by the Mayor on December 18, 2020, as further supplemented by Resolution No. 224-21, which was adopted by the Board of Supervisors on May 11, 2021, and approved by the Mayor on May 21, 2021, and as further supplemented by Resolution No. [ ]-23, which was adopted by the Board of Supervisors on [ ], 2023 and approved by the Mayor on [ ], 2023 approving the issuance and sale of up to \$58,335,000 (collectively, the “Resolution”) and pursuant to the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California). The above-referenced Development Special Tax Bonds, Series 2023A (the “2023A Development Special Tax Bonds”) are being issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2021, as previously supplemented and as supplemented by a Second Supplement to Fiscal Agent Agreement, dated as of November 1, 2023 (as so supplemented, the “Development Special Tax Bonds Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”). The above-referenced Office Special Tax Bonds, Series 2023B-1 (the “2023B-1 Office Special Tax Bonds”) and Office Special Tax Bonds, Series 2023B-2 (Federally Taxable) (the “Taxable 2023B-2 Office Special Tax Bonds”) are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2023 (the “Office Special Tax Bonds Fiscal Agent Agreement”), by and between the City and the Fiscal Agent. The above-referenced Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C (the “2023C Shoreline (Tax Zone 1) Special Tax Bonds”) are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2023 (the “Shoreline (Tax Zone 1) Tax Bonds Fiscal Agent Agreement” and collectively with the Development Special Tax Bonds Fiscal Agent Agreement and the Office Special Tax Bonds Fiscal Agent Agreement, the “Fiscal Agent Agreements”), by and between the City and the Fiscal Agent. 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

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<sup>1</sup> Preliminary, subject to change.



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 Underwriters” shall mean 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 Agreements.

**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 2022-23 Fiscal Year (which is due not later than March 31, 2024), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying

information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB as required by Section 5(c).

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

**SECTION 4. Content of Annual Reports.** The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

The City's annual financial statement is provided solely to comply with the Securities Exchange Commission staff's interpretation of Rule 15c2-12. The Bonds of each series are limited obligations of the City, secured by and payable solely from the Development Special Tax Revenues, Office Special Tax Revenues and Shoreline (Tax Zone 1) Special Tax Revenues, respectively, and the funds pledged therefor under the related Fiscal Agent Agreement. The Bonds of each series are not payable from any other source of funds other than Development Special Tax Revenues, Office Special Tax Revenues and Shoreline (Tax Zone 1) Special Tax Revenues, respectively, and the funds pledged therefor under the related Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement for each series of Bonds), the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

(b) (1) the principal amount of the outstanding Bonds of each series as of September 2 preceding the date of the Annual Report and total debt service of the outstanding Bonds of each series that was due in the Bond Year preceding the date of the Annual Report, and (2) for all outstanding bonds under each Fiscal Agent Agreement, the debt service of such outstanding bonds by series and in total that was due or is scheduled to be due in the then-current Bond Year, and in each Bond Year thereafter through the final maturity date of the outstanding bonds.

(c) the balance in the Improvement Fund under each Fiscal Agent Agreement as of June 30 preceding the date of the Annual Report (until such fund has been closed).

(d) (1) the balance in the 2021A Reserve Fund and the then-current reserve requirement amount for the 2021A Development Special Tax Bonds and any 2021A Related Parity Bonds as of June 30 preceding the date of the Annual Report, (2) the balance in the 2021B Reserve Fund and the then-current reserve requirement amount for the 2021B Development Special Tax Bonds and any 2021B Related Parity Bonds as of June 30 preceding the date of the Annual Report,

(3) the balance in the 2023A Reserve Fund and the then-current reserve requirement amount for the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds as of June 30 preceding the date of the Annual Report, (4) the balance in the 2023B-1 Reserve Fund and the then-current reserve requirement amount for the 2023B-1 Office Special Tax Bonds and any 2023B-1 Related Parity Bonds as of June 30 preceding the date of the Annual Report, (5) the balance in the 2023B-2 Reserve Fund and the then-current reserve requirement amount for the Taxable 2023B-2 Office Special Tax Bonds and any 2023B-2 Related Parity Bonds as of June 30 preceding the date of the Annual Report, and (6) the balance in the 2023C Reserve Fund and the then-current reserve requirement amount for the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds as of June 30 preceding the date of the Annual Report.

(e) the balance in the IFD Payment Account Fund as of June 30 preceding the date of the Annual Report.

(f) for the fiscal year for which the Annual Report is being issued, identify planning parcels for which a Parcel Lease was fully executed and will be subject to special taxes.

(g) completed tables for the then current fiscal year, as follows, and footnote any parcel which has met the definition of “Assessed Parcel” under the Rate and Method:

<u>Planning Parcel</u>	<u>Market Rate Residential Square Footage</u>	<u>Office Square Footage</u>	<u>Assessed Value</u>	<u>Current FY Maximum Development Special Tax Revenue</u>	<u>Current FY Development Special Tax Levy</u>	<u>Tax Increment Applied to Reduce Special Tax Levy<sup>(1)</sup></u>	<u>Allocated Bond Debt<sup>(2)</sup></u>	<u>Average VTL</u>
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<sup>(1)</sup> Application of Parcel Increment, as such term is defined in the Rate and Method.

<sup>(2)</sup> For bonds outstanding under the Development Special Tax Bonds Fiscal Agent Agreement.

<u>Planning Parcel</u>	<u>Office Square Footage</u>	<u>Assessed Value</u>	<u>Current FY Maximum Office Special Tax Revenue</u>	<u>Current FY Office Special Tax Levy</u>	<u>Allocated Bond Debt<sup>(1)</sup></u>	<u>Average VTL</u>
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<sup>(1)</sup> For bonds outstanding under the Office Special Tax Bonds Fiscal Agent Agreement.

<u>Planning Parcel</u>	<u>Market Rate Residential Square Footage</u>	<u>Office Square Footage</u>	<u>Assessed Value</u>	<u>Current FY Maximum Shoreline (Tax Zone 1) Special Tax Revenue</u>	<u>Current FY Shoreline (Tax Zone 1) Special Tax Levy</u>	<u>Allocated Bond Debt<sup>(1)</sup></u>	<u>Average VTL</u>
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<sup>(1)</sup> For bonds outstanding under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement.

(h) for the most recently concluded fiscal year, provide:

- the Development Special Tax levied,
- the Development Special Tax collections,
- the number of parcels delinquent in payment of the Development Special Tax, and
- the amount of total delinquency and delinquency as a percentage of total Development Special Tax

- the Office Special Tax levied,
- the Office Special Tax collections,
- the number of parcels delinquent in payment of the Office Special Tax, and
- the amount of total delinquency and delinquency as a percentage of total Office Special Tax
  
- the Shoreline (Tax Zone 1) Special Tax levied,
- the Shoreline (Tax Zone 1) Special Tax collections,
- the number of parcels delinquent in payment of the Shoreline (Tax Zone 1) Special Tax, and
- the amount of total delinquency and delinquency as a percentage of total Shoreline (Tax Zone 1) Special Tax.

(i) for any delinquent parcels, provide the status of the City’s actions to pursue foreclosure proceedings upon delinquent properties pursuant to the related Fiscal Agent Agreement,

(j) any changes to the Rate and Method since the filing of the prior Annual Report.

(k) to the extent not otherwise provided pursuant to the preceding items (a)-(j), annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Item listed above relating to the Development Special Tax Bonds Fiscal Agent Agreement, the bonds issued thereunder, reserve funds thereunder and the Development Special Tax need not be included in the annual report if no 2023A Development Special Tax Bonds remain outstanding. Item listed above relating to the Office Special Tax Bonds Fiscal Agent Agreement, the bonds issued thereunder, reserve funds thereunder and the Office Special Tax need not be included in the annual report if no 2023B-1 Office Special Tax Bonds or Taxable 2023B-2 Office Special Tax Bonds remain outstanding. Item listed above relating to the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, the bonds issued thereunder, reserve funds thereunder and the Shoreline (Tax Zone 1) Special Tax need not be included in the annual report if no 2023A Development Special Tax Bonds remain outstanding.

**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 Underwriters, 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.

[Remainder of page intentionally left blank.]



**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: \_\_\_\_\_, 2023

CITY AND COUNTY OF SAN FRANCISCO

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Anna Van Degna  
Director of the Office of Public Finance

Approved as to form:

DAVID CHIU  
CITY ATTORNEY

By: \_\_\_\_\_  
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A**

**FORM OF NOTICE TO THE  
MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Development Special Tax Bonds, Series 2023A

City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Office Special Tax Bonds, Series 2023B-1

City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Office Special Tax Bonds, Series 2023B-2 (Federally Taxable)

City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C

Date of Issuance: \_\_\_\_\_, 2023

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 \_\_\_\_\_, 2023. 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: \_\_\_\_\_

APPENDIX E-2

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

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

\$ \_\_\_\_\_  
DEVELOPMENT  
SPECIAL TAX BONDS,  
SERIES 2023A

\$ \_\_\_\_\_  
OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-1

\$ \_\_\_\_\_  
OFFICE  
SPECIAL TAX BONDS,  
SERIES 2023B-2  
(FEDERALLY TAXABLE)

\$ \_\_\_\_\_  
SHORELINE (TAX ZONE 1)  
SPECIAL TAX BONDS,  
SERIES 2023C

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of \_\_\_\_\_, 2023, is executed and delivered by Seawall Lot 337 Associates, LLC, a Delaware limited liability company (the “**Developer**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “**District**”), with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2023A, Office Special Tax Bonds, Series 2023B-1, Office Special Tax Bonds, Series 2023B-2 (Federally Taxable) and Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C (collectively, the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2021, as previously supplemented and as supplemented by a Second Supplement to Fiscal Agent Agreement, dated as of November 1, 2023 (as so supplemented, the “**Fiscal Agent Agreement**”), by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from Development Special Taxes levied on Leasehold Interests in the District, and the Developer is the master developer of property in the District.

The Developer covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the owners and the beneficial owners of the Bonds.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“Affiliate” means with respect to the Developer (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or

operating data, concerning such Person referenced in clause (i) is material to an evaluation of the Bonds For purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of the Developer, unless such power is solely the result of an official position with the Developer. For purposes of this Disclosure Certificate, the following entities shall be considered Affiliates of the Developer: (i) Mission Rock Horizontal Sub (Phase I), L.L.C.; (ii) Mission Rock Parcel A Owner L.L.C.; (iii) Mission Rock Parcel B Owner L.L.C.; (iv) Mission Rock Parcel F Owner L.L.C.; and (v) if the Developer exercises its option to vertically develop a Parcel, the entity created by the Developer to lease the Parcel.<sup>1</sup>

“Affordable Unit” shall mean a residential housing unit in a residential or mixed-use building for which a deed restriction has been recorded that (i) limits the rental rates on the residential housing unit or (ii) in any other way is intended to restrict the current or future value of the residential housing unit, as determined by the Port.

“Assumption Agreement” shall mean, in connection with the transfer of a Parcel to a transferee, a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the Parcel transferred.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bondowners” shall mean the owner of any of the Bonds.

“Dissemination Agent” shall mean the Developer or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

“District” shall mean the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Market-Rate Unit” shall mean an individual residential housing unit in a residential or mixed-use building that is not an Affordable Unit.

“MSRB” means the Municipal Securities Rulemaking Board.

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<sup>1</sup> The Mission Rock Parcel G Owner is not included as an Affiliate because continuing disclosure is not being provided as to Parcel G since 100% of the Office Property in Parcel G has been leased to Visa, Inc.

“Office Square Footage” shall mean, within any building on a Parcel, the gross square footage used for office space. For purposes of this definition, any square footage used for any of the following shall not be considered Office Square Footage: (i) square footage that is or is expected to be part of a hotel operation, including square footage of hotel rooms, restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses; and (ii) any square footage in the building used for retail or residential uses (including both Market-Rate Units and Affordable Units).

“Official Statement” shall mean the Official Statement, dated \_\_\_\_\_, 2023, relating to the Bonds.

“Parcel” shall mean Blocks A, B, C, D1, E, F, H, I, J, and K within the District.<sup>1</sup>

“Participating Underwriters” shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and Piper Sandler & Co.

“Person” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“Property” means the real property within the boundaries of the District that is under lease to the Developer or any Affiliate; provided that the term “Property” shall not include any Parcel for which the Developer has terminated its obligations under this Disclosure Certificate with respect to such Parcel pursuant to Section 6 herein.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Site Permit” shall mean the first permit or addendum to a permit obtained from the City that allows for vertical construction on a Parcel.

“State” shall mean the State of California.

### **SECTION 3. Provision of Annual Reports.**

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing May 1, 2022, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday,

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<sup>1</sup> Parcel G is not included in the definition of Property because continuing disclosure is not being provided as to Parcel G since 100% of the Office Property in Parcel G has been leased to Visa, Inc.

Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination Agent is other than the Developer), the City, and the Participating 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 regarding the Property in the Official Statement under the caption ["THE MISSION ROCK PROJECT" (other than under the captions "--Expected Land Use and Expected Maximum Special Tax Revenues," "--Property Values," "--Projected Development Special Tax Levy, Assessed Values and Value-to-Lien Ratios," "--Delinquency History," and "--Direct and Overlapping Debt" for which no updates are required).]

2. An update to the following table with respect to the Property since the Official Statement or the most recent Semiannual Report.

Block	Date Final Map Recorded	Date of Execution of Vertical Lease	Date Site Permit Received	Date TCO Received	Percentage of Leased Office Space	Occupancy Rate for Market Rate Residential Units
A						
B						
F						
C						
D1						
E						
H						
I						
J						
K						

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer that materially adversely affects the horizontal development of the Property or the time for construction of any public or private horizontal improvements to the property to be made by the Developer (the “**Developer Horizontal Improvements**”).

4. Any vertical lease of a development parcel in the District to a Person that is unaffiliated with the Developer as a result of the Developer declining the option in the DDA to develop that development parcel, including a description of the property leased and the identity of the Person that so leased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

**SECTION 5. Reporting of Significant Events.**

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property [that wasn’t promptly cured upon discovery of the delinquency].

2. Damage to or destruction of any of the Developer Horizontal Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Horizontal Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer on any loan or guaranty of the Developer (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan or guaranty that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Developer Horizontal Improvements.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

7. The filing of any lawsuit against the Developer or any Affiliate which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Horizontal Improvements, or litigation which if decided against the Developer or any Affiliate, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating 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) as to a Parcel with a building that does not have any Market-Rate Units but is developed primarily with Office Square Footage, the date that the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage; or



(c) as to a Parcel with a building that does not have any Office Square Footage but is developed primarily with Market-Rate Units, the date that the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(d) as to a Parcel with a building that has both Office Square Footage and Market-Rate Units, the date that both (i) the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage and (ii) the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(e) as to a Parcel for which the Developer declines to exercise its option to vertically develop that Parcel under the DDA, the date that the Developer declines the option to vertically develop that Parcel under the DDA; or

(f) for the Disclosure Certificate as a whole, the date that the Developer has terminated its continuing disclosure requirements with respect to all of the Parcels.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

**SECTION 7. Dissemination.** The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the City and the Participating 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. No person shall have any right to commence any action against the Developer seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating 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 Developer's Transferees.** For any Parcel that has an executed Vertical Lease with an Affiliate of the Developer, if the Developer transfers the Parcel to another Person that is not an Affiliate of the Developer, then the Developer shall, in connection with the transfer of such a Parcel to another Person that is not an Affiliate of the Developer, cause such transferee to enter into an Assumption Agreement with respect to the Parcel leased; provided that such transferee's obligations under such Assumption Agreement shall terminate upon the same conditions as set forth in Section 6 herein but with respect to the Parcel leased. In clarification of the foregoing, the Developer shall not have any obligation to require a transferee execute an Assumption Agreement (i) for any Parcel that is leased by an Affiliate, (ii) any Parcel for which the reporting obligation was terminated pursuant to Section 6 herein, and (iii) for any Parcel that does not have an executed Vertical Lease with an Affiliate of the Developer, when that Parcel is leased to a Person that is not an Affiliate of the Developer (because the Developer will have the right to terminate its obligations with respect to any Parcel for which it declines the option to vertically develop the Parcel).

**SECTION 13. Identifying Information for Filings with EMMA.** All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**SECTION 14. Developer as Independent Contractor.** In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

**SECTION 15. Notices.** Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer: Seawall Lot 337 Associates, LLC  
c/o Tishman Speyer Development, L.L.C.  
One Bush Street, Suite 500  
San Francisco, California 94104  
Attn: Regional Director  
Email: cshannon@tishmanspeyer.com

With copy to San Francisco Giants  
24 Willie Mays Plaza  
San Francisco, CA 94107  
Attn: General Counsel  
Email: jbair@sfgiants

Participating Underwriters: Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35<sup>th</sup> Floor

San Francisco, CA 94104  
Attention: Municipal Bond Division  
Email: egallagher@stifel.com

Piper Sandler & Co.  
3626 Fair Oaks Blvd, Suite 100  
Sacramento, CA 95864  
Attention: [ \_\_\_\_\_ ]  
Email: [ \_\_\_\_\_ ]

City or District:

City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94201  
Attention: Bridget Katz  
Email: anna.vandegna@sfgov.org  
bridget.katz@sfgov.org  
grant.carson@sfgov.org  
nate.cruz@sfport.com

**SECTION 16. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating 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.

Seawall Lot 337 Associates, LLC,  
a Delaware limited liability company

By: Mission Rock Partners, LLC,  
a Delaware limited liability company,  
its sole member

By: TSCE 2007 Mission Rock, L.L.C.,  
a Delaware limited liability company,  
its administrative member

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2023 Bonds. The 2023 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each of the 2023 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *Information on such website is not incorporated by reference herein.*

Purchases of 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2023 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 2023 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 2023 Bonds, except in the event that use of the book-entry system for the 2023 Bonds is discontinued.

To facilitate subsequent transfers, all 2023 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 2023 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 2023 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023 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 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2023 Bond documents. For example, Beneficial Owners of 2023 Bonds may wish to ascertain that the nominee holding the 2023 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 2023 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 2023 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 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2023 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 2023 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 Special Tax District No. 2020-1 (Mission Rock Facilities and Services)**  
Development Site  
Terry A. Francois Blvd.  
San Francisco, San Francisco County, California 94158

**Prepared For:**  
City and County of San Francisco

**Effective Date of the Appraisal:**  
September 15, 2023

**Report Format:**  
Appraisal Report – Standard Format

**IRR - San Francisco**  
File Number: 192-2023-0172







**City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)**  
Terry A. Francois Blvd.  
San Francisco, California



September 28, 2023

Ms. Anna Van Degna  
Public Finance Director, Controller's Office  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Pl.  
San Francisco, CA 94102

SUBJECT: Market Value Appraisal  
City and County of San Francisco Special Tax District No. 2020-1 (Mission  
Rock Facilities and Services)  
Terry A. Francois Blvd.  
San Francisco, San Francisco County, California 94158  
IRR - San Francisco File No. 192-2023-0172

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the leasehold interest in the properties within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), subject to the lien of the special taxes securing the Special Tax Bonds, under the assumptions and conditions set forth in the attached report. The client for the assignment is the City and County of San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City and County of San Francisco and Special Tax District No. 2020-1 in the marketing of the Special Tax Bonds of the Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline (Tax Zone 1) Special Tax Bonds (collectively, "Bonds"), and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject comprises 11 of the 12 Blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, and being developed as Mission

Rock. The Mission Rock project is entitled for the development of 1,400,000 square feet of office space, 245,000 square feet of retail space, and 1,000 to 1,600 for-rent multifamily residential units; 40% of the residential units will be affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

Please note, the twelfth Block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. However, the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds; therefore, Block D2 is excluded from this appraisal.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of the City and County of San Francisco. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

As a result of the analyses herein, the market value, by ownership, of the appraised properties, subject to a hypothetical condition, as of September 15, 2023, is presented in the table below.

<b>Value Conclusions</b>				
<b>Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership</b>				
<b>Ownership</b>	<b>Tax Zone / Phase</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value Conclusion</b>
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$211,630,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$142,890,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$96,920,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$246,440,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	September 15, 2023	\$1,000,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$698,880,000</b>



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### **Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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Ms. Anna Van Degna  
City and County of San Francisco  
September 28, 2023  
Page 4

Our valuation is based on the best information available as of the effective date of value.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - SAN FRANCISCO**

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# Summary of Salient Facts and Conclusions

Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Address	Terry A. Francois Blvd. San Francisco, San Francisco County, California 94158
Property Type	Development Site - Proposed Mixed Use Project
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)
Tax ID	8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001
Land Area	7.91 acres; 344,560 SF
Zoning Designation	MR-MU, Mission Rock Mixed Use
Highest and Best Use	Mixed use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	September 15, 2023
Date of the Report	September 28, 2023
Property Interest Appraised	Leasehold

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the City and County of San Francisco and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

## Value Conclusions

### Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership

Ownership	Tax Zone / Phase	Interest Appraised	Date of Value	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$211,630,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$142,890,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$96,920,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$246,440,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	September 15, 2023	\$1,000,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$698,880,000</b>

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### **Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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## General Information

### Identification of Appraised Property

The subject property represents the taxable land areas within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The subject comprises 11 of the 12 Blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, and is located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, which is entitled for the development of 1,400,000 square feet of office space, 245,000 square feet of retail space, and 1,000 to 1,600 for-rent multifamily residential units; 40% of the residential units will be affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

The twelfth Block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. Because the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds, Block D2 is excluded from this appraisal.

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#### Property Identification

Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Address	Terry A. Francois Blvd. San Francisco, California 94158
Tax ID	8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)

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A summary of the subject Blocks and associated acreage/square feet of land area is provided on the following page. The project is divided into two tax zones and will be developed over four phases, with Phase 1a coinciding with Tax Zone 1 (Phase 1b comprises China Basin Park, which is not taxable) and Phases 2, 3, and 4 comprising Tax Zone 2. The subject Blocks are part of a larger 28-acre site, which includes Pier 48 as well as various proposed parks and open spaces.

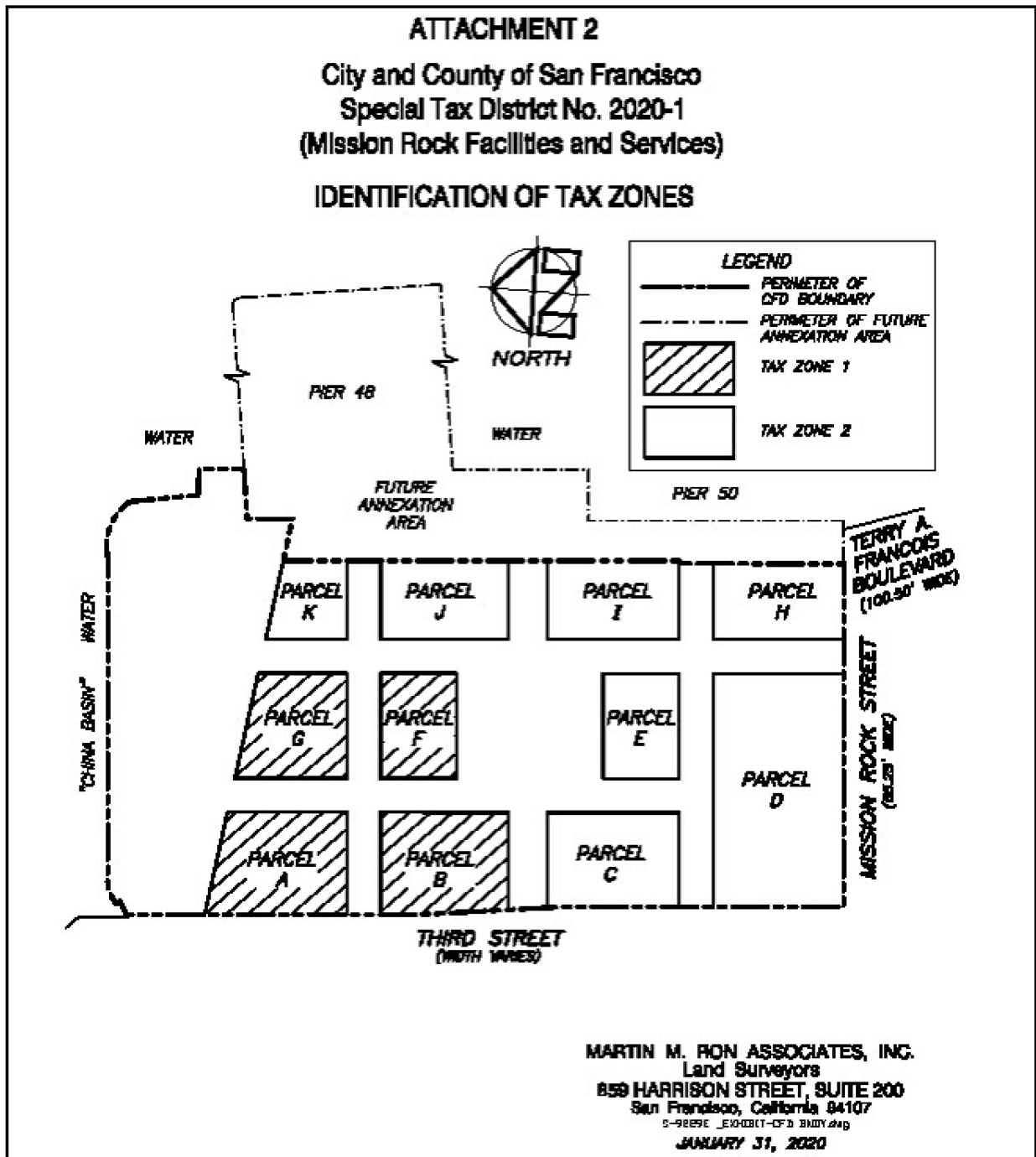


<b>Block Overview</b>					
Block	Phase	Tax Zone	Acreage	Square Feet	Use^
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Office/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
<b>Total Taxable Land Area</b>			<b>7.91</b>	<b>344,560</b>	
D2*	2	2	1.62	70,567	Parking

*\*Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.*

*^Retail land uses are not subject to the lien of the special tax securing the Bonds .*





## Sale History

The underlying land supporting the subject property, and the larger 28-acre site of which the subject is a part, is owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission (“Port”). The Port entered into a 30-year ground lease agreement in 2018 with the master developer, known as Seawall Lot 337 Associates, LLC, which is the leasehold owner in the subject property. The ground lease permits the master developer to construct horizontal improvements within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The ground lease is terminated when the Port has issued the final certificate of occupancy for the project and accepted the final audit.

The ground leasehold interests in the four developable Blocks comprising Phase 1a of the Mission Rock Project, Block A, Block B, Block F and Block G, have each been conveyed from the Port and the master developer, Seawall Lot 337 Associates, LLC, under the Disposition and Development Agreement (DDA) pertaining to the (master) ground lease to the vertical developers pursuant to the Vertical Disposition and Development Agreement (VDDA). Under such agreement, each vertical developer is obligated to prepay the proportionate share of the (master) ground lease. Blocks A, B and F executed the parcel lease for vertical development in October 2020; whereas, Block G executed the parcel lease for vertical development in June 2020. The prepaid ground lease cost for Block A was \$11,300,000, Block B was \$4,000,000, Block F was \$23,700,000 and Block G was \$4,000,000. The determination of transfer price was through an independent appraisal of each Block, with a negotiation between the master developer, Seawall Lot 337 Associates, LLC, and buyer (vertical developers). Given the unique nature of each Block’s determined transfer price (at the time of sale), coupled with the significant development costs incurred and impact fees paid to date, prior transfers of the Block 1a parcels are not considered applicable to the estimates of current market value, subject to the hypothetical condition cited herein.

## Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date, beyond that described herein as part of the Disposition and Development Agreement and Vertical Disposition and Development Agreement referenced above.

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the leasehold interest in the taxable properties subject to the lien of the respective special taxes securing the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline (Tax Zone 1) Special Tax Bonds as of the effective date of the appraisal, September 15, 2023. The date of the report is September 28, 2023. The appraisal is valid only as of the stated effective date.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of Property Rights Appraised

Leasehold interest is defined as, “The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.”

Lease is defined as: “A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015))*

## Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client and intended user are the City and County of San Francisco and the associated Finance Team. The appraisal is not intended for any other use or user. No party or parties other than the City and County of San Francisco and the associated finance team may use or rely on the information, opinions, and conclusions contained in this report; however, this appraisal report may be included in the offering document provided in connection with the issuance and sale of the Bonds.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);

- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010.

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have prepared two previous appraisals of the subject property for the current client. We have provided no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Numerous documents were provided for the appraisal, including: developer’s budget, tentative map, project renderings, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Francisco County Assessor’s office online resource.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the

neighborhood and market area, newspaper articles, and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining entitlements, completion of spinal infrastructure and/or recordation of final subdivision maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), subject to the Lien of the Special Tax securing the Bonds, the market value by ownership of the taxable components comprising Special Tax District No. 2020-1 was estimated using multiple approaches to value.

The valuation begins with direct capitalization analyses to determine the market value of the proposed vertical (leasehold) improvements as if stabilized. Then extraction analyses are employed to estimate of the market value of each of the subject Blocks in their as is condition (substantially improved for Phase 1a and land for Phases 2 through 4). This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each Block and deducts these costs from the market value as if stabilized to arrive at the value of the property.

As the four Blocks comprising Phase 1a (Tax Zone 1) are all under vertical construction and held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks is considered on a proportionate share per Block.

Finally, the subdivision development method is employed to estimate the market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2) of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline (Tax Zone 1) Special Tax Bonds. The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses, and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered.

## **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**

Laura Diaz, MAI conducted an on-site of the subject property on August 4, 2023. Eric Segal, MAI and Kevin Ziegenmeyer, MAI have also inspected the subject property.





# Economic Analysis

## Area Analysis - San Francisco

### Introduction

San Francisco is one of nine counties that comprise the greater San Francisco Bay Area. Spanning 47 square miles of peninsula land between the Pacific Ocean and San Francisco Bay, San Francisco County is unique in that it also defines the boundaries of the city of San Francisco. San Mateo County lies directly to the south, Marin County lies to the north, across the Golden Gate Bridge, and Alameda County lies to the east, across the Bay Bridge. San Francisco is the geographic and economic center of the Bay Area.

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. 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 7.5 million residents and has shown an average decline in population of 0.5% per year over the past five years. San Francisco County has had an average decline of 1.2% per year. The following table shows recent population trends for San Francisco County, as well as the other counties that make up the Bay Area.

Population Trends							
County	2018	2019	2020	2021	2022	2023	%/Yr
Alameda	1,651,760	1,659,608	1,682,353	1,663,371	1,644,248	1,636,194	-0.2%
Contra Costa	1,143,188	1,147,623	1,165,927	1,161,238	1,151,798	1,147,653	0.1%
Marin	262,179	261,478	262,321	259,087	255,470	252,959	-0.7%
Napa	140,340	139,608	138,019	137,484	135,941	134,637	-0.8%
<b>San Francisco</b>	<b>885,716</b>	<b>886,885</b>	<b>873,965</b>	<b>853,414</b>	<b>837,036</b>	<b>831,703</b>	<b>-1.2%</b>
San Mateo	770,927	771,160	764,442	754,439	740,821	737,644	-0.9%
Santa Clara	1,943,579	1,944,733	1,936,259	1,910,551	1,890,967	1,886,079	-0.6%
Solano	436,813	438,205	453,491	449,116	445,881	443,749	0.3%
Sonoma	500,485	495,919	488,863	484,055	480,623	478,174	-0.9%
<b>Total</b>	<b>7,734,987</b>	<b>7,745,219</b>	<b>7,765,640</b>	<b>7,672,755</b>	<b>7,582,785</b>	<b>7,548,792</b>	<b>-0.5%</b>

Source: California Department of Finance

### Employment & Economy

The California Employment Development Department has reported the following employment data for the City/County of San Francisco over the past five years.

<b>Employment Trends</b>						
	2017	2018	2019	2020	2021	2022
Labor Force	563,000	568,700	580,900	560,100	548,600	572,600
Employment	546,400	555,100	568,000	515,600	520,800	558,000
Annual Employment Change	9,400	8,700	12,900	(52,400)	5,200	37,200
Unemployment Rate	2.9%	2.4%	2.2%	7.9%	5.1%	2.5%

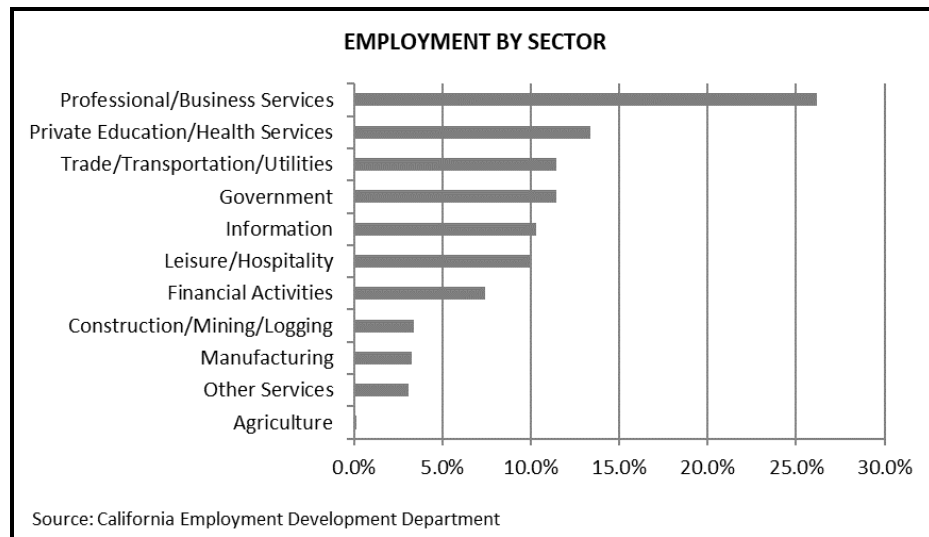
Source: California Employment Development Department

Most areas within the state and nation, including San Francisco County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, declines between 2011 and 2019, a significant increase in 2020 and improvement in 2021 and 2022.

The California Employment Development Department reported an unemployment rate of 3.2% in San Francisco County in June 2023, up from 2.5% a year prior and compared to 4.9% for California and 3.8% for the nation.

As of June 2023, it was reported the San Francisco Metro (San Francisco and San Mateo Counties) gained 30,600 jobs (2.6% increase) year-over-year as many of the jobs lost during the pandemic continue to be restored. The greatest job gain was in the Leisure and Hospitality sector with 12,800 jobs added, followed by the Private Education and Health Services sector with 12,100 jobs gained.

The following chart indicates the percentage of total employment for each sector within the city/county as of June 2023.



San Francisco’s largest employment sector is Professional and Business Services, accounting for roughly 26.2% 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 Private Education 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.



<b>Largest Employers</b>			
	Employer	Industry	Employees
1	City and County of San Francisco	Government	35,802
2	University of California San Francisco	Education	29,500
3	Salesforce	Technology	10,603
4	San Francisco Unified School District	Education	10,322
5	Sutter Health	Healthcare	6,100
6	Wells Fargo & Co.	Financial Activities	5,899
7	Uber Technologies, Inc.	Transportation	5,500
8	Allied Universal	Other Services	4,095
9	Kaiser Permanente	Healthcare	3,921
10	First Republic Bank	Financial Activities	3,042

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2022

Since the publication date of the rankings above, JPMorgan Chase & Co. acquired the substantial majority of assets and assumed the deposits and certain other liabilities of First Republic Bank from the Federal Deposit Insurance Corporation.

### 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 noted 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.

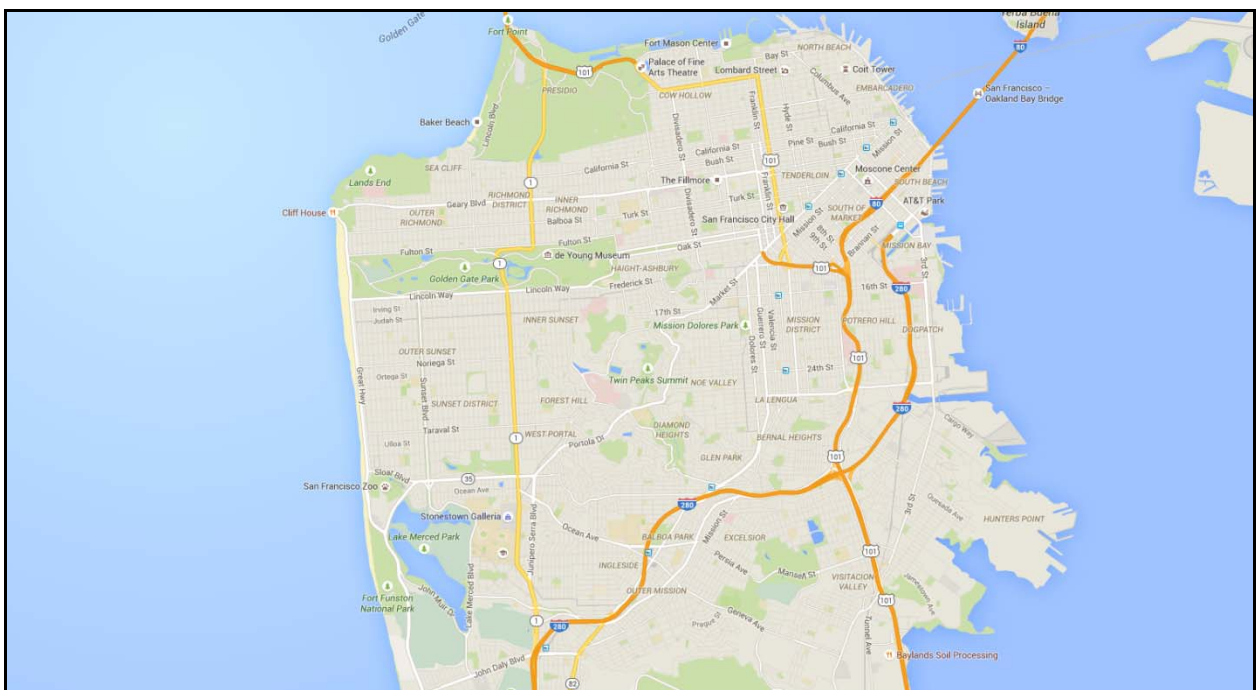
### Household Income

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. According to Claritas Spotlight data reporting service, the median household income estimated for San Francisco County in 2023 is \$140,697. This is significantly higher than the state of California's median income of \$89,113. The county's income is the fourth highest among California counties, trailing Santa Clara, San Mateo and Marin counties.

## Neighborhoods

San Francisco is identified by many smaller submarkets or neighborhoods. The main neighborhoods are described in the following paragraphs based on information from [onlyinsanfrancisco.com](http://onlyinsanfrancisco.com) and Urban Bay Properties.



**Castro/Upper Market:** San Francisco's historic F-Line streetcars are one of the best ways to reach the Castro and Upper Market areas. The Castro, and nearby Noe Valley, offer village-like amenities including pedestrian-friendly streets, Victorian homes in historic Eureka Valley, an array of trendy stores and outdoor cafes for the "see and scene" crowd. The upper stretch of Market Street coils around the lower reaches of Twin Peaks. Noted for their sweeping vistas of the Bay Area, these crests are popular with sightseers. Glen Park on the lower slopes of Diamond Heights has a canyon park and is near a BART station.

**Chinatown:** The entrance to Chinatown at Grant Avenue and Bush Street is called the "Dragon's Gate." Inside are 24 blocks of hustle and bustle, most of it taking place along Grant, the oldest street in San Francisco. This city within a city is best explored on foot; exotic shops, food markets, temples and small museums are comprised within its boundaries. The former central telephone exchange of the Pacific Telephone and Telegraph Company stands at 743 Washington Street. Now a bank, it is the

first Chinese-style building constructed in San Francisco, and the exact site where California's first newspaper was printed.

**Civic Center:** San Francisco's widest street, Van Ness Avenue, runs down the middle of Civic Center. A short distance from Civic Center is Hayes Valley, which boasts galleries, antique shops, restaurants, and book stores. 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 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 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:** Pre-pandemic, Union Square was an international shopping destination; though, the neighborhood has suffered the loss of several major retailers in recent years. Union Square is 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 Oracle 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 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 is planned to 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. Professional sports teams in the Bay Area include the San Francisco Giants (baseball), Golden State Warriors (basketball), San Francisco 49ers (football), San Jose Sharks (hockey) and San Jose Earthquakes (soccer).

San Francisco is known for drawing tourists from around the globe with its wide array of attractions. Major points of interest include Alcatraz Island, Angel Island, Fisherman’s Wharf, the Embarcadero, the Aquarium of the Bay, and a city zoo. The 1,000-acre Golden Gate Park is San Francisco’s largest park and offers a treasure trove of attractions, including Strybing Arboretum and Botanical Gardens, a biodiversity hub with 6,000 plant species and a towering display of California redwoods; the Japanese Tea Garden; a children’s playground; the Asian Art Museum; MH de Young Memorial Museum; and the California Academy of Sciences.

## Conclusion

San Francisco is one of the largest metropolitan areas in the U.S. and serves as a hub for international commerce, financial services, and tourism. The city is densely built-out with a limited supply of developable land. In recent years, the region experienced strong employment and economic conditions, and favorable conditions in most real estate sectors. However, employment conditions declined sharply after the onset of the pandemic, with gradual improvement as the economy has recovered. Market and economic conditions have likewise improved as jobs and residents have returned to the metro, but most commercial real estate markets remain at conditions below their pre-pandemic levels. Additionally, current macroeconomic factors, particularly high inflation, and rising interest rates, have reintroduced uncertainty in the market.





## Surrounding Area Analysis

### Boundaries

The subject is located in the Mission Bay neighborhood of San Francisco. The approximate boundaries of the Mission Bay district are described as follows:

<b>North</b>	Townsend Street
<b>South</b>	Mariposa Street
<b>East</b>	San Francisco Bay
<b>West</b>	Interstate 280

A map identifying the location of the property follows this section. The subject property specifically is located within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The boundaries of the district are provided below.

<b>North</b>	McCovey Cove
<b>South</b>	Mission Rock Street
<b>East</b>	Terry A. Francois Boulevard
<b>West</b>	3 <sup>rd</sup> Street

### Access and Linkages

The subject's neighborhood has adequate street and freeway access. 3<sup>rd</sup> and 4<sup>th</sup> Streets are north/south arterials connecting the subject's neighborhood to Market Street, the Civic Center, and Union Square. Brannan and Bryant Streets function as major northeast/southwest thoroughfares running through the South of Market (SoMa) area, south of I-80. Folsom and Harrison Streets run in a similar direction north of the subject neighborhood, but north of I-80. Just north of Mission Bay, San Francisco's Embarcadero provides north/south access along the San Francisco Bay waterfront.

Interstate 80 (the Oakland-San Francisco Bay Bridge), which provides access to Oakland and the East Bay, is accessible from Bryant Street at 2<sup>nd</sup> Street, 4<sup>th</sup>/5<sup>th</sup> Streets, and 7<sup>th</sup> Street, just outside the subject neighborhood. Primary interstate access to the subject's immediate neighborhood is provided by I-280/ U.S. Highway 101 from Mariposa Street, several blocks south of the subject. Highway 101 runs north/south through the city, before connecting San Francisco to Marin County to the north and San Mateo and Santa Clara counties to the south. Interstate 280 forms the southern boundary of Bernal Heights before intersecting with Highway 101 and continuing northward to Interstate 80.

The subject is located approximately two miles east of the Civic Center Station and just under two miles south of the Montgomery Street Station, where both Bay Area Rapid Transit (BART) and MUNI are available. MUNI, which provides bus, light rail, cable car, and electric street car services throughout San Francisco, also offers multiple bus stops within a quarter mile of the subject property. In addition, the Caltrain station at 4<sup>th</sup> Street is approximately half a mile north of the subject property, along King Street. Caltrain provides commuter rail service between San Francisco and Gilroy in the South Bay. The subject is approximately one and a half miles southeast from the new Salesforce

Transit Center, a \$6 billion project intended to serve as the primary bus terminal (completed in Phase 1) and future rail terminal for the Bay area.

The local market perceives public transportation as average to good compared to other areas in the region. While automobile use is prevalent, the primary mode of transportation in San Francisco is bus and train service. In fact, the City's current development policy discourages excess parking at new developments in an effort to promote public transportation and bicycle use.

The San Francisco International Airport is located approximately 12 miles south of the subject property; travel time is about 20-40 minutes, depending on traffic conditions and mode of transportation. The Oakland International Airport is located approximately 18 miles east of the subject property. The San Francisco Financial District, the economic and cultural center of the region, is approximately two miles from the property.

The following map depicts public transit options in the subject neighborhood, including planned transit improvements.



## Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

<b>Surrounding Area Demographics</b>					
2023 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	San Francisco City & County	San Francisco-Oakland MSA
Population 2020	27,103	201,099	774,784	873,965	4,749,008
Population 2023	27,207	196,508	742,913	831,958	4,672,808
Population 2028	28,727	201,599	742,247	829,076	4,708,625
Compound % Change 2020-2023	0.1%	-0.8%	-1.4%	-1.6%	-0.5%
Compound % Change 2023-2028	1.1%	0.5%	0.0%	-0.1%	0.2%
Households 2020	13,134	90,578	317,360	371,851	1,744,100
Households 2023	13,064	89,221	307,104	358,729	1,712,517
Households 2028	13,730	92,590	310,501	362,944	1,725,723
Compound % Change 2020-2023	-0.2%	-0.5%	-1.1%	-1.2%	-0.6%
Compound % Change 2023-2028	1.0%	0.7%	0.2%	0.2%	0.2%
Median Household Income 2023	\$199,386	\$133,770	\$130,328	\$140,697	\$127,870
Average Household Size	1.9	2.0	2.3	2.2	2.7
College Graduate %	75%	56%	53%	59%	51%
Median Age	36	40	40	40	40
Owner Occupied %	33%	30%	38%	38%	55%
Renter Occupied %	67%	70%	62%	62%	45%
Median Owner Occupied Housing Value	\$1,873,540	\$1,448,779	\$1,356,734	\$1,845,484	\$1,202,706
Median Year Structure Built	2005	1969	1954	1942	1967
Average Travel Time to Work in Minutes	38	35	36	37	38

Source: Claritas

As shown above, the current population within a 10-minute drive time of the subject is 196,508, and the average household size is 2.0. Population in the area has declined since the 2020 census, but the trend is projected to change to growth over the next five years. This is in contrast to the population of San Francisco County, which is projected to decline, as discussed previously.

Median household income within a ten-minute drive time is \$133,770, which is lower than the household income for San Francisco County. However, residents within a five-minute drive have a median household income of \$199,386, which is higher than the County of San Francisco and the San Francisco-Oakland Metropolitan Statistical Area (MSA). Residents within a ten-minute drive time have a lower level of educational attainment than those of San Francisco County, while median owner occupied home values are considerably lower. Conversely, residents within a five-minute drive time have a higher level of education attainment and higher median owner occupied home values when compared to San Francisco County.

## Land Use

The area is urban in character and in the redevelopment phase of its life cycle. Land uses immediately surrounding the subject reflect a mix of residential and commercial properties, along with some public open spaces. Typical ages of building improvements range from new to greater than 50 years. As noted in the previous demographics table, the median year built for structures within a five-minute

drive time is 2007, significantly newer than the median age for structures in San Francisco overall. New development in the past five years has included multiple multifamily residential and mixed-use projects, as well as construction of new hospital and research/development improvements at and around the 43-acre UC San Francisco medical and research campus (located just southwest of the subject along 3<sup>rd</sup> Street.

Other land use characteristics are summarized as follows:

<b>Surrounding Area Land Uses</b>	
Character of Area	Urban
Predominant Housing Age (Both Ownership and Rental)	New to 15 years
Predominant Quality and Condition	Average to above average
Approximate Percent Developed	80%
Percent Developed by Land use	50% Multifamily; 0% Single Family; 50% Commercial
Infrastructure/Planning	Average
Prospective Change in Land Use	On-going; redevelopment of subject
Prevailing Direction of Growth	Infill

In addition, Oracle Park is located just north of McCovey Cove from the subject property, within walking distance. The subject property enjoys views of the baseball stadium and the San Francisco Bay. The new Chase Center, completed in 2019 and home to the Golden State Warriors, is located approximately half a mile south of the subject property between 3<sup>rd</sup> Street and Terry A. Francois Boulevard.

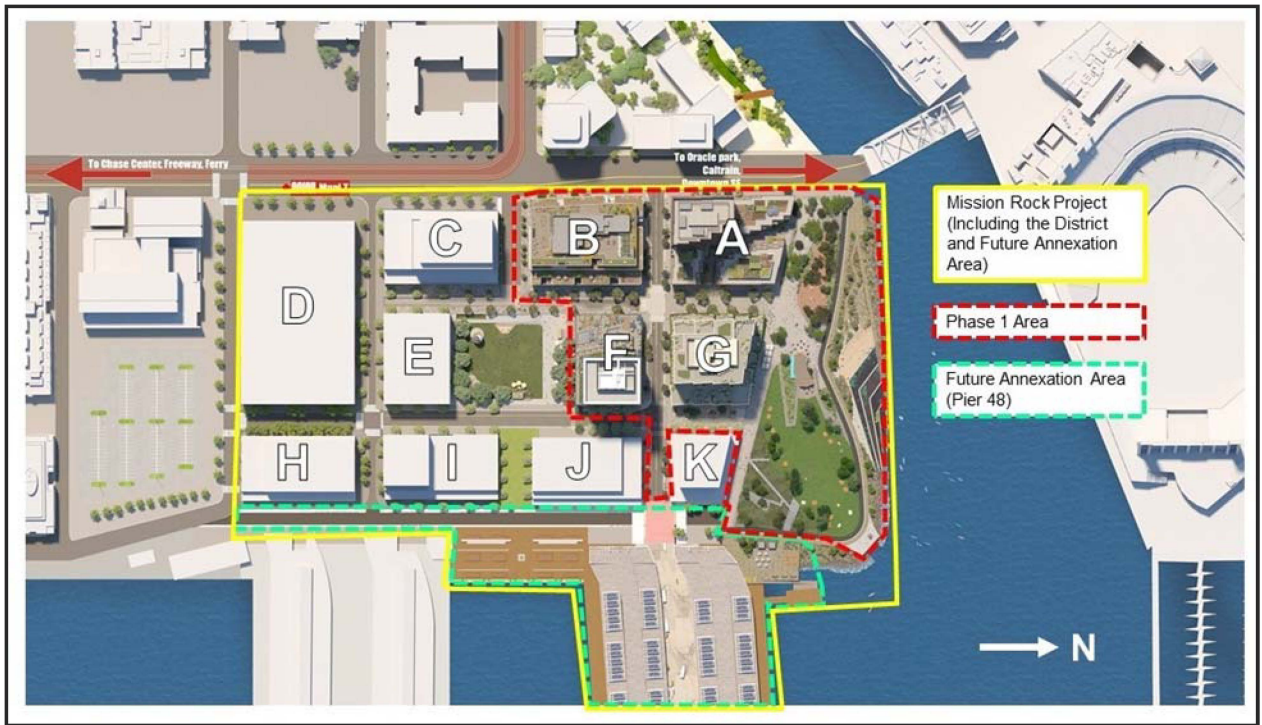
<b>Subject's Immediate Surroundings</b>	
North	McCovey Cove and Oracle Park
South	Multifamily residential, retail/office use, police station
East	Pier 48, Pier 50, San Francisco Bay
West	Multifamily residential, retail/office use

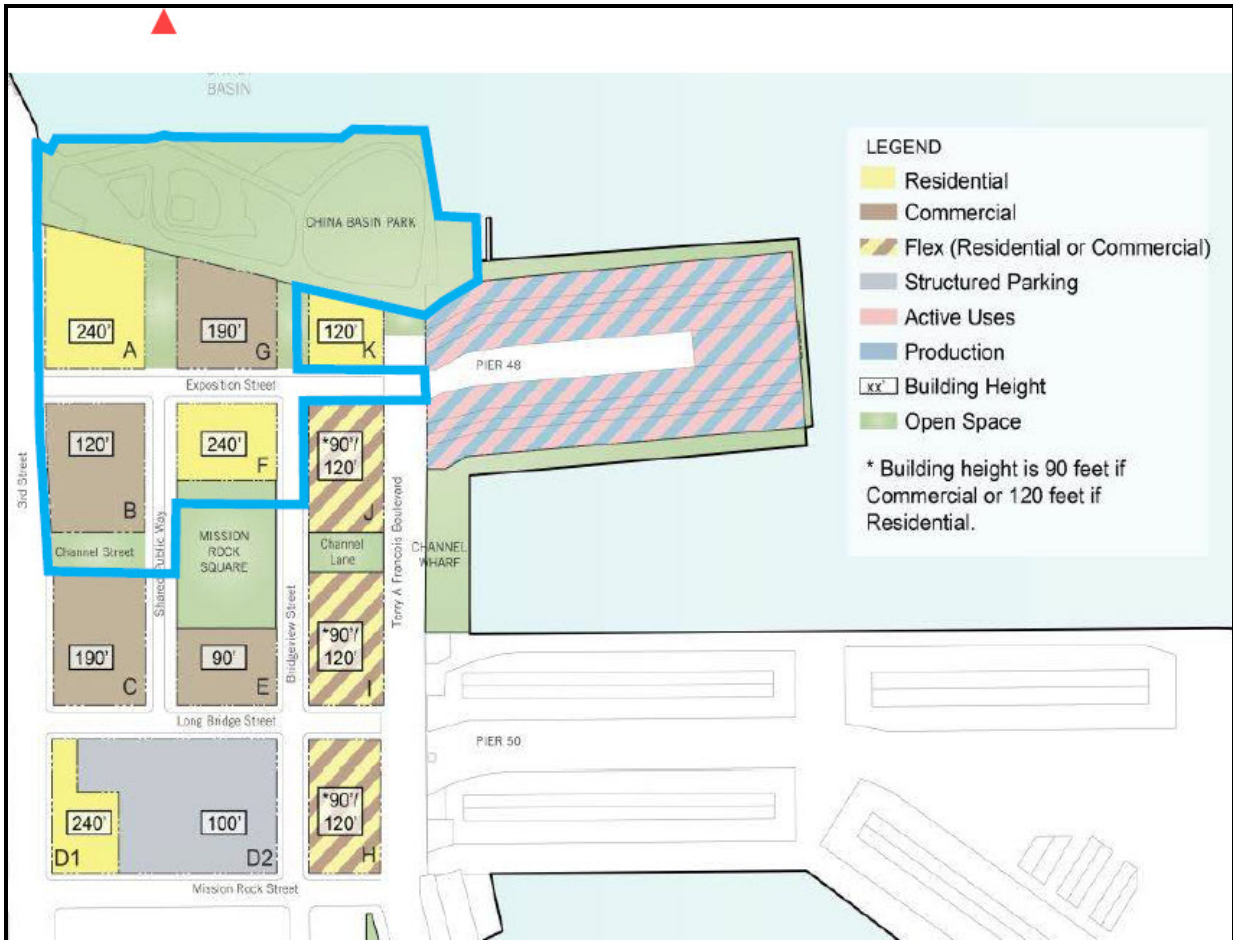
The following map from a marketing brochure Mission Rock highlights notable land uses in the area.





The following maps depict proposed land uses within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), as well as the boundary of Phase 1a.





Phase 1a (and 1b, comprises China Basin Park) of the project is outlined in blue in the above table and in red in the previous table. Blocks H, I, and J, which are designated as flex in the rendering above, will include residential use on Block H and office use on Blocks I and J. Block D2 will include a parking garage which is intended to serve the entire project with up to 3,000 parking spaces available for rent. Though the parking garage will also be used for San Francisco Giants games/events, the parking allocation for the subject’s residential buildings will be at least 0.50 spaces per market rate unit, in compliance with the subject’s Covenants, Conditions, and Restrictions. The project will also include several parks, open spaces, and paseos. A summary of parks and open space within the Special Tax District boundary is provided in the following table.

Parks & Open Space		
Name	Acreage	Square Feet
China Basin Park	4.27	186,001
Channel Street	0.27	11,761
Channel Lane	0.22	9,583
Mission Rock Square	1.11	48,352
	5.87	255,697

\*Excludes Channel Wharf (0.48 acres) & Pier 48 (8.02 acres), which will be annexed later.



The following graphics are conceptual plans for the China Basin Park adjacent to McCovey Cove.



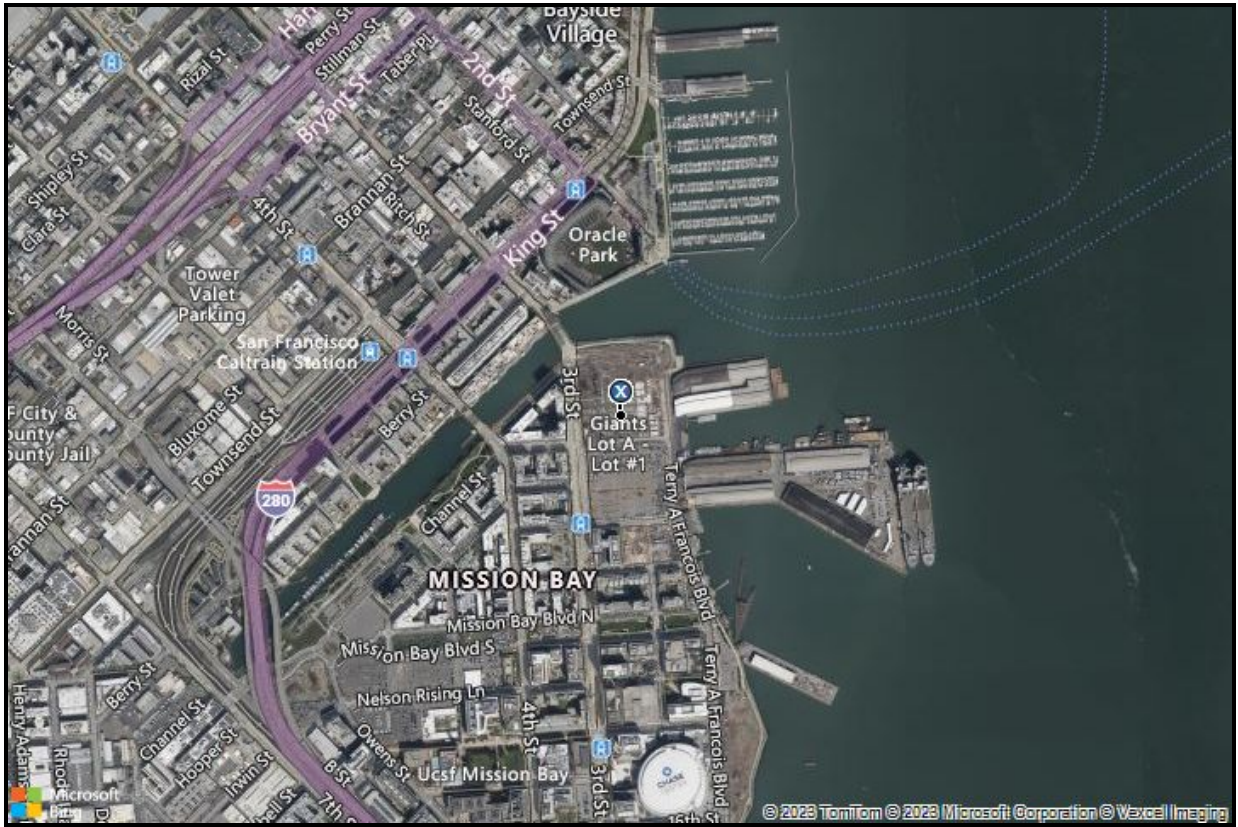


**Outlook and Conclusions**

The area is in the redevelopment stage of its life cycle. In addition to the subject proposal, the neighborhood has seen significant development in the past five to ten years, including multifamily (for rent and for sale) projects, new office, biomedical, and research and development improvements, hospital development, and sports arena construction. Prior to the COVID-19 pandemic, property values were increasing in the area. While the effects of the pandemic continue to have a negative impact on commercial property values, based on interviews with multiple commercial and market participants, it is anticipated property values will stabilize and begin to recover over the next several years.

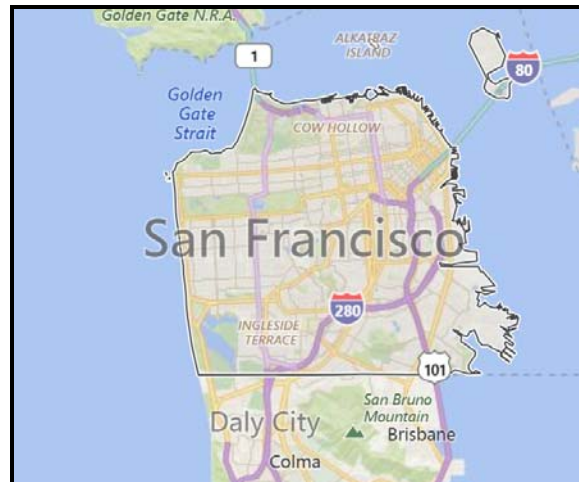


### Surrounding Area Map



## Multifamily Market Analysis

The subject is located within the San Francisco apartment market area, defined as the city/county limits, as highlighted in the map below.



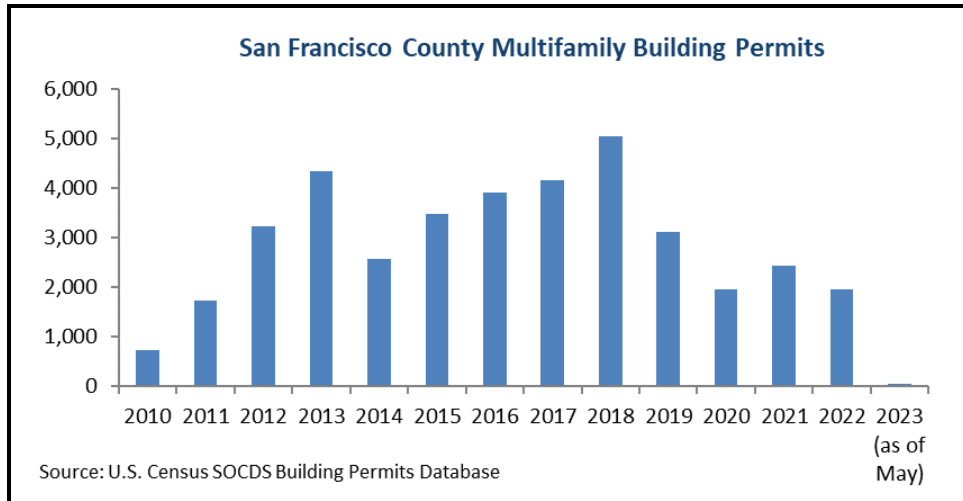
The San Francisco Bay Area multifamily market experienced strong demand during the last expansion cycle as tech companies expanded rapidly in the region. Multifamily construction activity surged, with demand keeping pace with development prior to the pandemic, resulting in vacancy rates throughout most of the areas in or below the 5% range. Market conditions declined significantly after the onset of the pandemic but have been slowly improving as renter demand has returned. Nonetheless, conditions remain below their pre-pandemic levels.

The following excerpt published by Costar summarizes the state of the market.

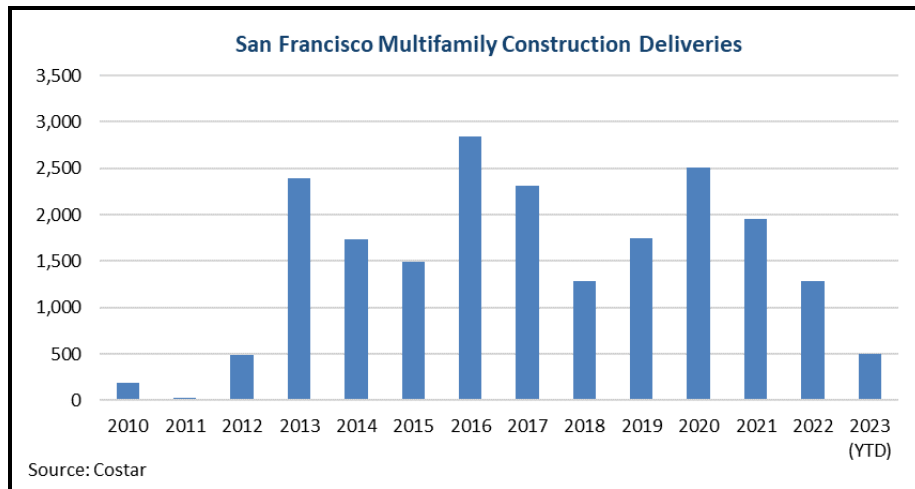
*“As of the third quarter of 2023, the San Francisco apartment market is showing signs of stability after the volatility of recent years. Vacancy has levelled-off, albeit at a higher level than before the pandemic. Rent growth is generally flat, and construction activity has shifted from the city of San Francisco to the peninsula. Investment activity is muted, reflecting broader economic headwinds. In 2020, when the pandemic hit and San Francisco went into an extended lockdown, many renters, who were already overwhelmed by the high cost of housing, took the opportunity to leave the city in search of less expensive alternatives. Almost 10,000 units were vacated, as the vacancy rate increased to 11.3%, while market rents fell by 11%. Moving into the second half of 2023, this loss of workforce and population has only partially recovered. Unlike most other markets in the Bay area, apartment demand in San Francisco is still below pre-pandemic levels. Vacancy in the second quarter is 6.9%, and rents are lower than they were in 2019... Looking ahead, positive absorption is projected for the metro market, but the rate of improvement in areas close to downtown San Francisco will depend upon both a return to in-office working and improvements to safety and security. Social problems associated with homelessness, drug activity and crime are a significant disincentive to residents... There is additional uncertainty around employment, as tech companies implement hiring freezes and layoffs.”*

### New Construction

The following chart indicates the number of multifamily building permits issued since 2010 in San Francisco County according to US Census Bureau data. It is noted these figures include for-rent apartments and for-sale condominiums within projects with five or more units.



Permit activity for multifamily projects was low during the 2008-2010 recession years, with increases beginning in 2011/2012 as developers began responding to improving market conditions. In recent years, the majority of new developments have been concentrated in the South of Market (SoMa), Mission Bay/China Basin/Potrero Hill and Haight-Ashbury/Castro/Noe Valley/Mission District submarkets. The following summarizes new construction deliveries since 2010.



Though it has slowed considerably, construction remains active as high-rise projects typically require several years to complete. However, as construction costs have steadily increased in recent years, developers have been re-evaluating the feasibility of new development and there have been fewer



new projects breaking ground since mid-2018. Some of the significant apartment projects recently delivered or under construction are summarized as follows:

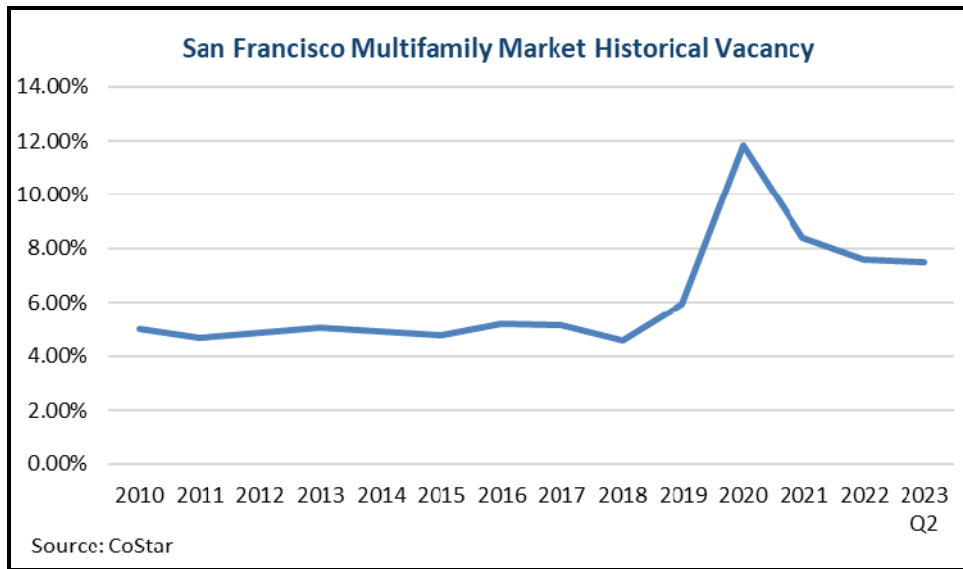
#### San Francisco Multifamily New Construction

Project	Number of Units	Submarket	Completion
HQ / 1532 Harrison Street	136	Mission District	Completed Q2 2021
Trinity Place / 1177 Market Street	502	South of Market	Completed Q3 2021
Hanover Soma West Apts / 1140	372	South of Market	Completed Q3 2021
Astella / 955 Bryant Street	185	Mission Bay	Completed Q3 2021
Chorus / 30 Otis Street	416	Haight-Ashbury	Completed Q3 2021
Vance / 830 Eddy Street	137	Richmond/Western Addition	Completed Q4 2021
Prism Apartments / 1028 Market Street	186	Mid-Market	Completed Q1 2022
The George / 434 Minna Street	302	South of Market	Completed Q1 2022
TL 361 / 361 Turk Street	240	Civic Center	Completed Q4 2022
The Brady / 1 Brady St, 1629 Market St	444	South of Market	Completed Q3 2022
Ventana Residences / 99 Ocean Ave	193	Bayview / Visitacion Valley	Completed Q2 2023
The Canyon / 1023 3rd Street	283	Mission Bay	Completed Q2 2023
4840 Mission Street	137	Bayview / Visitacion Valley	Q3 2023
Hawkins / 55 Bruton Street	178	Treasure Island	Q3 2024
Mission Rock - Building F	255	Mission Bay	Q4 2024
Tidal House / 39 Bruton Street	250	Treasure Island	Q1 2025
988 Harrison St	90	South of Market	Q1 2025
1 Avenue of the Palms	117	Treasure Island	Q2 2025
401 Avenue A	160	Treasure Island	Q2 2026
360 5th Street	127	South of Market	Q2 2026

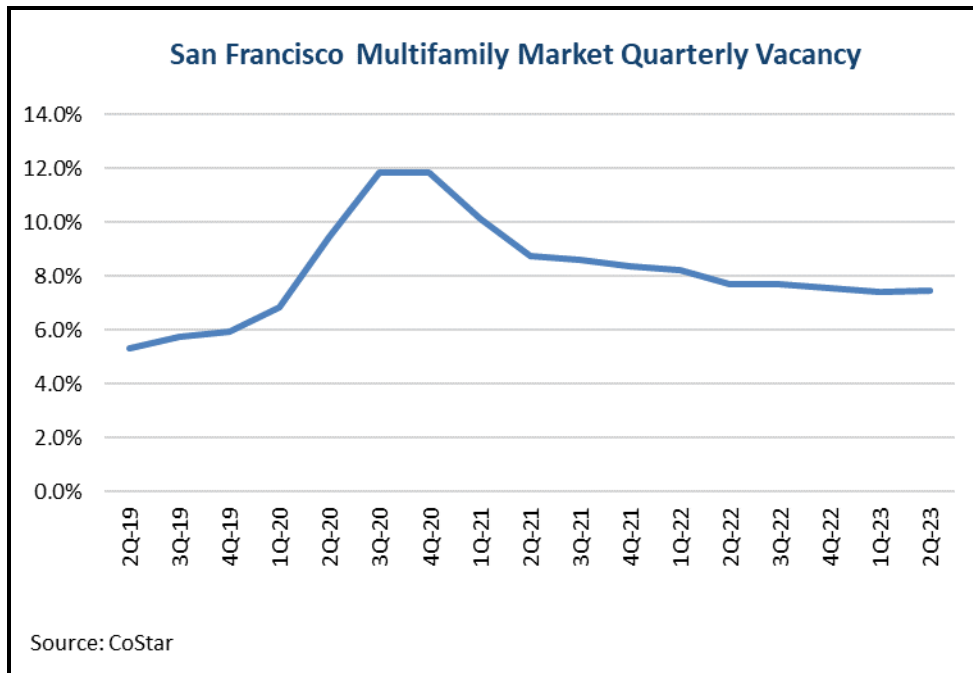
Source: Costar

#### Vacancy

Historically speaking, the apartment market in San Francisco has maintained relatively low vacancy and over the last decade, the region's average vacancy rate has remained generally under 5%, with a significant increase in 2020 to nearly 12%, as indicated in the following table.



The average overall vacancy rate fluctuated between 4.6% to 6.0% during 2018 and 2019 and began increasing in the first quarter of 2020, with a reported rate of 6.9%. The rate further increased each subsequent quarter in 2020 following the onset of the pandemic with improvement beginning in 2021 and then leveling off through 2022 and into 2023, as illustrated below.

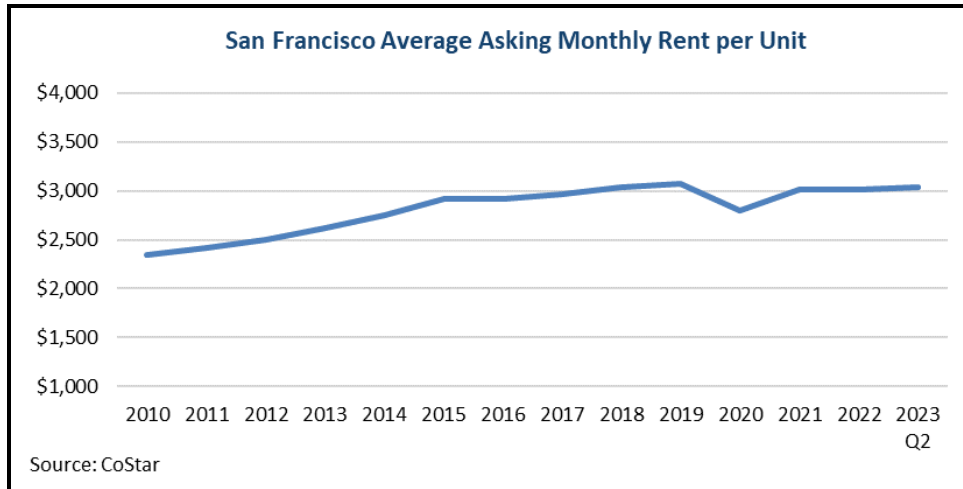


As of the second quarter 2023, the overall average vacancy was reported at 7.5%, a 10-basis point increase over the first quarter and a 20-basis point decrease year-over-year.



**Rental Rates**

The following chart highlights trends in the average asking monthly rental rate for multifamily units in the San Francisco market area, as reported by Costar. Guarded reliance should be placed on reported average asking rental rates due to the number of variables impacting these figures.



According to this report, the average asking monthly rental rate as of the second quarter 2023 was \$3,041, up from \$3,028 in the first quarter 2023 and down from \$3,082 a year prior. Rental rate growth had been moderating since 2016 and declined significantly following the onset of the pandemic, while rent concessions increased substantially. Luxury apartments were the most heavily impacted and offered the greatest discounts, as they faced a slow leasing environment as well as additional competition from newly constructed projects. Rental rates began improving in 2021 after five quarters of decline and have been relatively stable over the past two years.

**Submarket Data**

New construction activity over the past five years has been heavily concentrated in the South of Market submarket, with development also occurring in Haight-Ashbury/Castro/Noe Valley/Mission District and Mission Bay/China Basin/Potrero Hill.

Average asking rental rates ranged from \$2,421 per unit/month in the Civic Center / Tenderloin submarket to \$3,916 per unit/month in the Mission Bay/China Basin/Potrero Hill submarket. Average asking rents decreased year-over-year in most submarkets, ranging from 0.3% decline in Downtown San Francisco to 7.4% decline in the Sunset/Lakeshore submarket. The Marina/Pacific Heights/Presidio submarket was the only one to show annual rent growth of 0.8%.

In terms of vacancy, a rate of 0% was reported for Treasure/Yerba Buena Island; however, it is noted only 430 units are considered in the survey and these units reflect older, existing housing stock. The next lowest vacancy is in the Marina/Pacific Heights/Presidio submarket at 5.6%. The highest overall vacancies were reported in the Bayview/Visitacion Valley and Sunset/Lakeshore submarkets at 17.4% and 11.4%, respectively. Vacancy increased from 4.6% last quarter to 17.4% this quarter in the Bayview/Visitacion Valley submarket due to delivery of 193 units.





The following table highlights recent market activity for the submarkets that make up the San Francisco market.

<b>San Francisco Multifamily Market Summary</b>					
Submarket	Inventory (Units)	12-Mo Deliveries	Under Construction	Asking Rents Q2 2023	Vacancy Q2 2023
Bayview / Visitacion Valley	1,330	193	0	\$2,785	17.4%
Civic Center / Tenderloin	10,731	240	0	\$2,421	8.8%
Downtown San Francisco	23,898	0	53	\$2,688	6.3%
Haight-Ashbury/Castro/Noe Valley/Mission District	20,183	519	75	\$3,059	7.8%
Marina/Pacific Heights/Presidio	14,442	0	0	\$3,731	5.6%
Mission Bay/China Basin/Potrero Hill	7,470	307	255	\$3,916	7.2%
Richmond/Western Addition	17,747	0	0	\$2,611	7.5%
South of Market	13,290	0	217	\$3,603	6.5%
Sunset/Lakeshore	9,232	0	0	\$2,910	11.4%
Treasure/Yerba Buena Island	430	0	705	\$2,823	0.0%
<b>San Francisco Market Total</b>	<b>118,753</b>	<b>1,259</b>	<b>1,305</b>	<b>\$3,041</b>	<b>7.5%</b>

Source: Costar

## Sales Activity

The strong market fundamentals and economy in the San Francisco market have historically made it an attractive capital investment market. As rental rates steadily increased following the recession of 2008, capitalization rates decreased and pricing increased, making San Francisco the most expensive multifamily market in the country. Prior to the pandemic, capitalization rates held steady in the high 3% to low 4% range and were among the lowest in the country. Properties with value-add potential were in demand as investors looked to renovate and compete with nearby luxury rentals.

The first quarter 2020 showed signs of moderation as rental rate growth diminished and vacancy rates began stabilizing with new inventory added. The subsequent quarters in 2020 showed declining sales volume and average price per unit, as well as a slight increase in the average capitalization rate due to the effects of the pandemic. Sales volume and pricing have remained subdued as investors continue to exercise caution. Investor interest has further slowed over the past year due to the rapidly rising interest rates and economic uncertainty, both in the local economy and in the nation at large.

## Market Participant Interviews

As part of our research, we discussed the subject and the broader San Francisco multifamily market with two representatives from Greystar, Mr. Cordano and Mr. Valenti. Both representatives we spoke with emphasized that recovery of the multifamily market has varied widely by neighborhood. Residential neighborhoods with reputations as quiet, clean, and safe have been most successful, and this includes Mission Bay. The local market also continues to be impacted by remote work policies. If employees are only required to commute to the office one or two days a week, they may choose to reside outside of San Francisco rather than closer to employment. However, it is noted that those in certain fields, such as the legal and medical professions, have already returned to the office; professionals in these fields are often interested in newer, highly-amenitized apartments. Both representatives noted the Mission Bay neighborhood has benefited from a mini-migration of renters from other neighborhoods.



Overall, rental rates in San Francisco are 8% to 9% below pre-COVID rates, which reflects significant recovery from the 20% to 30% decline seen at the height of the pandemic. Occupancy rates are reportedly back up to 94% to 95%, and multifamily projects are beginning to drop concessions (historically these have only been offered during lease up) which is a positive sign for the local market. The representatives noted that May and June 2023 were strong months for leasing. Despite this, there is very little activity on the sales side. One representative we spoke with is aware of 12 to 15 projects that were brought to market in recent months only to be pulled because they were not generating the offers/interest sellers were hoping.

### **Conclusion**

The San Francisco apartment market was significantly impacted by the effects of the pandemic through 2020, with early signs of improvement emerging in 2021. Job losses, particularly in the retail, hospitality, restaurants and services sectors, were substantial in the economic downturn and have been slow to recover. The high cost of living in the San Francisco market likewise contributed to an outflow of renters, particularly as employees were able to work from home and thus relocated to less expensive and suburban markets.

After a reopening of the economy in mid-June 2021, renters began returning to San Francisco, strengthening occupancy gains. Overall vacancy levels declined and increases in rental rates followed. Despite improvements over the past two years, the market remains below its pre-pandemic levels with regard to rental rates and occupancy. Recovery is expected to be gradual and will depend on the region regaining the workforce and population lost with the pandemic.

## Office Market Analysis

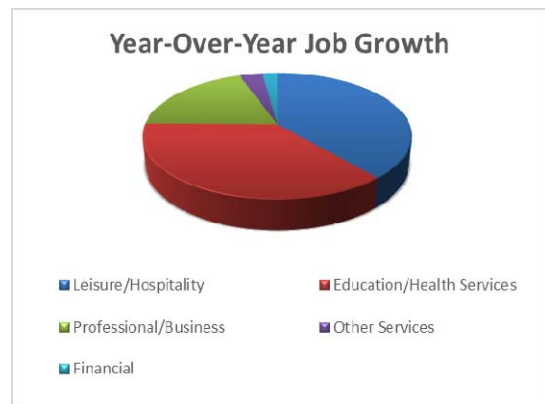
The subject is located within the San Francisco office market area, comprised of the areas within the city of San Francisco with the vast majority of office space inventory, as defined by Cushman and Wakefield reports, which will be relied on in this analysis.

Key market indicators in the San Francisco office market remain well below pre-pandemic levels, as activity continues to be affected by the severe drop in office use. The transition to remote working during the pandemic heavily impacted this market, and the effects are still unfolding. The tech industry, which dominated office demand prior to the pandemic, subsequently led the transition to long-term remote work post-pandemic. Growth plans were halted and office space needs were evaluated, resulting predominantly in downsizing and consolidating. More recently, large tech companies have announced mass employee layoffs, further impacting office demand. Coupled with macroeconomic uncertainty, the office market continues to deteriorate.

Recent leasing activity has been dominated by renewals and subleases; the availability of sublease space continues to increase with the addition of large block spaces, particularly from tech companies offering surplus space. Meta listed a 435,000 square foot building at 181 Fremont Street. Vacancy continues to trend upward, reaching historically high levels as companies' downsizing and rightsizing efforts result in overall occupancy losses, particularly in the North Financial District. However, as will be demonstrated, the subject's Mission Bay neighborhood has lower vacancy rates than many competing submarkets. It is also noteworthy that in March 2023, legislation was introduced to make it easier for developers to redevelop downtown office properties into housing.

## Employment

Economic conditions have been gradually improving in the San Francisco metropolitan area (San Francisco and San Mateo Counties) since the significant decline experienced after the onset of the pandemic. The California Employment Development Department (EDD), reports a job increase of 2.6% in the San Francisco-Redwood City-South San Francisco Metropolitan Division (San Francisco and San Mateo Counties) year-over-year as of June 2023, with 30,600 net jobs gained. The chart to the right illustrates the year-over-year job growth by industry. The highest gains were in Leisure/Hospitality (12,800 jobs gained); Education/Health Services (12,800 jobs gained) and Professional/Business Services (6,400 jobs gained). The biggest year-over-year loss in jobs was Construction with 1,200 jobs lost.



## Vacancy and Absorption

Office vacancy in the region was on a steady moderate decline from the period of roughly 2011 to the beginning of 2016, at which point it increased and remained in the mid-7% to mid-8% range until 2018, when it started slowly declining again. The average vacancy steadily declined through 2018 and

2019, with increases beginning in 2020 and continuing since. The following chart illustrates recent vacancy trends in the region.

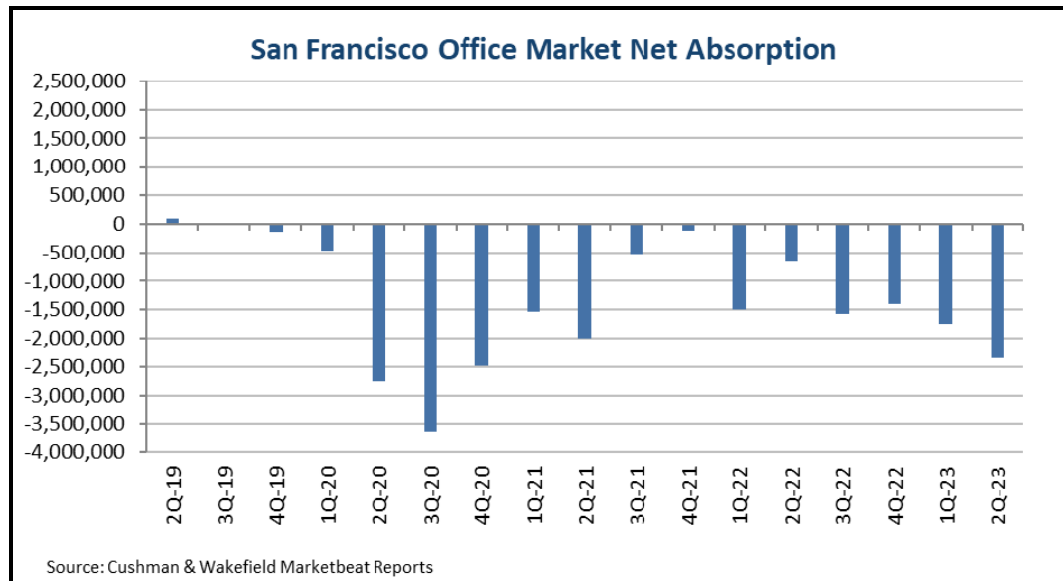


Vacancy has increased each quarter after the second quarter 2020. The average vacancy rate was 27.1% in the second quarter 2023, up from 24.8% the previous quarter and up from 21.7% a year ago. Sublease space continues to be a significant source of vacancy, accounting for 27% of all vacancy in the market. Large subleases added this quarter include Uber, Slack and Salesforce, totaling 1.8 million square feet as a result of over 6,000 tech employee layoffs in the market during the second quarter.

Reports indicate leasing activity in the market declined to historic lows in 2020 due to the pandemic. Leasing gained momentum through 2021 but remained below the 1.6 million square foot quarterly average as most transactions were small to mid-sized users. There was 949,710 square feet of new leasing in the second quarter 2023, down from 1.4 million square feet in the first quarter. Most new leasing involved Class A product and the CBD was most active.

Cushman and Wakefield reported active tenant demand of 4.9 million square feet in the second quarter 2023, with roughly 42% of that in the technology-related sector. This figure is well below the mid-first quarter 2020 (just prior to the pandemic) demand of 7.4 million square feet.

After nearly a decade of predominantly positive annual occupancy gains, net absorption began to moderate in late 2019, with significant declines after the first quarter 2020. The following chart summarizes net absorption over the past four years.



Net absorption was over 4.8 million square feet in 2018; these strong gains were due to the completion of several large projects, which were mostly pre-leased, including delivery of Salesforce Tower, the tallest building in San Francisco at 61 floors and 1.4 million square feet of rentable area.

Net absorption declined in 2019 with the slowdown attributed to several factors: some tenants had fulfilled their current space needs; a few larger tenants had put expansions on hold; new construction deliveries had been limited and the shortage of large-block spaces was impacting leasing activity. The slowdown was further exacerbated in 2020 with leasing activity nearly ceasing in the months after the onset of the pandemic.

Net absorption was negative each quarter in 2020 and totaled negative 9.4 million square feet by year end. Factors contributing to the negative absorption included tech firms reducing, or “right-sizing” their footprint, small and mid-sized tenants vacating their spaces as they struggled to maintain operations, and tenants leaving the market in search of more affordable alternatives. Among tenants that have moved their operations in recent years are Blue Shield, Square, Credit Karma, and PG&E, all of which relocated to Oakland. Several other large corporations have relocated from San Francisco to other states.

As restrictions eased in the economy, leasing activity improved, but net absorption remained negative, totaling negative 4.2 million square feet by year end 2021. Conditions continued to decline through 2022 as companies continued to downsize/consolidate, giving more space back than what was leased. Net absorption in 2022 was negative 5.1 million square feet. The first half of 2023 posted negative net absorption of 4.1 million square feet, with 2,345,728 square feet lost in the second quarter.

The following table shows current vacancy and absorption data by submarket.

### San Francisco Office Market Summary

Submarket	Total SF (millions)	Vacancy 2Q 2023	Net Absorption 2Q 2023	Net Absorption YTD
North Financial District	26.47	27.6%	(453,182)	(817,347)
South Financial District	28.24	24.9%	(1,426,469)	(1,660,266)
Jackson Square	2.04	22.5%	145,193	101,860
Mid-Market	4.83	21.5%	(313,063)	(248,635)
Mission Bay	1.63	17.4%	(249,753)	(249,753)
North Waterfront	3.35	25.7%	0	(64,142)
Showplace Square / Potrero Hill	4.01	30.9%	17,036	(107,132)
SOMA	9.10	42.7%	(130,379)	(511,923)
The Presidio	1.03	4.4%	(797)	(31,216)
Third Street Corridor	0.41	0.0%	70,000	70,000
Union Square	3.30	24.9%	2,574	21,251
Van Ness Corridor	0.73	14.5%	(6,888)	(6,988)
<b>Total</b>	<b>85.14</b>	<b>27.1%</b>	<b>(2,345,728)</b>	<b>(3,504,291)</b>

Source: Cushman & Wakefield Marketbeat Reports

Nearly each submarket posted net occupancy losses in the second quarter 2023, ranging from 6,888 in the Van Ness Corridor to 1,426,469 square feet in the South Financial District. Positive net absorption in the remaining submarkets ranged from 2,574 to 145,193 square feet.

The highest vacancy was reported in the SOMA submarket (42.7%) and the lowest in Third Street Corridor (0%) and the Presidio (4.4%). The subject's Mission Bay neighborhood reports a vacancy rate of 17.4%, which is lower than the overall average for San Francisco and the fourth lowest rate among all submarkets. In addition, Mission Bay has the second lowest vacancy rate among submarkets with over one million square feet of inventory.

### Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, which is influenced by the quality and quantity of space available at the time. Guarded reliance should be placed on average asking rates given the number of variables impacting these figures.

According to market research reports, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and were then flat to slightly increasing until the third quarter 2020, when they began to decline. As of the second quarter of 2023, the region's average asking rate was \$6.01 psf/month (full service), down from \$6.02 psf/month in the first quarter and down from \$6.30 psf/month the previous year. The average asking rate was \$6.17 psf/month in the CBD, and \$6.37 psf/month for Class A properties in the CBD, while the non-CBD submarkets had an overall average asking rate of \$5.75 psf/month and \$6.35 psf/month for Class A space.

### New Construction

The San Francisco office market delivered 3.7 million square feet of new office product in 2018, which is the largest delivered in over 20 years. The highest concentration was in the South Financial District, with 1.8 million square feet delivered. Most of the space delivered pre-leased and, as of the end of the year, all newly constructed space had been leased.

Deliveries in 2019 totaled approximately 1.8 million square feet, based on data in the Kidder Mathews Market Trends report. There was one delivery in 2020 – a 466,000 square foot office tower at 49 South Van Ness was completed in the second quarter in the South of Market submarket, preleased to the City of San Francisco as the location of a one-stop permit center. In 2021, the Uber headquarter project, with over one million square feet of space, was completed in Mission Bay near the Chase Center, as were two other buildings, both delivering preleased. However, to date, Uber has not occupied the project and has listed 285,000 square feet of fully furnished space (one of four buildings) for sublease.

In 2022, the 5M building at 415 Natoma Street in the South of Market submarket was delivered in the first quarter and the subject's Building G, which will be the global headquarters for Visa, was completed in the fourth quarter. The Mission Rock project, totaling over 600,000 square feet within Buildings B and G, is the largest development in progress.

As of mid-2023, one 101,782 square foot building was delivered at 200 Rhode Island Street.

Construction costs have steadily increased over the past several years, impacting the overall feasibility of development. More recently, supply chain issues have caused both the cost of raw materials in construction to increase significantly as well as delays in delivery times and tenant improvement projects. Rising inflation has further contributed to increased costs.

The following highlights significant projects that have been recently completed or are under construction. However, it is noted that construction on 30 Van Ness Avenue, which is approved for 333 residential condominiums and over 200,000 square feet of office space, has been halted by developer Lendlease. According to an August 2023 article by the *San Francisco Business Times*, the developer stated the project is on hold “until market conditions normalize and we’re able to bring in early tenancy commitments, or capital partners, or both.” In addition, the Potrero Power Station project has also faced delays, though vertical construction is expected to start in October 2023.

#### Significant New Construction Office Projects

Project	Submarket	Size (SF)	Status
<b>Recently Completed</b>			
Park Tower / 250 Howard Street (Facebook)	South Financial	751,500	Completed Q1 2019
The Exchange at 16th St / 1800 Owens (Dropbox)	Mission Bay	750,370	Completed Q2 2019
Pacific Medical Buildings / 1100 Van Ness	Van Ness Corridor	234,000	Completed Q2 2019
49 South Van Ness (City of San Francisco)	South of Market	466,000	Completed Q2 2020
1655 and 1715 Third Street (Uber Headquarters)	Mission Bay	593,755	Completed Q1 2021
1455 and 1515 Third Street (Uber Headquarters)	Mission Bay	422,980	Completed Q1 2021
633 Folsom (Asana)	South Financial	268,000	Completed Q3 2021
One De Haro / 1 De Haro Street	Showplace Square / Potrero Hill	126,537	Completed Q4 2021
5M / 415 Natoma Street	South of Market	640,000	Completed Q1 2022
Pier 70 / Bldg 12	Mission Bay	145,000	Completed Q2 2022
Mission Rock / 1051 3rd Street, Bldg G	Mission Bay	283,320	Completed Q4 2022
200 Rhode Island Street	Showplace Square / Potrero Hill	101,782	Completed Q2 2023
<b>Under Construction</b>			
Mission Rock / 1051 3rd Street, Bldg B	Mission Bay	230,890	Under Construction
Potrero Power Station / Block 15 Station A / 420 23rd Street	Showplace Square / Potrero Hill	326,250	Under Construction
30 Van Ness Ave	Mid-Market	235,071	On Hold

Source: CoStar; Cushman & Wakefield; Kidder Mathews Market Trends

## Market Participant Interviews

The early pandemic period was characterized by a general lack of transactions, with sellers and landlords reluctant to offer properties at the steeply discounted pricing that opportunistic buyers and tenants were hoping for. Buoyed by government support and eviction moratoriums, most transactions that did transpire at the height of the pandemic reflected some degree of seller motivation, as sellers that were not compelled by outside forces to divest generally elected to remain on the sidelines.

As the impact of the COVID-19 crisis became more manageable, it became apparent that local and regional economies in many markets were on the road to recovery. In fact, some market areas and property types have seen a full recovery, with rents now exceeding pre-pandemic levels, and unemployment rates at impossibly low levels. Notably, the pace and extent of recovery has depended largely upon location and property type. Core urban areas generally felt the brunt of pandemic-related declines, while secondary and tertiary suburbs of major metros experienced increasing demand.

The furious pace at which the economy was recovering from the pandemic ground to halt in early/mid 2022, as the atrophying workforce and resulting supply chain issues, coupled with geo-political crises created the highest inflation in 40 years. This prompted the federal reserve to implement aggressive interest rate hikes in an effort to slow demand.

Participants in the Bay Area's commercial real estate markets are widely reporting a thinning buyer pool, and a disparity in buyer and seller expectations. Capitalization rates necessarily trend with interest rates—the increased cost of debt threatens to create negative leverage for Bay Area assets that were trading at historic lows prior to the current crisis. While buyers and lenders have absorbed a portion of the increased cost of debt, local brokers are consistently reporting a 5% to 15% discount to pricing. Even so, owners are unlikely to sell stable assets with steady cash flows at a discount until it becomes apparent that the current downward pressure on pricing is not just temporary.

While there are few datapoints to assist in identifying a trend, we are aware of several examples of Class A properties that went to market in 2022, only to be pulled when no acceptable offers materialized. Examples of these are summarized below, along with other recent notable transactions.

- 350 California Street, San Francisco - Listed for sale in mid-2020 for \$250,000,000 or roughly \$833/SF. It was pulled off the market in 2022 and has since been relisted with an asking price of approximately \$120,000,000 or \$400 per square foot.
- 550 California Street, San Francisco – Listed in 2021 for \$160,000,000, or \$450 psf, but was unsatisfied with offers that it received, so the listing was pulled off the market. The owner is now bringing it back to the market for an estimated price of \$53,000,000 or \$150 psf.
- 60 Spear, San Francisco – Though not re-listed, the 157,000 square foot, 11-story office tower sold to Presidio Bay Ventures for \$41,000,000, or \$260 psf. This is reportedly a reduction for the previously negotiated price of \$45,000,000. The buyer plans to renovate the building to reflect best-in-class office space.



- 180 Howard Street – This 250,000 square foot office building was listed by the State Bar of California for \$85,000,000 in 2023. Prior to that, the property had been listed for an undisclosed price in 2022 but did not trade. The property is now in-contract for \$62,000,000, or \$250 per square foot.

Per discussions with market participants, the San Francisco office market continued a downward trend due to remote work, significant vacancy/availability, and high interest rates. Further, market participants anticipate this trend to continue as there is significant office space available for lease and sublease in the market. The following are interviews conducted with market participants over the course of this, and other recent assignments:

- Broker, Colliers - reports that the outlook is negative for San Francisco's downtown core office market, particularly for properties with large floorplates. Vacancy is between 22% and 27%, and most market participants believe that conditions in the local office market will get worse before they get better. Despite high vacancy rates, pricing is not declining quickly enough to make San Francisco an appealing alternative to new companies. Moreover, the lack of workers returning to in-person work continues to contribute to ongoing homelessness and blight in Downtown San Francisco, and the timing and scale of a widespread return to in-person work remains highly speculative. Most companies have a fraction of their pre-pandemic space requirement, as many have allowed workers to relocate to more affordable areas. The glut of sublease space on the market is also preventing direct deals with landlords from occurring at market-oriented rental rates. He reports that a stabilized property with no upside would trade above a 6.00% capitalization rate, and that rents continue to trend downward. He opines that the market will not begin to recover until early 2024.
- Broker, Newmark - reports that the office market came to standstill in Fourth Quarter 2022, and remains extremely slow. There was strong activity up until Fourth Quarter, as companies began bringing employees back to the office, down-sizing, and right-sizing their spaces. There is no buyer interest currently. With fixed rate debt near 7.00%, buyers would target a 7.50% to 8.00% in order to stay debt-neutral. San Francisco has seen significant pricing discounts, up to 75%, and is expected to lag the region in recovery.
- Broker, Cushman & Wakefield - reports that capitalization rates for office properties are currently in the mid-6.00% range, up from the high-4.00% to low-5.00% range 12 to 18 months ago. He believes that the office market is going to continue to decline, and capitalization rates will increase. There has been a flight to quality, resulting of a concentration of availabilities in commodity space. The glut of sublease space entering the market is likely to drive rents downward in the near-term.
- Broker, Newmark- reports that the flight to quality has resulted in high vacancy for lower-quality space, while there is steady demand for the best-in-class assets. There is steady demand for smaller office spaces (5,000 to 15,000 SF); whereas, spaces larger than 50,000 SF are seeing no interest. Capitalization rates for office properties today range from 7.50% to 8.50%.
- Broker, Cushman & Wakefield - reports that buyers are currently targeting 7.00% capitalization rates, while sellers want 6.00%. Multitenant configurations appeal largely to professional office users, which impacts capitalization rate upwards above 7.00%.



- Broker, Institutional Property Advisors, reports that capitalization rates for institutional grade assets in the Bay Area have increased due to aggressive interest rate hikes implemented by the Federal Reserve. With fixed rate debt in the mid 5.00%, activity has slowed significantly, and deals that were negotiated earlier this year could not be replicated at the same terms today. Oversupplied urban core areas were hit hard operationally during the pandemic, resulting in further price impairment. Most sellers are expected to hold if possible, opting instead to refinance, recapitalize, or seek loan extensions. Those who are forced to sell will have to accept discounts. This is a transitional market, and he does not expect it to stabilize for at least 6 to 12 months in the future. Lay-offs and hiring freezes in the technology sector are likely to spread to other sectors, impacting renter income. The broker emphasized that buyers have a low threshold for negative leverage, and are looking for positive leverage by Year 3. As a result, there is minimal buyer interest in unstabilized or operationally-troubled assets. It is possible, however, to generate buyer interest in a basis play. He believes that activity will pick up again in the second half of 2023, as owners are beginning to express interest in selling this year.
- US Bank Executive - On a broader scale, significant risk inherent in the Fed's actions and increasing reserve requirements. Office would be considered an impaired asset class, even in a normal lending environment, and there is possibly no avenue to refinancing for this property type. They are applying a 200 to 300 bps increase to published cap rates on Costar and Green Street, plus additional pad as a conservative (punitive) analysis. Even best-in-class institutional office would trade at cap rates north of 7.00% today. He believes that the office market will improve, but will not return to pre-pandemic conditions, with hybrid working being here to stay. For the next 24 to 36 months there will be no office financing on the banks side, but maybe some from debt funds, which are more expensive. Even considering the forward looking SOFR, spreads for multifamily are in the high 200s, low 300s, with office being 400 to 600 bps for best-in class assets. Used to be mid-100 to low 200s. Capped out at 65% LTV, but more realistically will be close to 50% to 55%. US Bank will not do an office deal for a long time.
- Broker, CBRE – Office usage remains significantly lower than what it was pre-pandemic and the prevalence of remote work is likely here to stay, at least in some form. In CBD markets, there has been a migration to better quality, highly amenitized space. Much of the existing office space is dated. Tenants are also looking for smaller floorplates and shorter leases. There remains some demand for specialized categories of office space, such as education and healthcare, but this demand is often found outside of CBD locations. He believes the future of office space in San Francisco is likely in life science space, rather than general office; Stanford remains a prominent demand generator. Regardless, the next several years will be tough for the office market, particularly if the property is encumbered with debt. Office underwriters are currently using pessimistic assumptions, including 85% stabilized occupancy rates. Some owners are opting to give buildings back to the lender, and many tenants are now starting to look at the property's debt situation prior to leasing because they prefer continuity in management. Despite the negative outlook for the office market, there will always be some exceptions, such as Block G at the subject property which is fully leased to Visa, a long-term credit tenant.

- Broker, Colliers - Reports there are basically two separate office markets in San Francisco. There has been a flight to quality and highly amenitized, Class A properties are functioning in a separate market from older office buildings. Leases are still being signed for best in class space at rates around \$100 to \$110 per square foot, full service. However, most tenants are downsizing and leasing less space than pre-pandemic. In addition, it is currently incredibly difficult to get lending (cannot get debt below 7.0%) for office properties so very little is transacting.
- Subject Broker, Tishman Speyer – A large portion of San Francisco’s office stock is dated, and new construction can be designed to offer finishes and amenities that older buildings cannot. New construction can be positioned to take advantage of demand from tenants specializing in life sciences and/or artificial intelligence tenants. The subject’s Block B is being marketed to tenants in both of these spaces, and there are currently very few buildings in San Francisco positioned for life science and/or AI use. Stanford and UC Berkeley generate demand. One unique amenity offered by the subject property is access to Oracle Park for events. In addition, the subject will offer flexible work spaces which can be reserved by traveling employees. He reports tours and foot traffic has increased in recent months for Building B.

### Looking Ahead

The San Francisco office market was in an expansion stage in the few years prior to the pandemic, however, activity and market conditions declined rapidly and significantly after the onset of the pandemic. Though conditions stabilized slightly through 2021, the market has further declined as more companies downsize their office footprint.

The office market continues to show signs of recession, with continued deterioration expected over the near term. Companies are still working through remote and hybrid working options and evaluating their office space needs; increasingly downsizing and move-outs are outpacing new leasing activity, and overall vacancy continues to increase. In the process, demand is strongest for top-tier properties, leaving mid-tier Class A, as well as Class B and C spaces, struggling to find tenants. Additional challenges include companies relocating to more affordable markets where more of their workforce is residing; mass employee layoffs in the tech sector; and macroeconomic factors, particularly rising inflation, and interest rates.

Recovery is expected to be gradual; demand moving forward will be particularly affected by long-term remote working options after an exodus of residents relocating to more affordable housing markets. Notably, both Zoom Video Communications and Meta Platforms made headlines in recent weeks for requiring employees to return to the office several days a week; Zoom will require employees to be in office twice a week, while Meta is targeting three days a week.

Despite the current challenges in the office market, the subject’s Blocks G (100% preleased to Visa) and B (vacant and actively marketing) are well positioned as best-in-class assets. The buildings reflect newly constructed, highly amenitized, Class A space in the Mission Bay neighborhood; the project also enjoys a partnership with the San Francisco Giants, which offers tenants opportunities for engagements at Oracle Park.

Even so, very few office buildings are currently transacting in San Francisco, and capitalization rate data is incredibly sparse. Based on conversations with market participants, and considering data points for Class A office space in other urban markets in California, capitalization rates are significantly higher than pre-pandemic rates. In addition, TI allowances of between \$100 and \$200 per square foot are common for Class A space and absorption periods are longer than they would have been pre-pandemic, as there remains an abundance of sublease space available. There is also the possibility vacancy rates will continue to increase as pre-pandemic leases begin to expire.

## Retail Market Analysis

The subject is located within the San Francisco retail market area, defined as the city/county limits of San Francisco. The following are excerpts from market research reports published by Costar summarizing the state of the retail market.

*“The structure of San Francisco's retail market reflects both the high-income levels of its population and the supply-constrained nature of its densely populated geography. The City of San Francisco itself is characterized by general retailing along popular urban strips in heavily populated neighborhoods, such as Chestnut Street in the Marina District, Valencia Street in The Mission, and Hayes Street in Hayes Valley. These neighborhoods comprise eclectic mixes of eateries and independent boutiques and are typically subject to ordinances that restrict the presence of chain stores. In contrast to the current situation in downtown and Union Square, these retail zones are generally active and vibrant, with a healthy turnover of new stores and restaurants.*

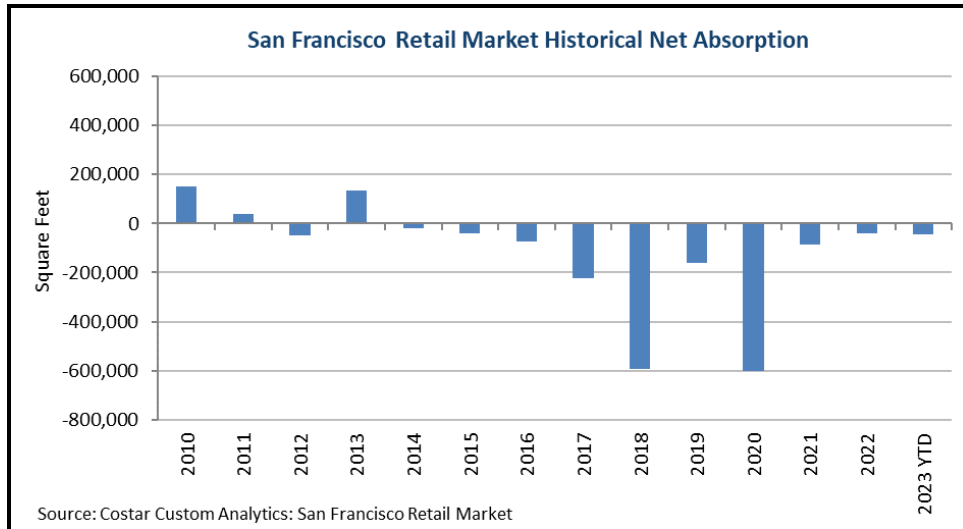
*The second quarter of 2023 saw a notable escalation in the challenges facing Union Square, at the heart of San Francisco's retail market. In May 2023, Nordstrom announced the closure of both its 300,000-SF department store in the San Francisco Westfield Center and its nearby Nordstrom Rack outlet. A few weeks later, the owners of the Westfield Center halted payments on its \$560 million loan and began the process of transferring ownership to the lender. These events are the latest in a series of setbacks for Union Square, traditionally home to major department stores and high-end fashion. The vitality of Union Square has deteriorated in recent years after visitor traffic fell during the extensive pandemic lockdowns and the weak return of both office workers and tourists. Additional well-publicized social problems also plague the neighborhood, keeping shoppers away, and leading several major retailers to close stores. The deterioration of Union Square and the neighboring areas in downtown San Francisco have dragged down the key operating performance statistics for the metro area, which lags most other metros across the nation. Retail vacancy in San Francisco was one of the lowest in the nation in 2019, but is now one of the nation's highest, at 5.5%. Similarly, average market rent, which increased at an annual rate of 3.6% nationally over the past 12 months, was positive by 0.1% in San Francisco.*

*On the supply side, the market has a low amount of new construction, partly because of limited availability and restrictive planning policies, but also because of weak demand. Aside from a small number of grocery stores, most new retail development takes the form of street level retail components of larger mixed-use development projects. In fact, there is a greater trend towards repurposing of retail spaces for other uses, including shopping center redevelopment for biotech facilities and the conversion of upper-level retail spaces into residential or office uses.”*

### Net Absorption & Vacancy

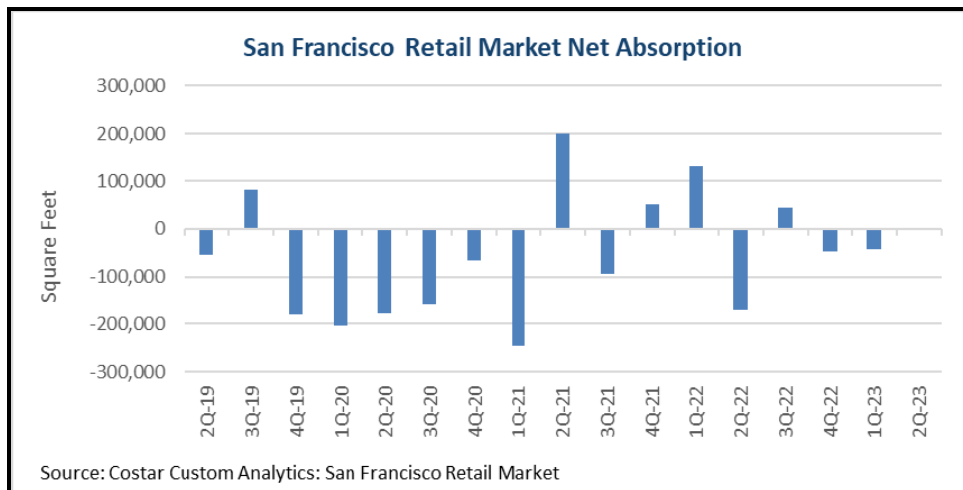
There has been little new development in the San Francisco market area over the past ten years and annual net absorption has been low or negative. In addition, the retail sector has been undergoing changes in response to consumer patterns, resulting in store closures and downsizing as retailers made shifts towards e-commerce growth rather than physical locations. Over the past three years,

absorption has been impacted by the effects of the pandemic as many small businesses were unable to survive and closed permanently, while growth plans and new leasing activity declined significantly. The following chart highlights the region’s historical net absorption.



Net absorption was negative for six consecutive quarters beginning fourth quarter 2019, with improvement beginning in the second quarter 2021. Most of the positive net absorption, however, was attributed to occupancy of new space, specifically Whole Foods, Sports Basement and Regal Cinemas taking occupancy at the newly renovated Stonestown Galleria. Existing inventory in older buildings continued to experience negative net absorption.

Net absorption in the second quarter 2023 was negative 941 square feet. An illustration of net absorption over the past four years is presented in the following chart.



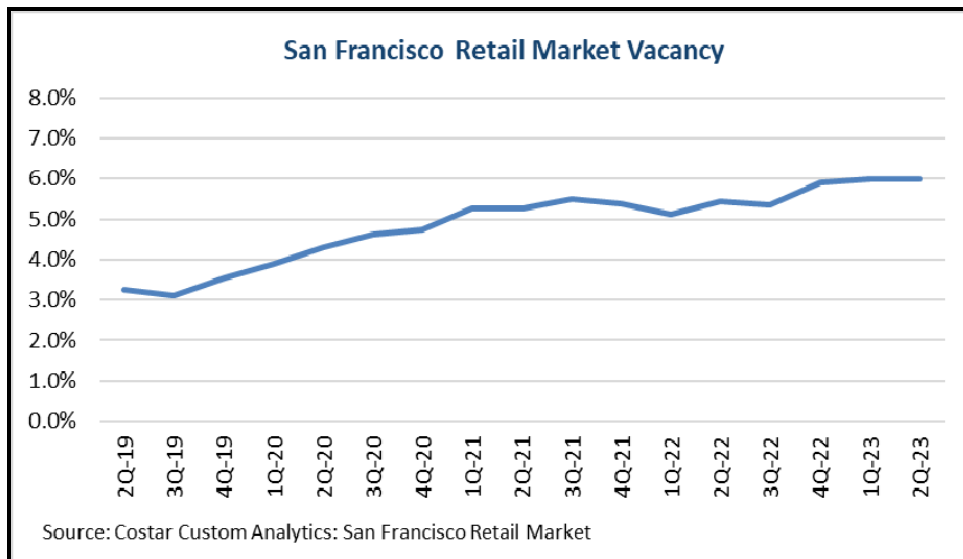
Vacancy in the San Francisco market has been gradually increasing since its historic low of 2.1% in 2015 to 6.0% as of mid-2023. It is reported that malls and power centers, particularly, were struggling

prior to the pandemic amidst an increase in customer preference for online shopping, and the closures and restrictions during 2020 only accelerated their decline. Overall vacancy remained below 4% for 13 years before increasing above 4% in 2020 and has been above 5% since 2021, as indicated in the following chart.



The San Francisco market has roughly 51.2 million square feet of retail inventory, including general retail, malls, power centers, shopping centers, and specialty retail. Of this, 3.1 million square feet were vacant as of the second quarter 2023. The overall vacancy rate of 6.0% is unchanged from the previous quarter and is up 60 basis points year-over-year.

The following chart presents the quarterly retail vacancy in the San Francisco market area over the past four years.



The following summarizes the submarket clusters identified by Costar in the San Francisco market.

Submarket Cluster	Submarkets Included
SF Downtown Core	Financial District, South Financial District
SF Downtown North	Jackson Square, Waterfront/North Beach
SF Downtown South	MidMarket, Rincon/South Beach, Showplace Square, South of Market, Yerba Buena
SF Downtown West	Civic Center, Union Square, Van Ness/Chinatown
SF Outer Areas	Southern City, West of Van Ness
SF Southeast	Bayview/Hunters Point, Mission Bay/China Basin, Mission/Potrero

Recent vacancy rates, net absorption and average asking rent by submarket cluster are highlighted in the following table.

San Francisco Retail Market Summary					
Submarket	Total SF (millions)	Vacancy 2Q 2023	Net Absorption Q2 2023	Net Absorption YTD	Asking Rent Q2 2023
SF Downtown Core	1.01	5.4%	2,108	(4,344)	\$4.83
SF Downtown North	3.02	11.4%	29,629	5,205	\$5.59
SF Downtown South	6.06	10.5%	(7,120)	(34,614)	\$3.46
SF Downtown West	10.62	8.7%	16,155	(18,590)	\$4.00
SF Outer Areas	22.51	3.5%	(23,152)	(7,255)	\$3.82
SF Southeast	8.04	3.9%	(18,561)	15,849	\$3.39
Total	51.25	6.0%	(941)	(43,749)	\$3.86

Source: Costar Custom Analytics: San Francisco Retail

The lowest submarket vacancy was posted in the San Francisco Outer Areas and Southeast at 3.5% and 3.9% vacancy, respectively. The highest vacancy was in the San Francisco Downtown North submarket at 11.4% vacant. This submarket had the largest decline in vacancy compared to the previous quarter with a 100-basis point decline; the remaining submarkets had fairly stable vacancy with only a 10-20 basis point change up or down compared to the previous quarter. The highest net absorption was in the SF Downtown North with 29,629 square feet absorbed, while the greatest occupancy loss was in SF Outer Areas, with negative net absorption of 23,152 square feet. Average asking rents range from a low of \$3.39 in SF Southeast to a high of \$5.59 psf/month, triple net in SF Downtown North.

## Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time and is influenced by the quality and quantity of space available at that time. Guarded reliance should be placed on average asking rates due to the number of variables impacting these figures.

Rental rate growth has been gradually declining since 2015 in response to waning tenant demand and is expected to further decline as vacancy remains elevated and leasing activity remains subdued.

Costar data indicates an average asking rate of \$3.86 psf/month, triple net (\$46.33 psf/year) as of the second quarter 2023, unchanged from the previous quarter and year-over-year. Average asking rates vary by submarket with the lowest at \$3.39 psf/month in the San Francisco Southeast submarket. The highest average asking rent is \$5.59 psf/month in the San Francisco Downtown North submarket.

## New Construction

New retail construction in the San Francisco market has been minimal due to a scarcity of developable land and high costs of construction. New developments in the market are primarily focused on high-rise office and residential buildings.

The most notable recent new construction was the 6X6 lifestyle complex located at Market and 6<sup>th</sup> Streets completed in 2017. At 250,000 square feet, this represents the largest new retail development delivered in San Francisco since 2011. This project struggled to lease space and remained vacant for several years after completion. The building was purchased by Ingka Group in September 2020 for redevelopment with an IKEA store of approximately 70,000 square feet and complementary mixed uses. The IKEA store redesign is under construction, with expected delivery in 2023.

Salesforce Transit Center, with just under 100,000 square feet of retail space, was completed in mid-2019 in the South Financial District. Tenants include Fitness SF, Philz Coffee, Per Diem Restaurant, Eddie Rickenbacker's, Venga and Onsite Dental. The project includes a 1.2 million square foot, state-of-the-art regional transit hub which will connect eight Bay Area counties and the State of California through 11 transit systems. The roof of the bus and rail station features a 5.4-acre park. The transit center began construction in 2011 and originally opened in August 2018; six weeks later it closed down for eight months to complete repairs of cracked beams. The center re-opened in July 2019.

The Chase Center was completed at the end of 2019 in Mission Bay, reported to be the largest sports and entertainment project on the West Coast, covering an area of 11 acres. It features an 18,000 square foot arena, home to the Golden State Warriors basketball team, along with 98,000 square feet of retail and restaurant space and over five acres of public waterfront park. It also features 580,000 square feet of office space, which was completed in the second quarter 2021 for Uber.

Two significant projects were completed in 2021. One is the redevelopment of the former Macy's Men's Store into a mixed-use project at 100 Stockton, which includes roughly 100,000 SF of retail space, office space on the sixth and seventh floors, and a rooftop restaurant. A lease was signed at the end of 2021 with Chotto Matte restaurant for this space. This project was completed in the first quarter 2022. The other project is the renovation of the Stonestown Galleria, which was completed in the second quarter 2021. This project consists of a redevelopment of the former Macy's and Nordstrom spaces into a three-level anchor building to feature a new Whole Foods and Sports Basement outlet, as well as a 12-screen Regal Cinemas, which opened in May 2021. Finally, two condo buildings were completed in the fourth quarter 2021 at 1288 Howard Street, with approximately 110,000 square feet, including 13,000 square feet of ground floor retail.

There have been no deliveries in 2023 and the only project under construction is the redevelopment of the former 6X6 mall into an IKEA anchored retail center.

These noted projects are summarized below.



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### New Construction Retail Projects

Project	Submarket	Size (SF)	Status
Salesforce Transit Center	South Financial District	98,330	Completed Q2 2019
Chase Center (Warriors Arena)	Mission Bay	100,000	Completed Q4 2019
Stonestown Galleria / 3251 20th Ave	San Francisco / Southern City	221,433	Completed Q2 2021
1288 Howard Street / Mixed Use	South of Market	13,000	Completed Q4 2021
100 Stockton Street (former Macy's)	Union Square	100,500	Completed Q1 2022
945 Market Street / IKEA	Mid-Market	70,000	Delivery Q4 2023

Source: CoStar, Cushman & Wakefield

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### Looking Ahead

Prior to the pandemic, steady tenant demand and limited new development kept vacancy levels very low in the San Francisco retail market. The local tenant base had shifted to higher-end retailers and demand was strongest in prime locations and for smaller retail spaces concentrated on food and beverage, boutique fitness and neighborhood services.

Market activity declined significantly during the pandemic and has been slow to rebound. Early signs of improvement were observed as restaurants, bars and other businesses began opening and jobs were added back beginning in 2021. However, conditions remain subdued and below their pre-pandemic levels. Year-over-year growth in retail sales is a positive indicator for gradual recovery in the retail market.

# Property Analysis

## Land Description and Analysis

### Location

The property is bounded by McCovey Cove to the north, Terry A. Francois Boulevard to the east, Mission Rock Street to the south, and 3<sup>rd</sup> Street to the west.

### Land Area

The following table summarizes the subject's land area, which includes only the 11 taxable Blocks within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

#### Land Area Summary

Tax ID	SF	Acres
8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001	344,560	7.91
<b>Total</b>	<b>344,560</b>	<b>7.91</b>

#### Block Overview

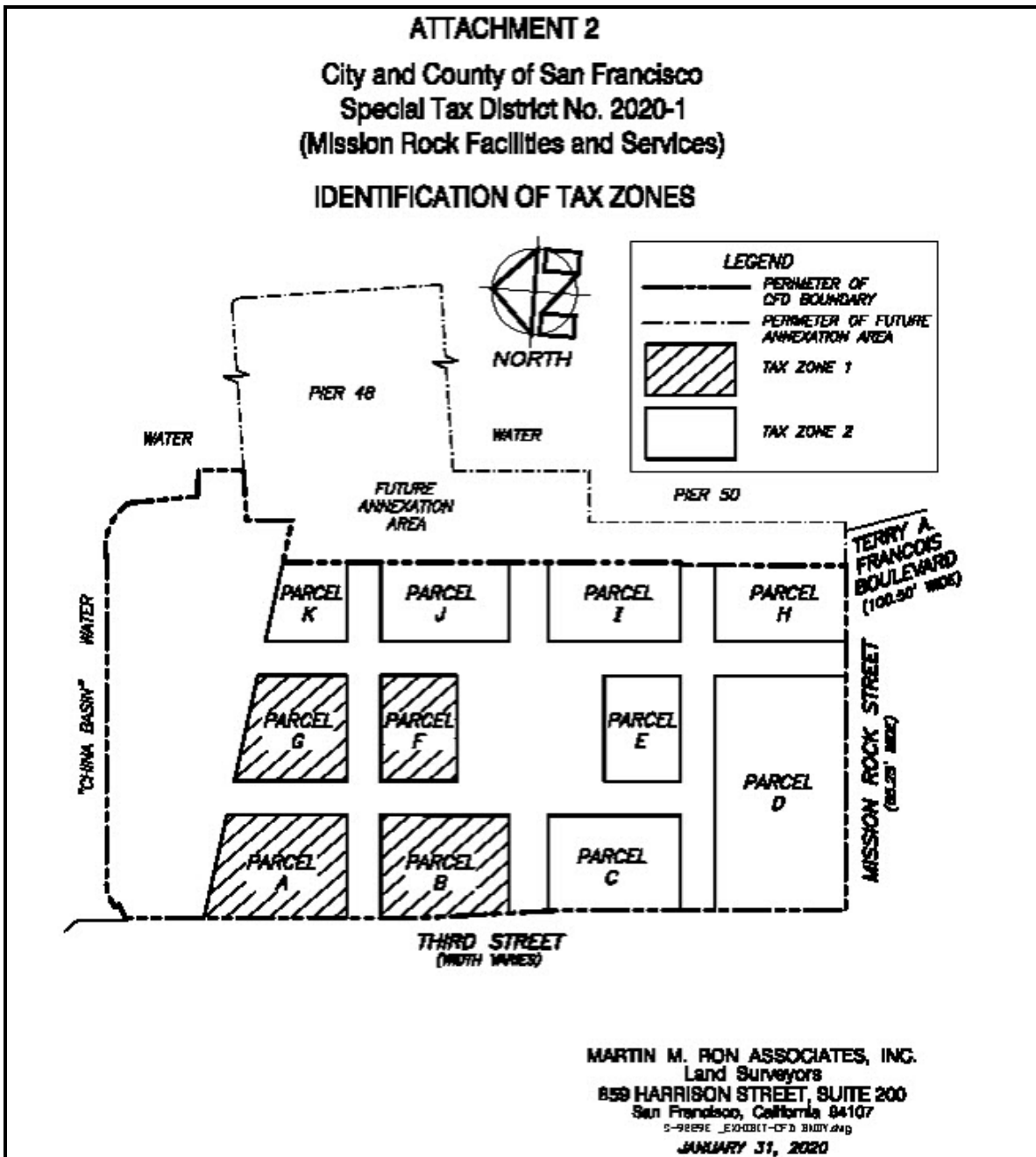
Block	Phase	Tax Zone	Acreage	Square Feet	Use <sup>^</sup>
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Office/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
<b>Total Taxable Land Area</b>			<b>7.91</b>	<b>344,560</b>	
D2*	2	2	1.62	70,567	Parking

\*Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.

<sup>^</sup>Retail land uses are not subject to the lien of the special tax securing the Bonds .

### Shape and Dimensions

The overall site is rectangular in shape, as are the majority of the subject Blocks. Site utility based on shape and dimensions is average. A map of the Special Tax District boundaries is recreated on the following page.



Note: Parcel D is divided into Block D1, which is projected to include taxable residential units, and Block D2, which is projected to include the parking structure for the Mission Rock Project. Block D2 is not subject to the lien of the special tax securing the Bonds and, therefore, excluded from the appraised properties.



### Topography

The site is generally level and at street grade. The topography does not result in any particular limitations on development.

### Off-site Improvements

In addition to roads and street improvements, infrastructure will include development associated with parks, open spaces, paseos, and utility infrastructure and upgrades.

### On-site Improvements

Horizontal and vertical construction of Phase 1a is underway at the subject. As of the effective appraisal date, \$68,501,351 in horizontal development costs remain; horizontal development for Phase 1a is anticipated to be complete in early 2024. In addition, vertical construction is substantially complete on Blocks G, B, A, and F. Details on remaining vertical costs will be presented in the upcoming valuation sections.

### Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

### Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	0602980119A
Date	March 23, 2021
Zone	X (Shaded)
Description	Within 500-year floodplain
Insurance Required?	No

According to documents provided, the minimum design elevations for the subject improvements will accommodate potential future sea level rise estimates for the San Francisco Bay.

### Environmental Hazards

A Draft Environmental Impact report, dated April 26, 2017, was provided for our review. The following excerpts reflect the conclusions of the Hazards and Hazardous Materials section of the report.

- “The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the management or release of hazardous materials.

- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the disturbance of subsurface hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for the public or environment related to development of hazardous materials site included in a list compile pursuant to Government Code Section 65962.5.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not impair implementation of or physically interfere with an adopted emergency response or evacuation plan.”

This appraisal assumes that the subject property is not adversely affected by environmental hazards.

### **Seismic Hazards**

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. However, the subject is located in a liquefaction zone. (California Division of Mines and Geology, Official Map of Alquist-Priolo Earthquake Fault Zones, San Francisco North Quadrangle (2000)).

### **Ground Stability**

The following excerpts reflect the conclusions of the Geology and Soils section of the Draft Environmental Impact Report, dated April 26, 2017.

- “The proposed project, in combination with other development within the city, would not substantially increase the risk of exposure for people or structures to seismic hazards.
- The proposed project, in combination with other development within the city, would not substantially increase soil erosion potential.

- The proposed project, in combination with other development within the city, would not substantially increase soil hazards.
- The proposed project, in combination with other development within the city, could result in impacts to paleontological resources. However, the project’s contribution would be less than cumulatively considerable.”

This appraisal assumes that the subject’s soil bearing capacity is sufficient to support the proposed improvements.

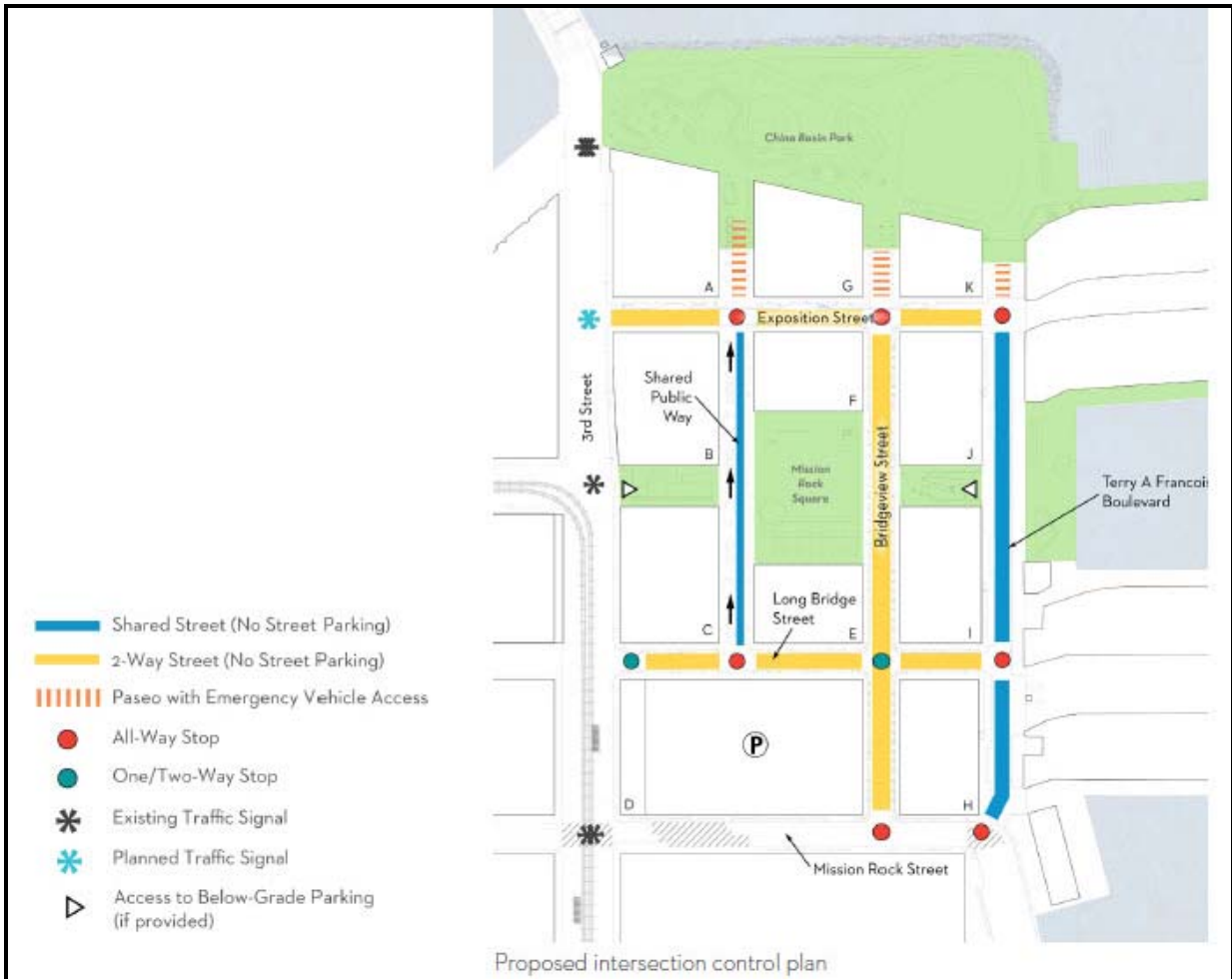
**Streets, Access, and Frontage**

Details pertaining to street access and frontage are provided in the following table.

<b>Streets, Access and Frontage - As Proposed</b>				
Street	Terry A. Francois	Mission Rock Street	3rd Street	Exposition Street
Frontage Feet	1,193	612	1,193	612
Paving	Asphalt	Asphalt	Asphalt	Asphalt
Curbs	Yes	Yes	Yes	Yes
Sidewalks	Yes	Yes	Yes	Yes
Direction of Traffic	North/South	East/West	North/South	East/West
Condition	Good	Good	Good	Good
Traffic Levels	Low	Low	Moderate	Low
Visibility	Good	Good	Good	Good

The following graphic depicts the proposed roadway infrastructure within the boundaries of the Special Tax District.





**Utilities**

The availability of utilities, which will be extended to the subject Blocks, is summarized in the following table.

Utilities	
Service	Provider
Potable Water	San Francisco Public Utilities Commission
Non-Potable Water	Mission Rock Utilities (MRU)
Sewer	San Francisco Public Utilities Commission
Electricity	San Francisco Public Utilities Commission
Natural Gas	Pacific Gas & Electric
Thermal Energy (District-Scale)	Mission Rock Utilities
Local Phone	Comcast and AT&T

The Master Developer is developing a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) Systems, to serve the Mission Rock Project; the system will be owned by Mission Rock Utilities, Inc.

The black water recycling system will be an advanced water recycling facility that will treat the wastewater collected from toilets, showers and sinks to meet the non-potable water needs of buildings in the Mission Rock Project, as well as associated open space.

The thermal district energy system will supply hot and cold water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings in the Mission Rock Project, which will replace the need to have this type of equipment inside each building.

The above-referenced facilities are located separately in two (Blocks B and A) of the first four buildings being constructed as part of Phase 1a. The bay water energy exchange system is expected to be constructed after the Mission Rock Project is fully built out.

Long-term utility service agreements require each property to be a customer of these utility systems; utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs.

According to the Master Developer, the MRU Systems are anticipated to be 100% debt-financed in phases. For the initial phase of financing, the California Pollution Control Financing Authority issued bond anticipation notes (BANs) in the amount of \$25 million for the benefit of Mission Rock Utilities, which served as interim financing. The BANs were retired in July 2022 and replaced with \$43.5 million in notes at 7% interest; they are paid semiannually and mature on July 1, 2027. The valuation of the appraised property presented herein does not consider the \$43 million in bond notes; the costs associated with completing the MRU Systems are reflected in the valuation.

### **Zoning**

The subject is zoned MR-MU, Mission Rock Mixed Use, by the City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.



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### Zoning Summary

Zoning Jurisdiction	City and County of San Francisco
Zoning Designation	MR-MU
Description	Mission Rock Mixed Use
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Mixed use, multifamily residential, commercial, office, retail uses
Category	Zoning Requirement
Minimum Lot Area	None
Maximum Street Frontage (Feet)	30 to 100 ft; varies by block
Maximum Building Height	40 to 240 ft;
Maximum Site Coverage	None
Maximum Floor Area Ratio	None
Parking Requirement	Off-street parking not required; at build out, total parking not to exceed 3,100 spaces

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We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. The following is an excerpt from the San Francisco zoning code which describes the purpose of the subject special use district.

“A Special Use District entitled the Mission Rock Special Use District (SUD), the boundaries of which are shown on Sectional Map SU08 of the Zoning Maps of the City and County of San Francisco, is hereby established to facilitate the City’s long-term goal of development of a new Mission Rock neighborhood. The purpose of this SUD is to implement the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative approved by City voters on November 3, 2015 (Proposition D), and give effect to the Development Agreement (DA), Disposition and Development Agreement (DDA) and related transactional documents as approved by the Board of Supervisors in ordinances in File Nos. 171313 and 180092, which will provide benefits to the City such as, among other things, development of a mixed-use, transit-oriented community on the waterfront near public transit, major new housing, including a significant amount of affordable housing, increased public access and open spaces, extensive infrastructure improvements, shops, restaurants, cafes, neighborhood-serving retail, community spaces, commercial/office and light industrial/production space, preservation and renovation of historic Pier 48, job creation, responsiveness to climate change and resulting sea level rise, and the generation of revenue to fund public improvements.”

A zoning map is provided on the following page.



Permitted building heights vary by Block, and design elements vary by frontage type. The following graphics depict allowable building heights and frontage types.





It should be noted, on-site parking is not required for any of the proposed subject improvements. The subject entitlements allow for up to 3,100 spaces within the Special Tax District boundaries. Block D2, which is excluded from this valuation, will include a parking garage with approximately 3,000 spaces available for rent and will serve the entire Special Tax District. The parking garage will also be available for users of Oracle Park. This type of parking arrangement is common in San Francisco. Multifamily projects often offer on-site parking available for an additional monthly fee, with the expectation that many residents will not require parking. Office projects also offer limited on-site parking, with parking ratios much lower than suburban properties.

### Inclusionary Housing

As a condition of the subject's entitlements, 40% of the residential units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the maximum 2023 restricted rental rates by floorplan. Both Blocks A and F will be affordable to households between 90% and 150% of the area median income.

<b>Block A Restricted Rents - BMR Units</b>							
Layout		90% AMI		120% AMI		150% AMI	Weighted Avg
Studio	1	\$2,269	5	\$3,025	2	\$3,783	\$3,120
One Bedroom	7	\$2,594	31	\$3,459	20	\$4,324	\$3,653
Two Bedroom	2	\$2,919	17	\$3,891	12	\$4,864	\$4,205
Three Bedroom	0	\$3,243	1	\$4,323	4	\$5,404	\$5,188
	10		54		38		\$3,854

<b>Block F Restricted Rents - BMR Units</b>							
Layout		90% AMI		120% AMI		150% AMI	Weighted Avg
Studio	2	\$2,269	6	\$3,025	1	\$3,783	\$2,941
One Bedroom	5	\$2,594	28	\$3,459	16	\$4,324	\$3,653
Two Bedroom	5	\$2,919	19	\$3,891	12	\$4,864	\$4,080
Three Bedroom	1	\$3,243	2	\$4,323	0	\$5,404	\$3,963
	13		55		29		\$3,755

It should be noted, the subject's below market units are not subject to the special taxes associated with the Bonds. The construction of the below market units is a developer obligation under the subject's entitlements.

### **Assembly Bill 1482**

Moving forward, rent growth will be impacted by the recent enactment of rent control laws. On October 8, 2019, Governor Gavin Newsom signed AB 1482 making California the third state to enact a statewide rent control measure impacting residential rental housing. The bill is retroactively effective as of March 15, 2019 and will extend until January 1, 2030. Some key points of the bill are noted as follows:

- The bill prohibits an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or unit more than 5% plus the percentage change in the cost of living (regional Consumer Price Index from April 1 of the prior year, to April 1 of the current year), or 10%, whichever is lower.
- If the same tenant remains in occupancy of a unit over any 12-month period, the gross rental rate cannot be increased in more than two increments over that 12-month period.
- This law is retroactive to March 15, 2019. If there have been gross rent increases between March 15, 2019 and January 1, 2020 that exceed the limits stated above, the applicable rent shall be the rent on March 15, 2019. It is noted the owner shall not be liable to the tenant for any corresponding rent overpayment.
- There are several exemptions including for property owners that are not a corporation, Trust or LLC (with corporate members). Also, if the property was issued their initial Certificate of Occupancy within last 15 years, it is not subject to the new law.
- After a tenant has continuously and lawfully occupied a residential property for 12 months, the owner of the property cannot terminate the tenancy without just cause, which is required to be stated in the written notice to terminate tenancy.

### Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

### Timeline

Backbone infrastructure work for Phase 1a began in 2020 and is expected to be complete in early 2024. Phase 4 infrastructure was initially anticipated to be complete in 2027. However, development of Phases 2 through 4 is on hold until market conditions improve. The following table depicts the developer's timeline for horizontal improvements and infrastructure.

#### Developer's Timeline - Horizontal Improvements

Phase	Acreage	Blocks	Construction	
			Start	Finish
1	3.25	A, B, F, G	Sep-20	Early 2024
2	1.48	C, D	TBD	TBD
3	0.58	E	TBD	TBD
4	2.60	H, I, J, K	TBD	TBD

The following table summarizes the developer's proposed construction timeline for Phase 1a.

<b>Developer's Timeline - Vertical Improvements - Phase 1a</b>				
	Block A	Block B	Block F	Block G
Ground Breaking	Jan-21	Jun-21	Apr-22	Dec-20
Shell Completion	Jan-23	Apr-23	Jun-24	Jan-23
Lease Up Commencement	Jul-23	May-23	Jul-24	Sep-22
Stabilization	Jun-24	Dec-24	Jun-25	Mar-23

### **Conclusion of Site Analysis**

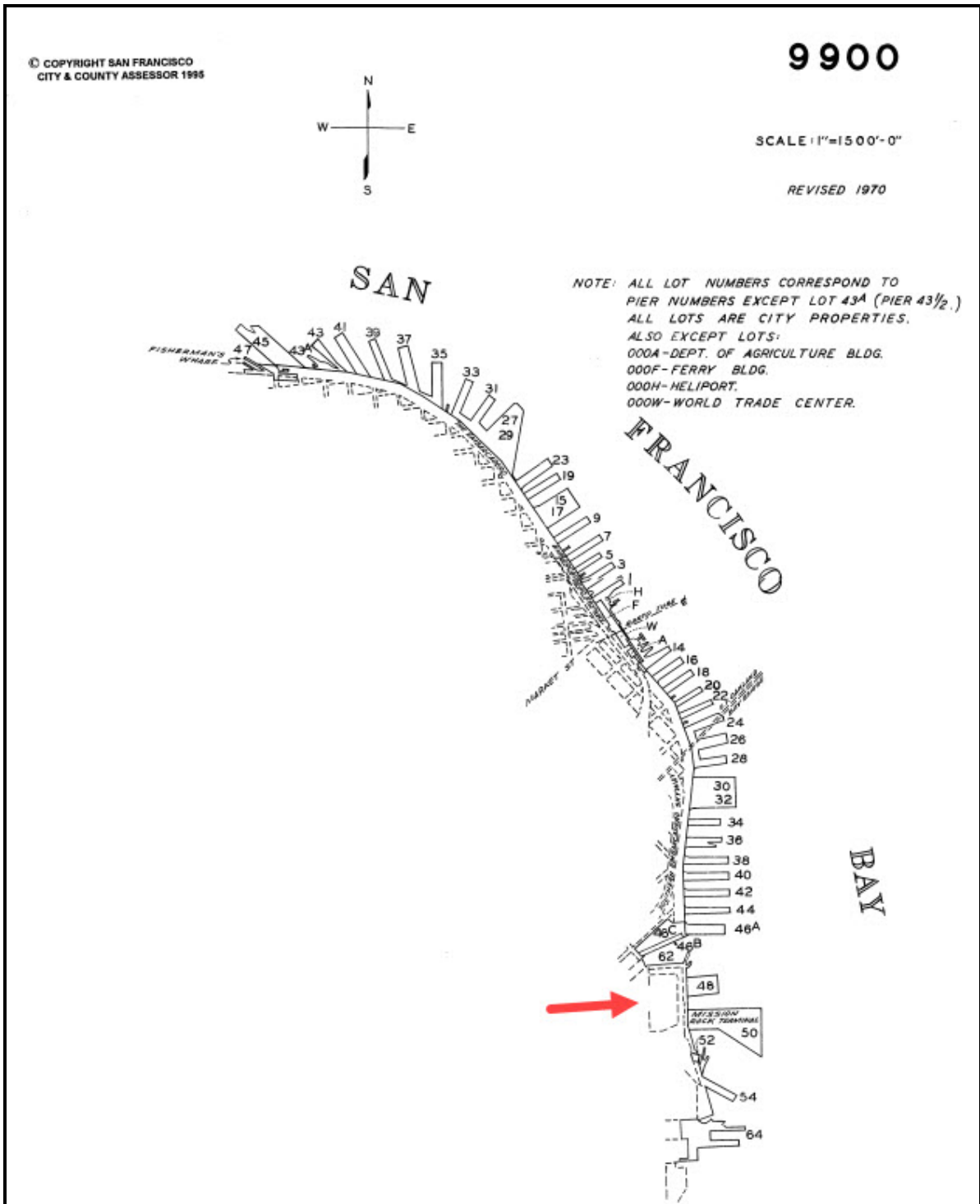
Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted under the subject's entitlements include mixed uses, multifamily residential, office, and retail uses. We are not aware of any other particular restrictions on development.



### Assessor Aerial

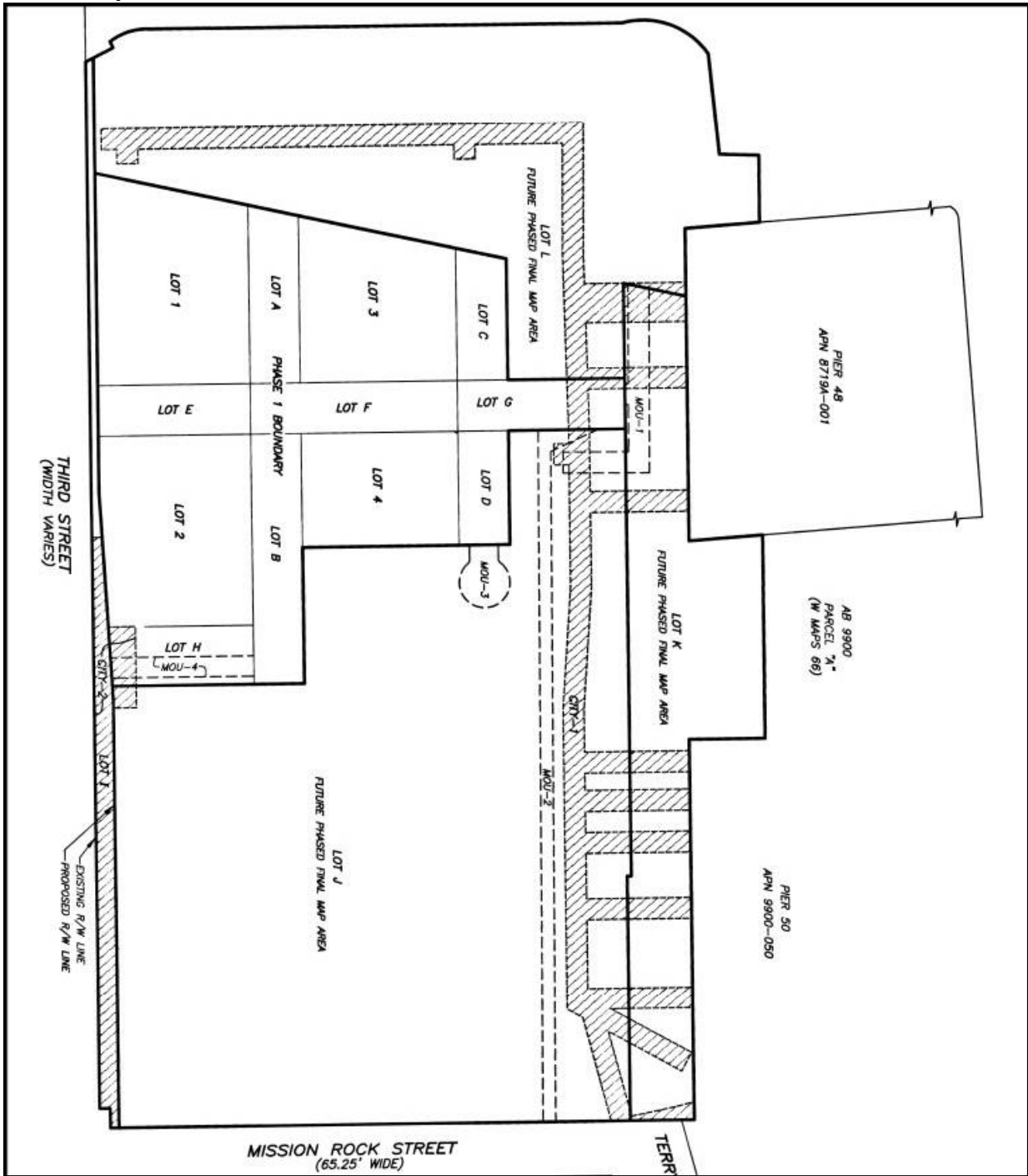


### Plat Map

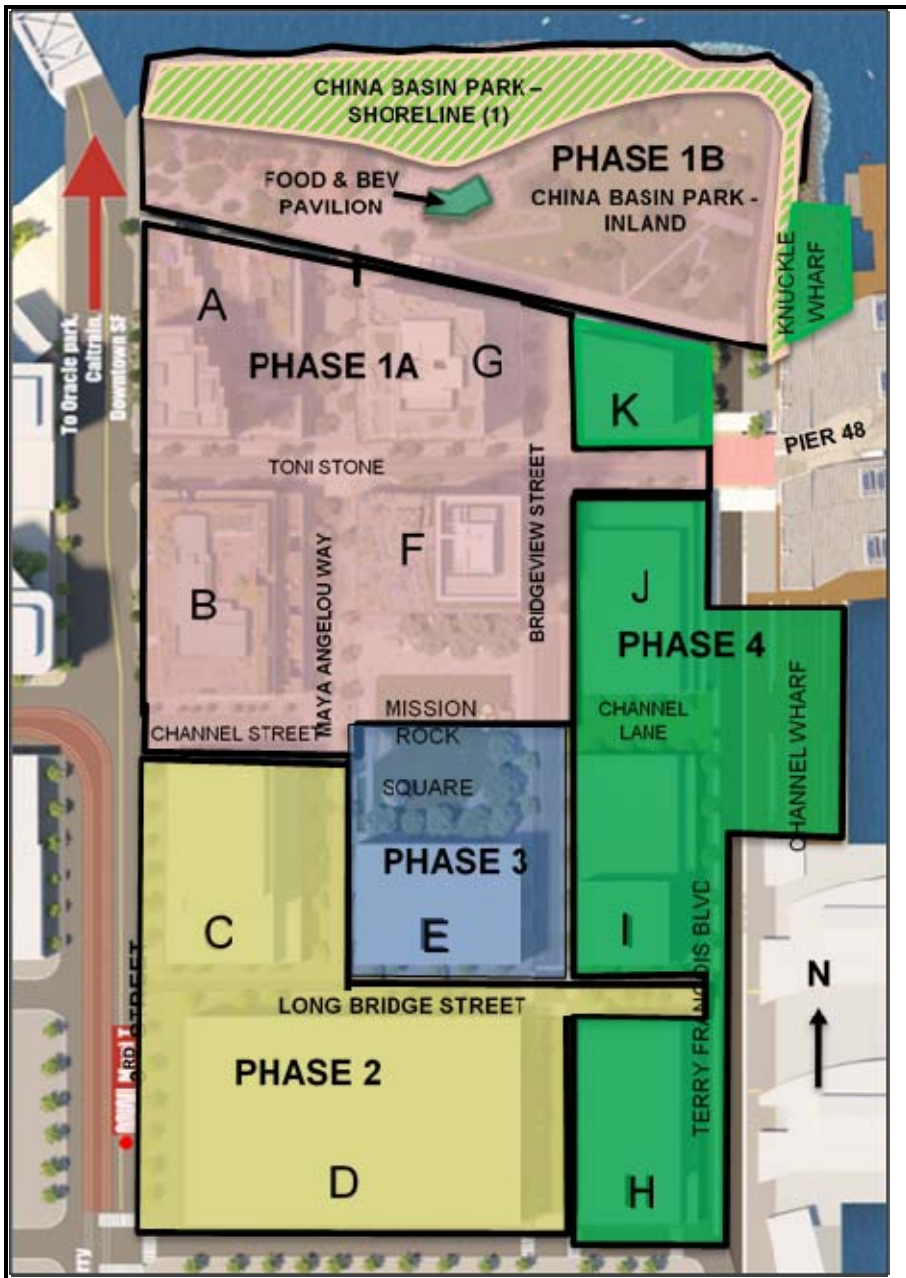




### Final Map



### Phasing Map



## Proposed Improvements Description

### Overview

The subject improvements will include a mix of residential, retail, and office uses within 11 Blocks. A summary of the proposed improvements is provided in the following tables.

#### Overview of Improvements

Block	Phase	Tax Zone	Rentable SF	Primary Use	Rentable	Rentable	Rentable
					Office SF <sup>^</sup>	Retail SF	Residential SF
A	1a	1	284,771	Residential	58,136	12,500	214,135
B	1a	1	289,305	Office	274,005	15,300	-
F	1a	1	207,498	Residential	21,600	8,000	177,898
G	1a	1	320,220	Office	302,920	17,300	-
C	2	2	329,988	Office	300,013	29,975	-
D1	2	2	193,552	Residential	-	-	193,552
D2*	2	2	10,327	Parking/Retail	-	10,327	-
E	3	2	131,437	Office	115,542	15,895	-
H	4	2	162,256	Residential	-	21,798	140,458
I	4	2	141,297	Office	119,320	21,977	-
J	4	2	141,344	Office	118,820	22,524	-
K	4	2	105,680	Residential	-	9,230	96,450
<b>Totals</b>			<b>2,317,675</b>		<b>1,310,356</b>	<b>184,826</b>	<b>822,493</b>

<sup>^</sup> Rentable office square footage includes usable outdoor space measured per BOMA standards

Block D2 is referenced in the table above but is excluded from this valuation, and the retail square footage is not included in the overall total for the subject property. Tables depicting additional detail for the subject's office and residential improvements are provided below. Although the primary use of Blocks A ("The Canyon") and F are multifamily residential, both also include an office and retail component.

#### Office Overview

Block	Phase	Rentable SF <sup>^</sup>	Rentable Office SF <sup>^</sup>	Rentable Retail SF	Acreage
A*	1a	70,636	58,136	12,500	0.96
F*	1a	29,600	21,600	8,000	0.58
B	1a	289,305	274,005	15,300	0.93
G	1a	320,220	302,920	17,300	0.78
C	2	329,988	300,013	29,975	0.90
E	3	131,437	115,542	15,895	0.58
I	4	141,297	119,320	21,977	0.75
J	4	141,344	118,820	22,524	0.72
<b>Total</b>		<b>1,453,827</b>	<b>1,310,356</b>	<b>143,471</b>	

\* Rentable SF excludes residential component

<sup>^</sup> Rentable office square footage includes usable outdoor space measured per BOMA standards

### Residential Overview

Block	Phase	Rentable SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage
A	1a	284,771	214,135	283	181	102	36%	0.96
F	1a	207,498	177,898	254	157	97	38%	0.58
D1	2	193,552	193,552	259	114	145	56%	0.58
H	4	162,256	140,458	192	128	64	33%	0.72
K	4	105,680	96,450	131	92	39	30%	0.41
<b>Total</b>				<b>1,119</b>	<b>672</b>	<b>447</b>	<b>40%</b>	

As previously noted, 40% of the subject's overall residential units reflect inclusionary housing. The allocation of inclusionary housing units for residential Blocks A and F are detailed below.

### Apartment Unit Mix - Blocks A & F

Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	97	34.3%
	Two Bedroom	69	24.4%
	Three Bedroom	6	2.1%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

Further detail regarding average square footage for each layout will be provided in the upcoming *Income Capitalization Approach* sections.

The subject improvements reflect good to excellent overall quality. A summary of each Block is presented on the following pages. The buildings reflect highly amenitized, Class A, steel frame construction within mid to high-rise improvements.

## Block A – The Canyon

### Improvements Description - Block A

Name of Property	The Canyon
General Property Type	Mixed Use
Property Sub Type	Residential / Office / Retail
Competitive Property Class	A
Occupancy Type	Multi-Tenant
Percent Leased	14%
Number of Buildings	1
Stories	23
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to excellent
Condition	New
Number of Units	283
Units per Acre (Density)	294.8
Rentable Area (SF)	284,771
Land Area (SF)	41,818
Floor Area Ratio (RA/Land SF)	6.81
Year Built	2023

Block A, The Canyon, is currently in lease-up. As of the effective appraisal date, 40 units (14%) are leased. Apartment units enjoy views of McCovey Cove and China Basin Park. Block A's office and retail space are currently being marketed for lease. The following table summarizes the project's multifamily amenities, which include condo-grade finishes.

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**Unit Features & Project Amenities - Block A**

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**Unit Features**

Patios/Balcony  
Quartz Counters  
Italian Cabinetry  
Stainless Steel Appliances  
Microwave  
Dishwasher  
Hardwood Plank Flooring  
Trash Compactor  
Window Shades  
Washer/Dryer In Unit  
Smart Thermostats

---

**Project Amenities**

Package Room  
Lounge  
Spa/Hot Tub  
Sauna  
Private Screening Room  
Dog Wash/Grooming Salon  
Fitness Room  
Coworking Lounge  
Rooftop Clubhouse  
Private Dining Room  
Arcade  
Concierge

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## Block F

A complete interior finish profile was not provided for Block F; however, the project is expected to reflect good to excellent construction quality and finishes. The exterior of the improvements features green ceramic tiling. Amenities will include terraces and podium and rooftop decks.

Please note, since the previous 2021B/C Bond issuance, the Developer of Parcel F eliminated the basement, re-programmed the ground floor space, and designated portions of the second and third floors of the building as office. This will also include a flexible workspace platform and event space. As of the effective appraisal date, one of the ground floor retail suites has been preleased to Arsicault Bakery.

### Improvements Description - Block F

Name of Property	Block F - Phase 1
General Property Type	Mixed Use
Property Sub Type	Residential / Office / Retail
Competitive Property Class	A
Occupancy Type	Multi-Tenant
Number of Buildings	1
Stories	23
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to excellent
Condition	New
Number of Units	254
Units per Acre (Density)	437.9
Rentable Area (SF)	207,498
Land Area (SF)	25,265
Floor Area Ratio (RA/Land SF)	8.21
Year Built	2023

## Block G – Visa Building

As noted, the office portion of Block G is 100% preleased to Visa, a national credit tenant. Visa is currently rated Aa3 by Moody's and AA- by Standard & Poor's. Block G will serve as Visa's global headquarters and the lease for the property commenced in March 2023. Though the lease was signed pre-pandemic, the landlord and tenant are moving forward with the same rent and TI terms as when the lease was signed. Currently, tenant improvements at the building are ongoing and Visa expects to occupy the space in February 2024. Initially, approximately 700 employees will be working at Block G and this number is expected to eventually increase to 1,100 employees. Visa has vacated other office holdings in San Francisco with plans to move into the subject space. As of the effective appraisal date, one of the retail suites is leased to Proper Food, a grab and go chain. In addition, there are also first floor leases with a coffee tenant and restaurant tenant.

### Improvements Description - Block G

Name of Property	Block G - Phase 1
General Property Type	Office
Property Sub Type	General Office
Competitive Property Class	A
Occupancy Type	Single Tenant Office / Multi-Tenant Retail
Number of Buildings	1
Stories	13
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to excellent
Condition	New
Rentable Area (SF)	320,220
Land Area (SF)	33,977
Floor Area Ratio (RA/Land SF)	9.42
Year Built	2023



## Block B

As discussed, Block B has been built to accommodate either general office or life sciences users, meaning the buildings has been outfitted to life sciences specifications. These include reinforcements and improvements to the structure to reduce vibrations, increased HVAC capacity, and additional generators. In addition, leases have been announced for three of the ground floor retail spaces. Tenants include Blades Co. Barbershop, Ike's Love & Sandwiches, and LuxFit.

### Improvements Description

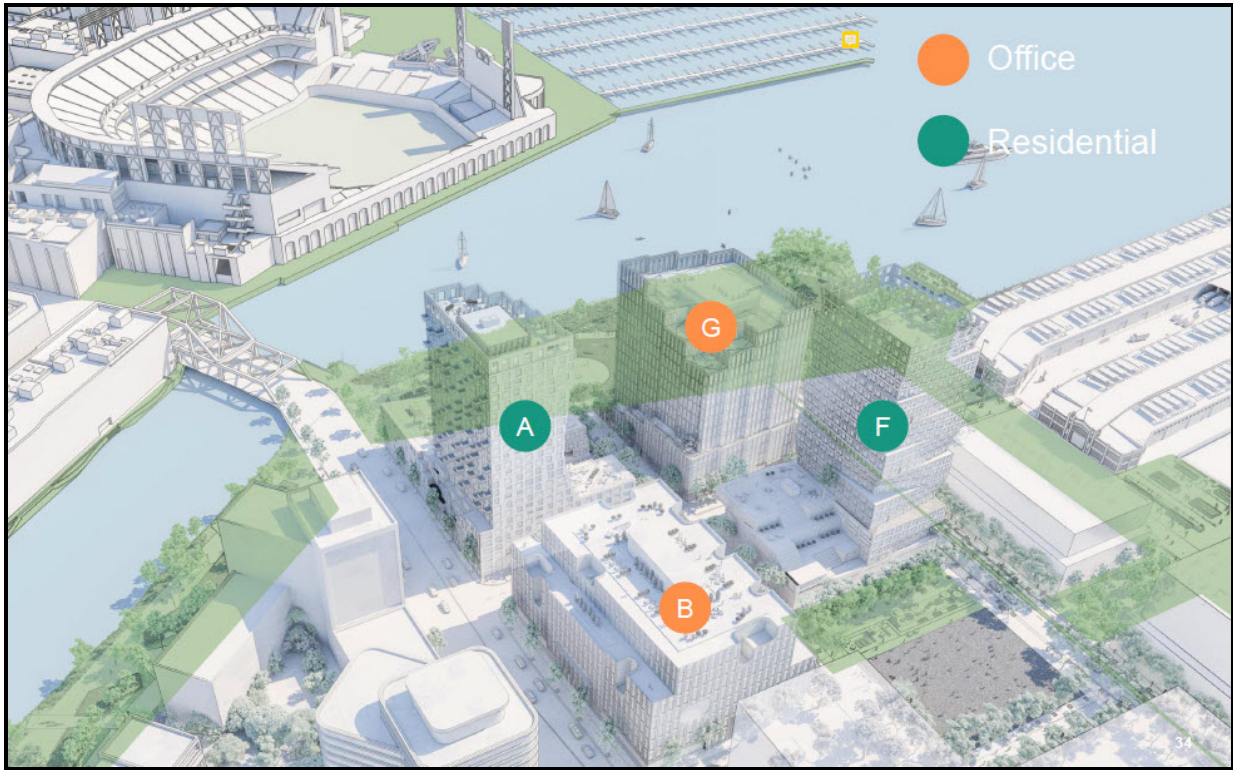
Name of Property	Block B - Phase 1
General Property Type	Office
Property Sub Type	General Office / Life Sciences / Retail
Competitive Property Class	A
Occupancy Type	Multi-Tenant
Number of Buildings	1
Stories	8
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to Excellent
Condition	New
Rentable Area (SF)	289,305
Land Area (SF)	40,511
Floor Area Ratio (RA/Land SF)	7.14
Year Built	2023

For the reader's reference, renderings and schematics for the subject improvements are shown on the following pages.

## Proposed Improvements – Phase 1



### Proposed Improvements – Phase 1





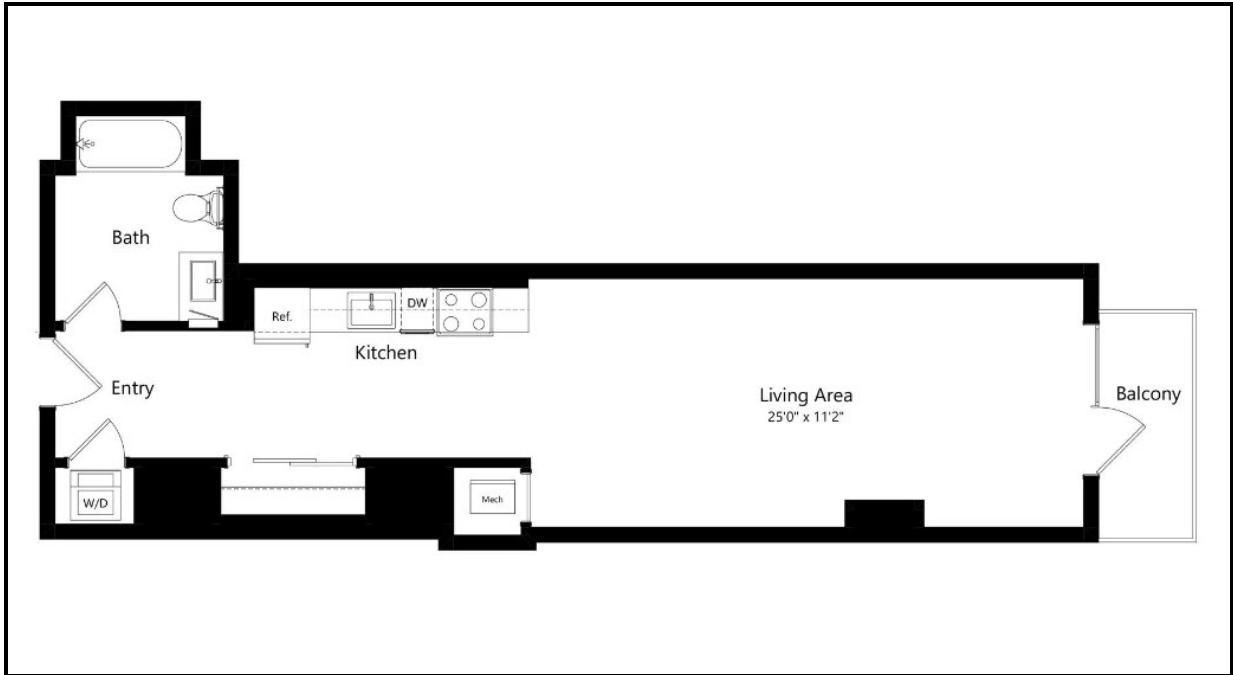
### Block A (The Canyon) – Residential Use



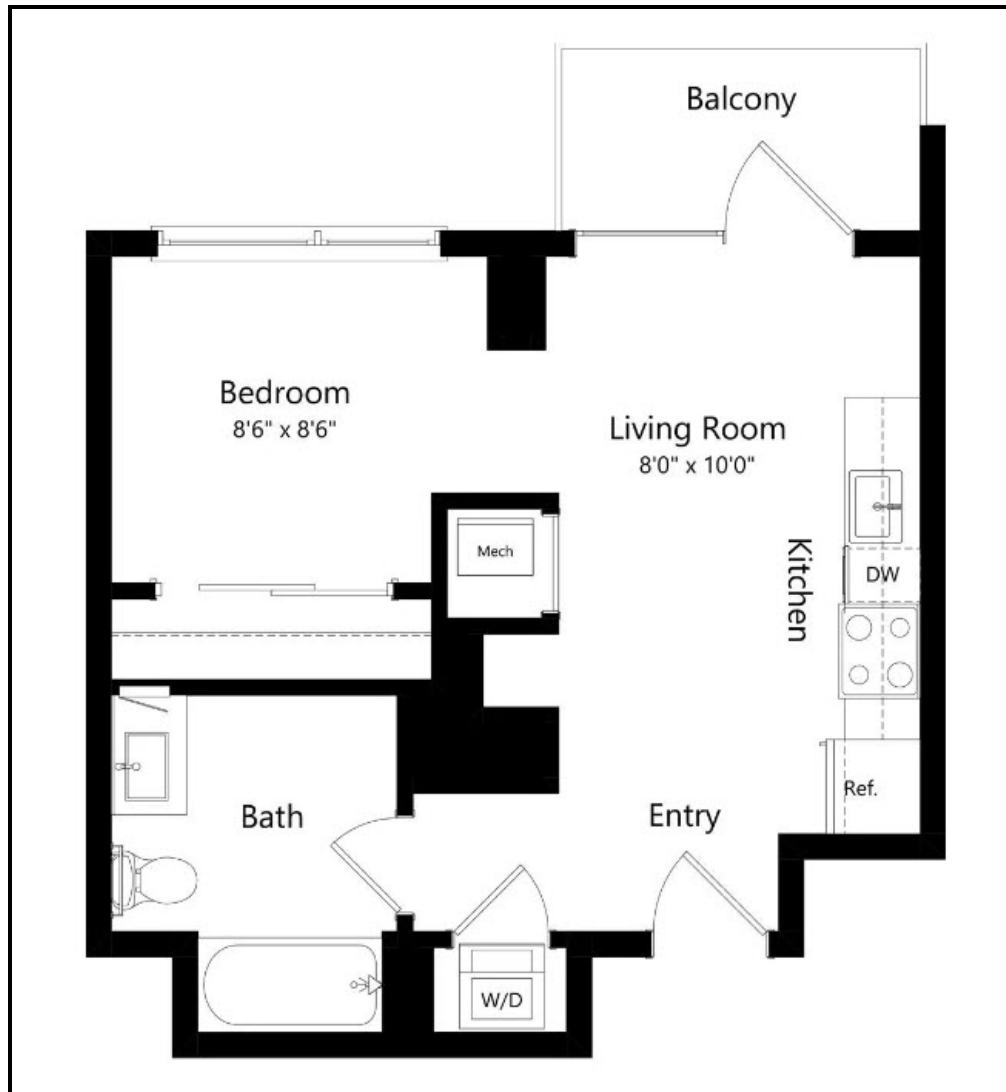
### Block A – Residential Use – First Floor & Sample Floorplans



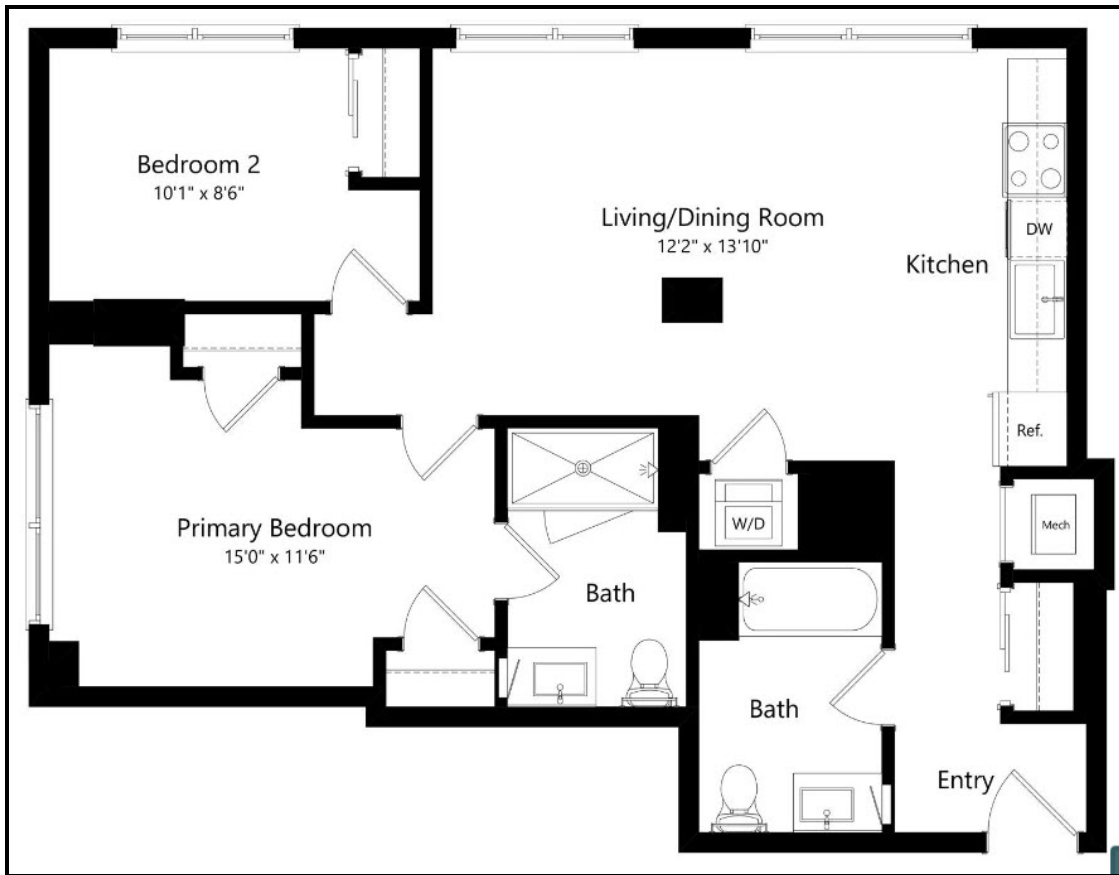
### Block A – Sample Floorplan - Studio



**Block A – Sample Floorplan – One Bedroom**

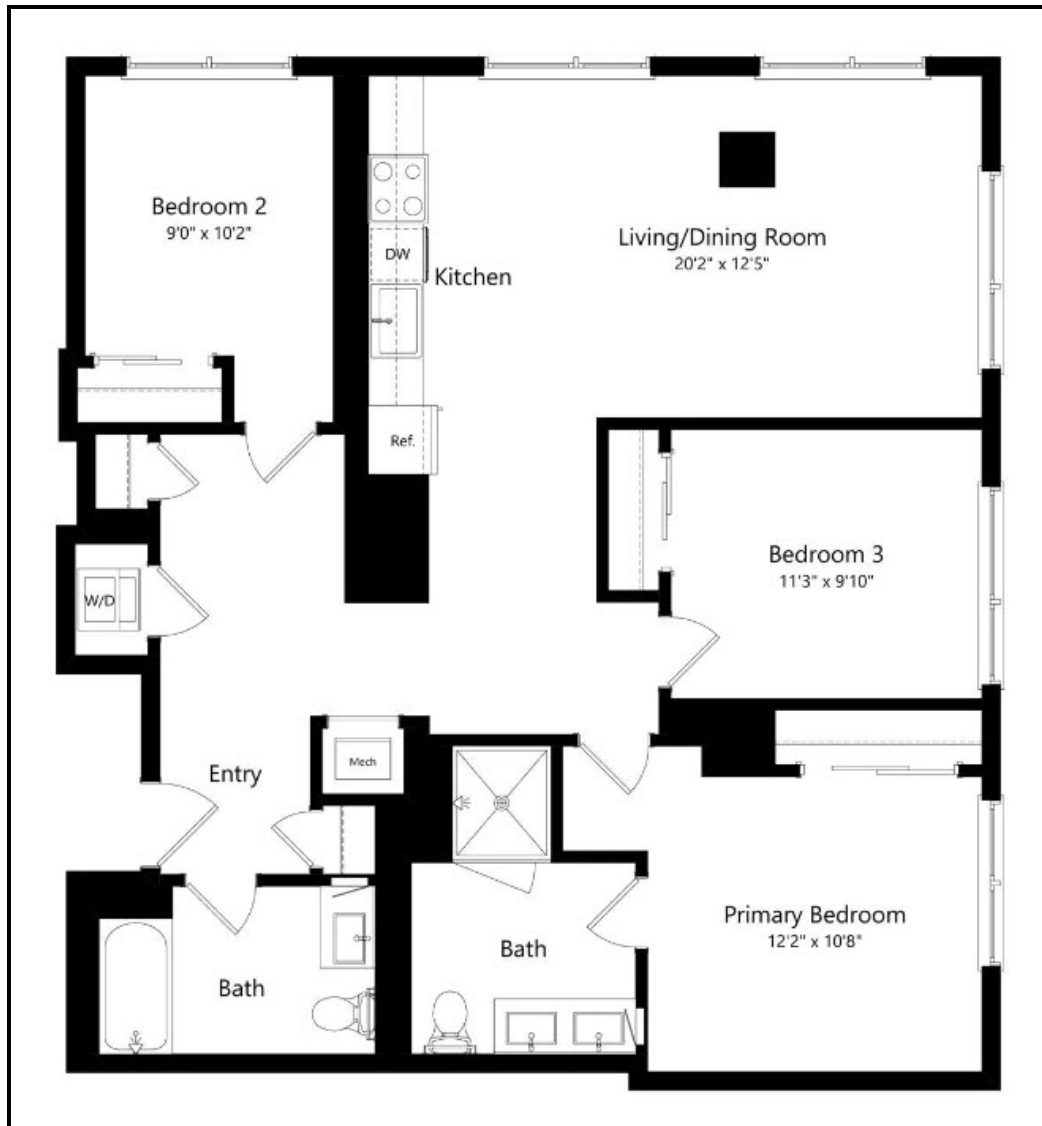


### Block A – Sample Floorplan – Two Bedroom





### Block A – Sample Floorplan – Three Bedroom



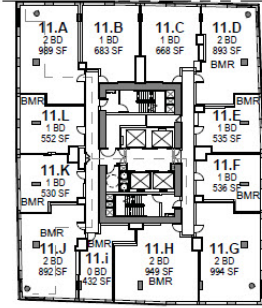
### Block F– Residential Use



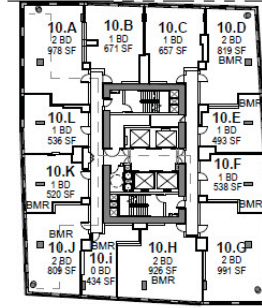




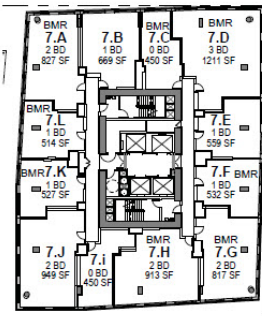
### Block F– Residential Use – Sample Floor Plans



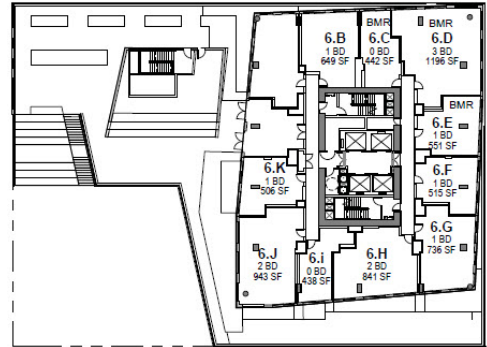
LEVEL 11



LEVEL 10



LEVEL 7



LEVEL 6



## Block B – Office Use







### Block B – First Floor



### Block G (Visa Building) – Office Use







### Block G (Visa Building) – First Floor



In addition to Proper Food, the first floor of Block G has executed leases with a coffee tenant (top left corner) and restaurant tenant (purple shading).





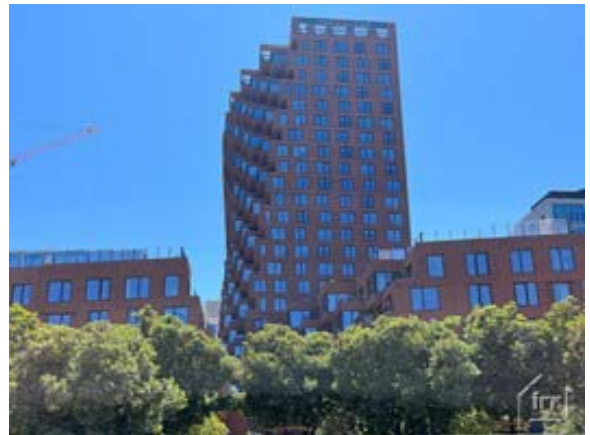
Block G – Visa Building



Blocks B, F, and A



Block F



Block A – The Canyon



Block B

## 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 1.179738%. This tax rate does not include the Special District Tax, which is discussed below.

The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate long term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District – City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses.

According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property comprising Phase 1a of the Special Tax District is presented in the following table (for the Fiscal Year 2023-24).

**Aggregate Calculation of Special District Tax (2023/2024) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Total Tax
A	1a	0.96	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	\$1,317,947
			<i>Offset by Ad Valorem Tax</i>			(\$1,317,947)
			Base Development Special Tax - Office Use	Office	\$7.04	\$296,299
			<i>Offset by Ad Valorem Tax</i>			(\$296,299)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	\$228,120
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$67,697
			Base Office Special Tax	Office	\$2.08	\$87,522
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$82,964
						<b>\$466,303</b>
B	1a	0.93	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-
			Base Development Special Tax - Office Use	Office	\$7.04	\$1,822,232
			<i>Offset by Ad Valorem Tax</i>			(\$1,822,232)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$416,334
			Base Office Special Tax	Office	\$2.08	\$538,259
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$510,225
						<b>\$1,464,818</b>
F	1a	0.58	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	\$1,026,689
			<i>Offset by Ad Valorem Tax</i>			(\$1,026,689)
			Base Development Special Tax - Office Use	Office	\$7.04	\$154,549
			<i>Offset by Ad Valorem Tax</i>			(\$154,549)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	\$177,707
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$35,310
			Base Office Special Tax	Office	\$2.08	\$45,651
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$43,274
						<b>\$301,942</b>
G	1a	0.78	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-
			Base Development Special Tax - Office Use	Office	\$7.04	\$1,993,407
			<i>Offset by Ad Valorem Tax</i>			(\$1,993,407)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$455,125
			Base Office Special Tax	Office	\$2.08	\$588,410
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$557,764
						<b>\$1,601,299</b>
<b>Totals</b>		<b>3.25</b>				<b>\$3,834,362</b>

Both the total taxes and taxes per square foot were provided by Goodwin Consulting.

In addition, reportedly 65% of the ad valorem taxes may be used to offset the Development Special Tax for Office Use and Development Special Tax for Residential Use (refer to the income capitalization section later in this Appraisal Report for a demonstration of pro forma ad valorem tax calculation).

It's worth noting, the Base Development Special Tax offset only occurs when the Assessed Value is final, which is consistent with the valuation of the vertical leasehold improvements upon completion of construction and stabilized occupancy presented in the *Valuation* section herein.

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Legally Permissible

The site is zoned MR-MU, Mission Rock Mixed Use. Permitted uses include mixed use, multifamily residential, commercial, office, retail uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property, which encompasses 11 of the 12 developable Blocks within the Mission Rock development, is fully entitled for the development of 1,400,000 square feet of office space, 245,000 square feet of retail space, and 1,000 to 1,600 for-rent multifamily residential units (40% of which will be affordable). The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only mixed use is given further consideration in determining highest and best use of the sites, as though vacant.

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including mixed residential/retail and office/retail uses.

#### Financially Feasible

Based on our analysis of the market, there is currently moderate demand for multifamily residential uses in the subject's market area. In some cases, multifamily residential development is feasible (though it may be better to hold the sites for future development based on the desired return). However, the subject's residential Blocks include a significant inclusionary housing component which limit the financial feasibility of the proposed improvements. In addition, residential construction costs continue to rise rapidly and have outpaced rental rate growth in recent years. As such, residential construction for two of the subject's Blocks is not currently financially feasible; in other words, the value of the land becomes negative when construction costs are deducted from the market value of the property as if stabilized.

Regarding the office Blocks, Proposition M restricts the amount of office space that may be constructed in San Francisco each year. A total of 950,000 square feet of office development potential

becomes available for allocation annually. This restricts the amount of new supply coming into the market; as such, prior to the pandemic, the vast majority of new office projects were preleased prior to construction in San Francisco. However, as discussed in the previous office market analysis, dynamics within the office market have greatly shifted. The rise of remote work policies, and other broader macroeconomic factors, have resulted in a large increase in office vacancy rates and a glut of available sublease space. While Class A properties are still seeing leasing activity and are better positioned to weather the current market conditions than Class B and C properties, it remains few non-distressed properties are transacting. In addition, capitalization rates have increased and it is difficult to obtain lending for office properties in the current environment. As vacant, construction of office space on the subject property is not currently financially feasible and the value of the land becomes negative when construction costs are deducted from the market value of the property as if stabilized.

### **Maximally Productive**

Under current market conditions, the maximally productive use of the subject site as if vacant is to hold the property for future development in accordance with the improved entitlements. The timing of this development will depend on the recovery of the multifamily and office markets. There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to hold the sites for mixed residential/retail and office/retail uses. Accordingly, it is our opinion that holding the property for the proposed mixed use components, developed to the normal market density level permitted by zoning and the subject entitlements, is the maximally productive use of the property.

### **Conclusion**

Development of the site for mixed use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

### **As Improved (Existing)**

As of the effective appraisal date, backbone infrastructure is substantially complete at the subject property, and vertical construction of Phase 1a improvements is nearly complete. The planned and under construction infrastructure and vertical improvements are necessary for future development. The proposed improvements are planned in accordance with the subject entitlements. The improvements contribute value to the subject property; completion of the vertical development and lease-up of the vacant multifamily units/office space comprising Phase 1a is considered the highest and best use as partially improved.

### **Most Probable Buyer**

The subject reflects a complex, interconnected, and multi-use development situated in a dense urban infill location in San Francisco. The most probable buyers of the individual Blocks within Phase 1a (Blocks A, B, F, and G) are institutional investors looking to manage the properties as leased assets.

For Phases 2 through 4, given the intricacies of the project and the approved entitlements, coupled with the fact certain land uses (residential) are highly dependent on the financial contributions of the balance (office) of the developable land uses, the highest and best use of the subject is to hold for

future development by a single developer familiar with the unique aspects of the property and location, rather than subdivision and development by multiple developers at this stage. Taking into account the size and characteristics of the property, the probable buyer of Phases 2 through 4 is a sophisticated land developer with highly specialized knowledge of the local market; the buyer would likely hold the property until market conditions improve.





# 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.

The valuation for Phase 1a is presented first, followed by valuation of the master developer held components. Each analysis begins with income capitalization approaches to determine the market value of the subject Blocks as if complete and stabilized. Next, extraction analyses are employed to determine the value of each Block in its as-is condition (which is substantially completed and/or under construction). As the four Blocks comprising Phase 1a (Tax Zone 1) are all under vertical construction and held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks is considered on a proportionate share per Block.

Finally, the subdivision development method is used to estimate the market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2). The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered.

## Income Capitalization Approach – Office Use – Phase 1a

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization method, either direct capitalization or discounted cash flow analysis, or both, to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we present only the direct capitalization approach to determine the market value as if stabilized of the proposed improvements for the subject's taxable Blocks. However, as a test of reasonableness for the subject's Phase 1a office Blocks, we also conducted discounted cash flow analyses which are retained in our workfiles.

A direct capitalization analysis will be presented for all Blocks within Phase 1a, as well as for all proposed office improvements in future phases (valuations of future phases will be presented in the upcoming *Master Developer Valuation* section). A summary of the subject's office improvements is recreated below. As noted, each of the Blocks within Phase 1a includes an office component, though the primary land use of Blocks A and F is residential. An analysis for Block B will be presented first, followed by Block G.

### Office Overview

Block	Phase	Rentable SF <sup>^</sup>	Rentable Office SF <sup>^</sup>	Rentable Retail SF	Acreage
A*	1a	70,636	58,136	12,500	0.96
F*	1a	29,600	21,600	8,000	0.58
B	1a	289,305	274,005	15,300	0.93
G	1a	320,220	302,920	17,300	0.78
C	2	329,988	300,013	29,975	0.90
E	3	131,437	115,542	15,895	0.58
I	4	141,297	119,320	21,977	0.75
J	4	141,344	118,820	22,524	0.72
<b>Total</b>		<b>1,453,827</b>	<b>1,310,356</b>	<b>143,471</b>	

\* Rentable SF excludes residential component

<sup>^</sup> Rentable office square footage includes usable outdoor space measured per BOMA standards

**Market Rent Analysis – Blocks B & G**

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases. Block G is currently the only pre-leased office improvement, with Visa planning to occupy 100% of the office space. However, as details of this lease have not been disclosed, the upcoming analysis relies on market rent for all of the subject space. The office component of Block B remains vacant as of the effective appraisal date. Management is marketing the space to both general office and life science users.

Both Blocks B and G have secured retail tenants for a portion of available space. While exact details of the leases were not disclosed, rent is reported by management to be approximately \$45 to \$65 per square foot, per year, triple net with operating expenses around \$30 per square foot. Lease terms are generally ten years and free rent is between one and six months if the tenant opens early. Tenant improvement allowances are generally between \$100 and \$200 per square foot. The upcoming analysis will rely on market rent for the subject's retail space. However, as will be demonstrated, our conclusions of market rent fall within the reported rental range for executed leases.

To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, building class, size, and transaction date. Market rent will be estimated for the subject's proposed office and supporting retail space.

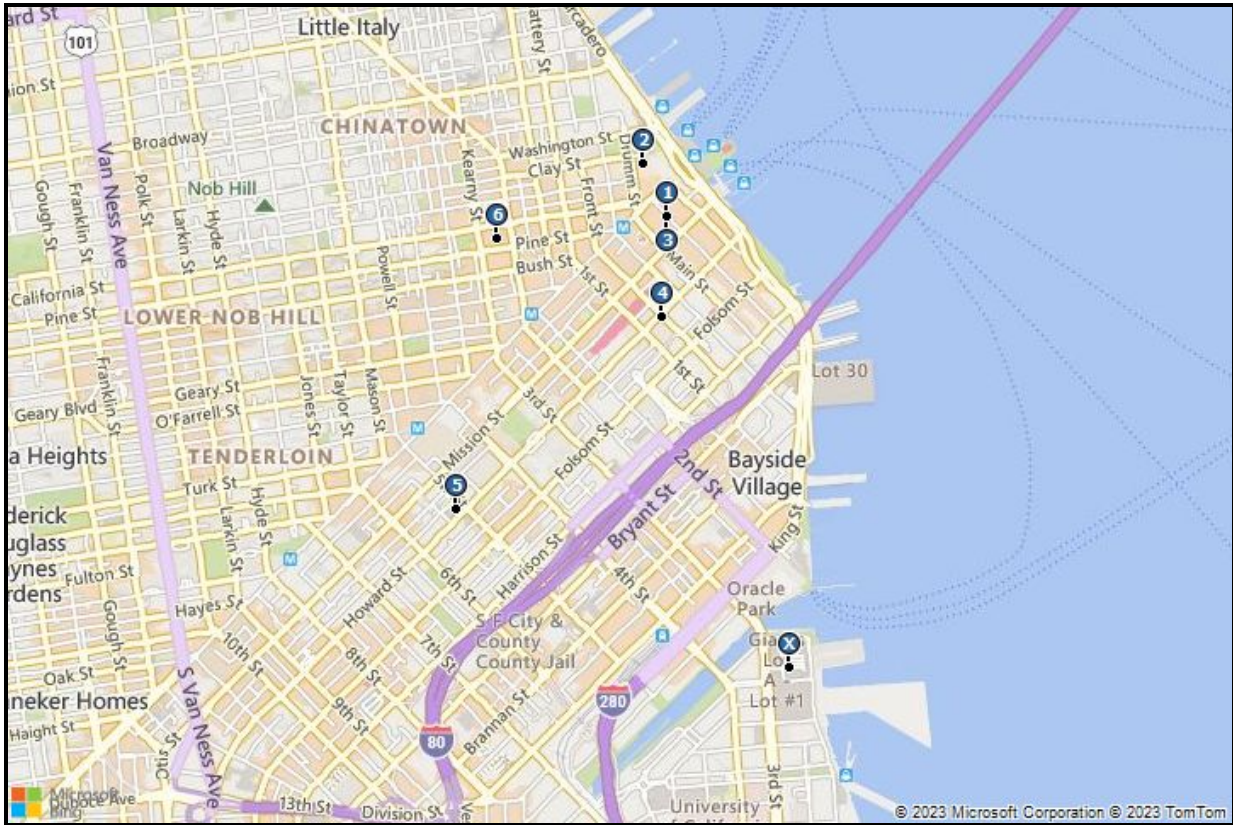
**Office Space Rental Analysis**

Comparable rentals considered most relevant to analyze the subject's office space are summarized below. Block B is positioned to appeal to both general office and life science users. Our search for comparables focused on highly amenitized, Class A space in San Francisco.

## Summary of Comparable Rentals - Office

No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	TI/SF	Lease Type
1	One Market Plaza - Spear 49 Spear St. San Francisco San Francisco County CA	Yr Blt. 1976 Stories: 42 RA: 883,778 Parking Ratio: 0.2 /1,000	Citigroup	76,439	Jan-23	144	\$110.00	Fixed	\$120.00	Full Service
<i>Comments: Tenant is downsizing from 105,000 SF and received a \$120 psf TI allowance and 12 months of free rent. Escalations are 3% annually in the first five years and 2.5% annually after.</i>										
2	4 Embarcadero Center 4 Embarcadero Center San Francisco San Francisco County CA	Yr Blt. 1979 Stories: 45 RA: 933,813 Parking Ratio: -	Vista Equity Partners, LLC	44,476	Dec-22	126	\$105.00	Fixed	\$118.00	Full Service
<i>Comments: Tenant is renewing their 20th floor lease of 21,860 SF and expanding onto the 30th floor with an additional 22,616 SF. The renewal space is renting for \$107.63 psf, full service, while the expansion space is renting for \$105 psf, full service. The average TI allowance for both spaces is \$118 psf (\$100 psf for renewal space and \$136 psf for the expansion space). The lease for the expansion space commenced in December 2022, while the renewal will commence in October 2024.</i>										
3	One Market Plaza - Spear 49 Spear St. San Francisco San Francisco County CA	Yr Blt. 1976 Stories: 42 RA: 883,778 Parking Ratio: 0.2 /1,000	Thoma Bravo	42,730	Oct-22	120	\$110.00	Fixed	\$120.00	Full Service
<i>Comments: Tenant received a \$120 psf TI allowance and ten months of free rent.</i>										
4	Foundry Square II 405 Howard St. San Francisco San Francisco County CA	Yr Blt. 2002 Stories: 10 RA: 521,555 Parking Ratio: 0.3 /1,000	Fremont Group	60,000	Sep-22	144	\$91.00	Fixed	\$110.00	Full Service
<i>Comments: Tenant signed lease for second floor space and received a TI allowance of \$110 psf and six months of free rent.</i>										
5	5M 415 Natoma St. San Francisco San Francisco County CA	Yr Blt. 2022 Stories: 25 RA: 653,900 Parking Ratio: -	Thumbtack	20,300	Jul-22	48	\$100.00	Fixed	\$175.00	Full Service
<i>Comments: Thumbtack is downsizing from space at 1355 Market St and leasing space on the 13th floor of 5M. TIs are estimated between \$175 and \$200 psf. The building was completed in 2022 and Brookfield (owner) is also building space out on a speculative basis with asking rents of \$72 NNN.</i>										
6	555 California St. 555 California St. San Francisco San Francisco County CA	Yr Blt. 1969 Stories: 52 RA: 1,789,041 Parking Ratio: 0.3 /1,000	Goldman Sachs	89,560	Jul-21	61	\$110.00	Fixed	\$45.00	Full Service
<i>Comments: This is a five-year lease renewal; tenant received three months of free rent and a \$45 psf TI allowance.</i>										

### Comparable Rentals Map – Office Space







Lease 1  
One Market Plaza - Spear Tower



Lease 2  
4 Embarcadero Center



Lease 3  
One Market Plaza - Spear Tower



Lease 4  
Foundry Square II



Lease 5  
5M



Lease 6  
555 California St.

### Rental Analysis Factors

The following elements of comparison are considered in our analysis of the comparable rentals.

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#### Rental Analysis Factors

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Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

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Each of the comparables reflect full service leases. Triple net leases are also common in the subject's submarket for new construction, and Visa's lease in Building G also reportedly includes a triple net expense structure. Therefore, we have adjusted all the comparables downward to reflect triple net leases, in which the landlord is only responsible for administrative expenses. A summary of expense responsibilities is presented on the following page.

### Subject Expense Structures

Space Type Lease Type	Office		Retail	
	Triple Net		Triple Net	
	Owner	Tenant	Owner	Tenant
Real Estate Taxes		x		x
Insurance		x		x
Utilities (MRU and SFPUC)		x		x
Repairs/Maintenance		x		x
Cleaning/Janitorial		x		x
Grounds		x		x
Security		x		x
General/Administrative Management	x		x	
Base Development Special Tax - Office		x		
Base Contingent Services Special Tax - Office		x		
Base Special Tax - Office		x		
Base Shoreline Special Tax - Office		x		
Ground Lease		x		x

As will be discussed in further detail later in this report, the subject's office space is subject to various special taxes in relation to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). It is assumed the tenant will reimburse for these expenses. This is also consistent with the Visa lease on Block G. Retail space is not subject to any special taxes. The subject ground lease payments are also assumed to be reimbursed by the tenants. The ground lease and special taxes will be detailed in the expense section of this analysis; the expense section also considers utility costs associated with the Mission Rock Utilities. However, based on conversations with the developer and market participants, it is our belief the subject's triple net expenses do not vastly exceed its competitors.

#### Analysis of Comparable Rentals – Office Space

The comparable rentals are compared to the subject and adjusted to account for material differences that affect market rental value. The following table summarizes our analysis of each comparable.



**Rental Analysis Summary - Office**

No.	Property Name; Tenant	Leased SF	Rent/SF	Overall Comparison to Subject	Comments
1	One Market Plaza - Spear Tower Citigroup	76,439	\$110.00	Similar	Adjusted downward for expense structure and upward slightly for age/condition.
2	4 Embarcadero Center Vista Equity Partners, LLC	44,476	\$105.00	Inferior	Adjusted downward for expense structure and upward slightly for age/condition.
3	One Market Plaza - Spear Tower Thoma Bravo	42,730	\$110.00	Similar	Adjusted downward for expense structure and upward slightly for age/condition.
4	Foundry Square II Fremont Group	60,000	\$91.00	Inferior	Adjusted downward for expense structure and upward slightly for age/condition.
5	5M Thumbtack	20,300	\$100.00	Similar	Adjusted downward for expense structure.
6	555 California St. Goldman Sachs	89,560	\$110.00	Similar	Adjusted downward for expense structure and upward slightly for age/condition.

Market rent is the rental income that a property would most probably command in the marketplace. A number of comparable office properties within the subject's market area were surveyed in order to determine market rent. The comparable properties presented above are considered the most similar to the subject that we could accurately confirm.

In addition to expense structure, factors considered when adjusting the comparables consisted of lease conditions, market conditions, and differences in physical characteristics. In equating the comparables to the subject, all are considered reasonable indicators of market rent. The subject improvements will reflect highly amenitized new construction. After analysis, the comparables indicate a rental rate of **\$80.00** per square foot, per year, triple net, is applicable to the subject's office space. Overall, the comparable range shifts downward due the necessary adjustments for expense structure.

This rental rate is also considered reasonable for the subject's life sciences build out, though the tenant improvement allowance for this space is expected to be higher than general office space. Typical TI allowances for general office users are approximately \$125 to \$150 per square foot, while allowances for life sciences tenants are closer to \$200 per square foot.

In the following analysis for Blocks B and G, the market rent conclusion of \$80.00 per square foot, per year, triple net will be utilized to arrive at the market value of the Blocks as if stabilized. However, substantial lease up costs –which include TI allowance costs, free rent, leasing commissions, and downtime prior to lease commencement—will be also be considered in the upcoming extraction analyses in order to arrive at the market value of the subject Blocks in their current condition (Block B is vacant and Block G is preleased to Visa).

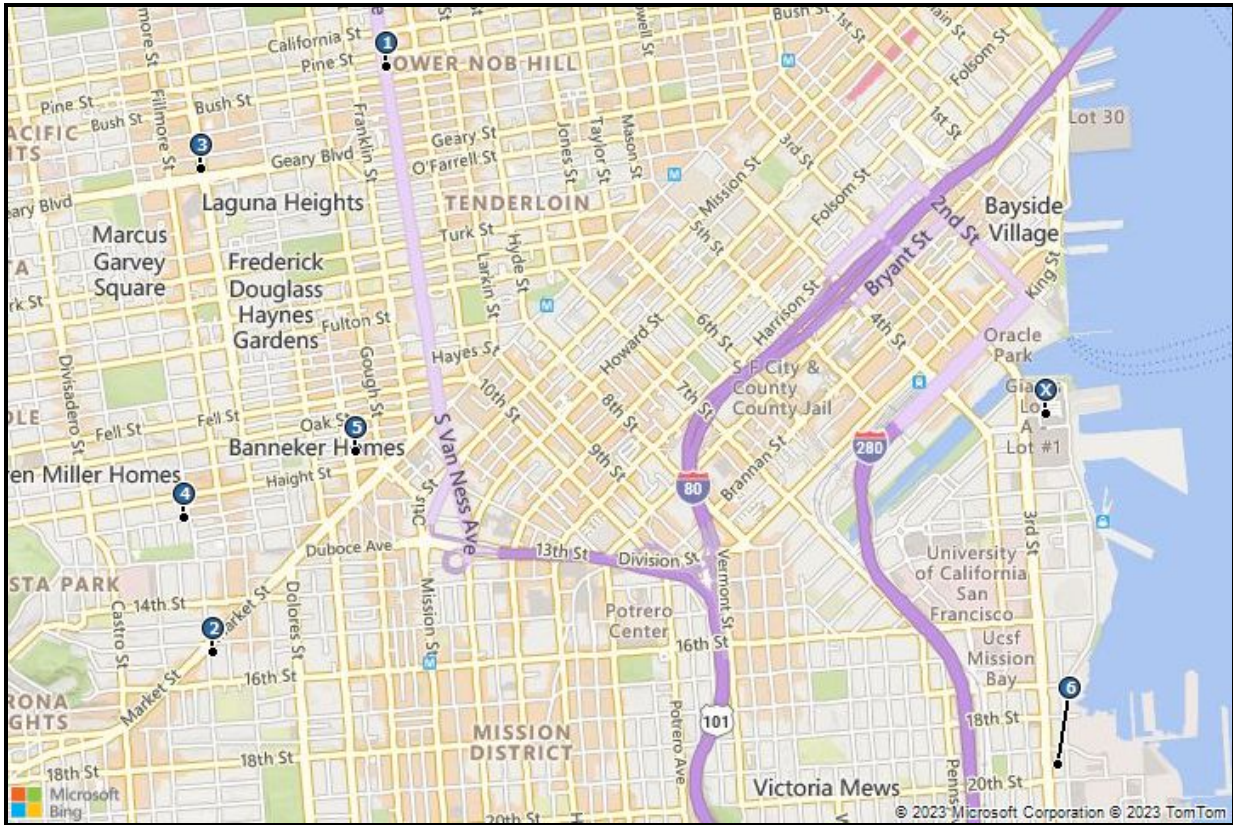
## Retail Space Rental Analysis

Though the majority of the subject's commercial improvements will feature office space, each improvement also offers a retail component. Comparable rentals considered most relevant to the subject's retail space are summarized in the following table.

### Summary of Comparable Rentals - Retail

No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	Lease Type
1	1430 Van Ness Ave. 1430 Van Ness Ave. San Francisco San Francisco County CA	Yr Blt. 1913 Stories: 1 RA: 4,255 Parking Ratio: -	Active Listing	4,255	Jul-23	-	\$55.00	Fixed	Triple Net
<i>Comments: Listing of street-level retail space located at the corner of Van Ness and Austin Alley. Listing brokers with JLL did not respond to requests for additional information.</i>									
2	2195-2199 Market Street 2195-2199 Market St. San Francisco San Francisco County CA	Yr Blt. 1906 Stories: 3 RA: 6,495 Parking Ratio: -	Custom Sofa Co.	1,510	Aug-22	36	\$49.32	Fixed Steps	Modified Gross
<i>Comments: New lease for a ground floor retail suite. The unit has a new paint job and new vinyl plank flooring. There is basement space for storage. The broker did not confirm if tenant improvements were built into the lease.</i>									
3	2301-2309 Webster St. 2301-2309 Webster St. San Francisco San Francisco County CA	Yr Blt. 1900 Stories: 2 RA: 4,147 Parking Ratio: -	Confidential	911	Jul-22	36	\$49.40	Fixed	Modified Gross
<i>Comments: Recent lease of a ground floor retail suite. The unit was in average condition. No TI allowance or free rent was included in the rent.</i>									
4	201-211 Steiner Street 201-211 Steiner St. San Francisco San Francisco County CA	Yr Blt. 1900 Stories: 3 RA: 12,410 Parking Ratio: -	MX3 Fitness	905	Sep-21	60	\$67.90	-	Modified Gross
<i>Comments: There was no TI allowance or free rent included in the lease.</i>									
5	188 Octavia Street 188 Octavia St. San Francisco San Francisco County CA	Yr Blt. 2020 Stories: 5 RA: 20,603 Parking Ratio: -	DM Development	1,037	Aug-21	60	\$48.00	-	Triple Net
6	Potrero Launch 2235 3rd St. San Francisco San Francisco County CA	Yr Blt. 2012 Stories: 4 RA: 242,185 Parking Ratio: -	Not Disclosed	1,840	Jul-21	-	\$52.00	Fixed	Modified Gross
<i>Comments: New lease for ground floor commercial suite in the Potrero Launch mixed-use apartment/commercial building.</i>									

### Comparable Rentals Map – Retail Space







Lease 1  
1430 Van Ness Ave.



Lease 2  
2195-2199 Market Street



Lease 3  
2301-2309 Webster St.



Lease 4  
201-211 Steiner Street



Lease 5  
188 Octavia Street



Lease 6  
Potrero Launch



### Analysis of Comparable Rentals – Retail Space

Our analysis of the comparable rentals is summarized in the following table.

<b>Rental Analysis Summary - Retail</b>					
No.	Property Name;	Leased SF	Rent/SF	Overall	Comments
1	1430 Van Ness Ave. Active Listing	4,255	\$55.00	Inferior	Adjusted upward for age/condition.
2	2195-2199 Market Street Custom Sofa Co.	1,510	\$49.32	Inferior	Adjusted downward for expense structure and upward for age/condition.
3	2301-2309 Webster St. Confidential	911	\$49.40	Inferior	Adjusted downward for expense structure and upward for age/condition.
4	201-211 Steiner Street MX3 Fitness	905	\$67.90	Similar	Adjusted downward for expense structure.
5	188 Octavia Street DM Development Partners, LLC	1,037	\$48.00	Similar	Adjusted upward for age/condition.
6	Potrero Launch Not Disclosed	1,840	\$52.00	Inferior	Adjusted downward for expense structure and upward for age/condition.

After analysis, the comparables indicate that a rental rate of \$50.00 per square foot per year, triple net, is applicable to the subject's retail space.

### Market Rent Conclusions

Based on the preceding analysis of comparable rentals, we conclude market lease terms for the subject as follows.

<b>Concluded Market Lease Terms</b>								
Space Type	Market		Rent		Lease	Free Rent (Mos.)	TI/SF New	TI/SF Renew
	Rent	Measure	Escalations	Lease Type	Term (Mos.)			
Office	\$80.00	\$/SF/Yr	3% annually	Triple Net	120	6	\$150.00	\$15.00
Retail	\$50.00	\$/SF/Yr	3% annually	Triple Net	36	3	\$30.00	\$15.00

As noted, the market rental rate for Block B is consistent whether the space is leased to a life sciences or general office user; however, a life sciences user would command a higher TI allowance closer to \$200 per square foot.

## Stabilized Income and Expenses – Block B

### Potential Gross Rent

Potential gross rent is based on market rents, as shown in the following table. Income is projected for the 12-month period following the effective date of the appraisal.

#### Potential Gross Rent - Block B

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Office	274,005	\$80.00	\$21,920,400
Retail	15,300	\$50.00	\$765,000
Total Subject	289,305	\$78.41	\$22,685,400

### Expense Reimbursements

Reimbursement income is based upon a triple net expense structure that requires tenants to reimburse the owner for all operating expenses except administrative expenses.

### Vacancy & Collection Loss

Please refer to the *Office and Retail Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Although the overall San Francisco office market continues to be influenced by the remote work policies and an abundance of sublease space, the severity of the impact varies by asset class; the subject property offers highly amenitized, newly constructed, Class A office space which is expected to outperform metrics for the overall market. Even so, market conditions have shifted from pre-pandemic metrics, and the historically accepted 5% stabilized vacancy rate is not reflective of the current (or near term) market. Based on conversations with market participants, we have selected a 10% stabilized vacancy and collection loss factor for Block B, which is likely to be leased to multiple tenants.

### Expenses

To estimate pro forma operating expenses for the subject property, we considered expense data from comparable properties throughout San Francisco. Note that a replacement reserve expense has not been estimated for the subject property, since the overall capitalization rates extracted from the sales data did not include this as an expense. Management is estimated at 3% of effective gross income for Block B, which is assumed to be leased to multiple tenants, and 2% for Block G, which is leased to a single tenant.

Additionally, for property taxes we have calculated the taxes by applying the subject's tax rate to the market value estimate via the income capitalization approach. The premise is that taxes would be reassessed upon the sale of the property.

As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock,

up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office (and multifamily residential) land uses. The subject property is encumbered with special taxes due to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), which office tenants are expected to reimburse.

**Aggregate Calculation of Special Distict Tax (2023/2024) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Total Tax
A	1a	0.96	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	\$1,317,947
			<i>Offset by Ad Valorem Tax</i>			(\$1,317,947)
			Base Development Special Tax - Office Use	Office	\$7.04	\$296,299
			<i>Offset by Ad Valorem Tax</i>			(\$296,299)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	\$228,120
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$67,697
			Base Office Special Tax	Office	\$2.08	\$87,522
Base Shoreline Special Tax - Office Use	Office	\$1.97	\$82,964			
						<b>\$466,303</b>
B	1a	0.93	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-
			Base Development Special Tax - Office Use	Office	\$7.04	\$1,822,232
			<i>Offset by Ad Valorem Tax</i>			(\$1,822,232)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$416,334
			Base Office Special Tax	Office	\$2.08	\$538,259
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$510,225
						<b>\$1,464,818</b>
F	1a	0.58	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	\$1,026,689
			<i>Offset by Ad Valorem Tax</i>			(\$1,026,689)
			Base Development Special Tax - Office Use	Office	\$7.04	\$154,549
			<i>Offset by Ad Valorem Tax</i>			(\$154,549)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	\$177,707
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$35,310
			Base Office Special Tax	Office	\$2.08	\$45,651
Base Shoreline Special Tax - Office Use	Office	\$1.97	\$43,274			
						<b>\$301,942</b>
G	1a	0.78	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-
			Base Development Special Tax - Office Use	Office	\$7.04	\$1,993,407
			<i>Offset by Ad Valorem Tax</i>			(\$1,993,407)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$455,125
			Base Office Special Tax	Office	\$2.08	\$588,410
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$557,764
						<b>\$1,601,299</b>
<b>Totals</b>		<b>3.25</b>				<b>\$3,834,362</b>

As previously discussed, the Mission Rock development is being served by a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) Systems, which will be owned by Mission Rock Utilities, Inc.

The black water recycling system will be an advanced water recycling facility that will treat the wastewater collected from toilets, showers and sinks to meet the non-potable water needs of buildings in the Mission Rock Project, as well as associated open space. The thermal district energy

system will supply hot and cold water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings, replacing the need for individual equipment in each building.

The above-referenced facilities are located separately in two (Blocks B and A) of the first four buildings being constructed as part of Phase 1a. The bay water energy exchange system is expected to be constructed after the Mission Rock Project is fully built out.

Long-term utility service agreements require each property to be a customer of these utility systems; utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs. Based on information available, the rates associated with the MRU system are expected to be above typical rates for existing facilities throughout San Francisco; however, these rates are anticipated to decrease as future buildings are developed and come on line. According to cost projections available for use in this analysis, the combination of MRU and SFPUC (San Francisco Public Utilities Commission) expenses for the commercial space is anticipated to average approximately \$5.50 per square foot, per year, and reimbursable as part of typical triple net (common area maintenance, or CAM) reimbursements.

In addition, the subject is encumbered with a ground lease. According to the developer, the ground lease payments for Phase 1a parcels have been pre-paid as part of the transfer of the leasehold interest from the Port of San Francisco/master developer to the vertical developer. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1a Blocks.

#### Ground Lease Allocation

Block	Phase	Tax	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1a	1	0.96	41,818	10.1%	\$238,229	Prepaid
B	1a	1	0.93	40,511	9.8%	\$230,784	Prepaid
F	1a	1	0.58	25,265	6.1%	\$143,930	Prepaid
G	1a	1	0.78	33,977	8.2%	\$193,561	Prepaid
C	2	2	0.90	39,204	9.4%	\$223,340	
D1	2	2	0.58	25,265	6.1%	\$143,930	
E	3	2	0.58	25,265	6.1%	\$143,930	
H	4	2	0.72	31,363	7.6%	\$178,672	
I	4	2	0.75	32,670	7.9%	\$186,116	
J	4	2	0.72	31,363	7.6%	\$178,672	
K	4	2	0.41	17,860	4.3%	\$101,744	
D2	2	2	1.62	70,567	17.0%	\$402,011	
<b>Totals</b>			<b>9.53</b>	<b>415,127</b>	<b>100%</b>	<b>\$2,364,919</b>	
<b>Total Ground Lease Rent less D2</b>						<b>\$1,962,908</b>	

This analysis is concerned with Block B. The expense comparables and our operating expense conclusions for the subject are presented in the following tables.



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**Operating History and Projections - Block B**


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	IRR Projection
<b>Income</b>	
Base Rent	\$22,685,400
Expense Reimbursements	9,600,081
Potential Gross Income*	\$32,285,481
Vacancy & Collection Loss @ 10.0%	-3,228,548
Effective Gross Income	\$29,056,933
<b>Expenses</b>	
Real Estate Taxes	\$3,059,308
Ad Valorem Tax - Base Development Special Tax Offset	-1,822,232
Insurance	433,958
Utilities (MRU and SFPUC)	1,591,178
Repairs/Maintenance	1,084,894
Cleaning/Janitorial	578,610
Grounds	86,792
Security	506,284
General/Administrative	578,610
Management	871,708
Base Development Special Tax - Office	1,822,232
Base Contingent Services Special Tax - Office	416,334
Base Special Tax - Office	538,259
Base Shoreline Special Tax - Office	510,225
Ground Lease	0
Total Expenses	\$10,256,158
<b>Net Operating Income</b>	<b>\$18,800,774</b>
Operating Expense Ratio	35.3%

\*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss.

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As discussed, the “Base Development Special Tax – Office” is offset by the ad valorem taxes, and the ground lease has been pre-paid. The following page provides expense comparables in San Francisco.

<b>Expense Analysis per Square Foot</b>						
	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	2002	1990			1982, 1986	2023
SF	668,149	359,154	104,225	607,044	207,317	289,305
Prevailing Lease Type					Full Service	Triple Net
Operating Data Type	Pro-forma					IRR Projection
	Trailing-12	Trailing-12	Trailing-12	Trailing-12	Owner	
Year	2021	2021	2021	2021	2020	
Real Estate Taxes	\$4.78	\$13.29	\$8.57	\$5.72	\$1.70	\$10.57
Ad Valorem Tax - Base Development Special Tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$6.30
Insurance	\$2.20	\$2.01	\$0.71	\$2.09	\$0.00	\$1.50
Utilities (MRU and SFPUC)	\$2.04	\$1.43	\$1.97	\$0.88	\$2.94	\$5.50
Repairs/Maintenance	\$0.53	\$1.73	\$5.30	\$3.50	\$2.84	\$3.75
Cleaning/Janitorial	\$2.32	\$1.31	\$0.00	\$0.00	\$1.02	\$2.00
Grounds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.51	\$0.30
Security	\$0.00	\$0.00	\$0.00	\$0.00	\$0.48	\$1.75
General/Administrative	\$6.82	\$6.63	\$9.97	\$4.68	\$0.83	\$2.00
Management	\$3.28	\$2.49	\$1.45	\$0.94	\$2.94	\$3.01
Base Development Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6.30
Base Contingent Services Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.44
Base Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.86
Base Shoreline Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.76
Ground Lease	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$21.97</b>	<b>\$28.88</b>	<b>\$27.98</b>	<b>\$17.81</b>	<b>\$13.25</b>	<b>\$35.45</b>
Operating Expense Ratio	26.8%	34.8%	57.9%	57.4%	42.5%	35.3%

The comparables are not encumbered by special taxes specific to the Special Tax District and are also not subject to ground lease payments. However, the most prominent difference in expenses between the subject and comparables is the higher ad valorem taxes associated with the subject. This is because the definition of market value assumes a sale, and our tax projection for the subject is based upon the market value conclusion. The majority of expense comparables have not transferred recently.

## Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. As noted, there has been very little sales activity in the San Francisco office market in 2023 and there is a dearth of cap rate data under current market conditions, particularly for Class A office properties comparable to the subject. As such, we expanded our search for capitalization rate comparables to include 2023 transactions of Class A properties in urban locations in the Los Angeles market. A summary of the available comparables is provided in the following table.

### Capitalization Rate Comparables

No.	Property Name	City	Year Built	Sale Date	Rentable Area	% Occup.	Effective Price/SF	Cap Rate
1	AON Center	Los Angeles	1974	7/31/2023	1,110,264	63%	\$139.61	8.00%
2	Union Bank Plaza	Los Angeles	1967	3/30/2023	701,888	62%	\$148.17	7.90%
3	Playhouse Plaza	Pasadena	2015	1/1/2023	155,000	95%	\$354.84	9.00%
Average (Mean) Cap Rate:								8.30%

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age, and overall quality were taken into account when equating sales and rent comparables to the subject in order to determine market value. The same is true when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

The subject's office improvements will reflect new construction, and the purpose of this analysis is to determine the market value of the subject property as if stabilized. While the above comparables are considered relevant to this analysis, they are not located in San Francisco. Therefore, primary weight in our cap rate reconciliation will be placed on market participant interviews with those familiar with the local market. Please refer to the previous *Office Market* overview for detailed interviews with local market participants. These interviews have been condensed in the following table to focus on the capitalization rate opinions.

### Market Participant Survey - Capitalization Rates

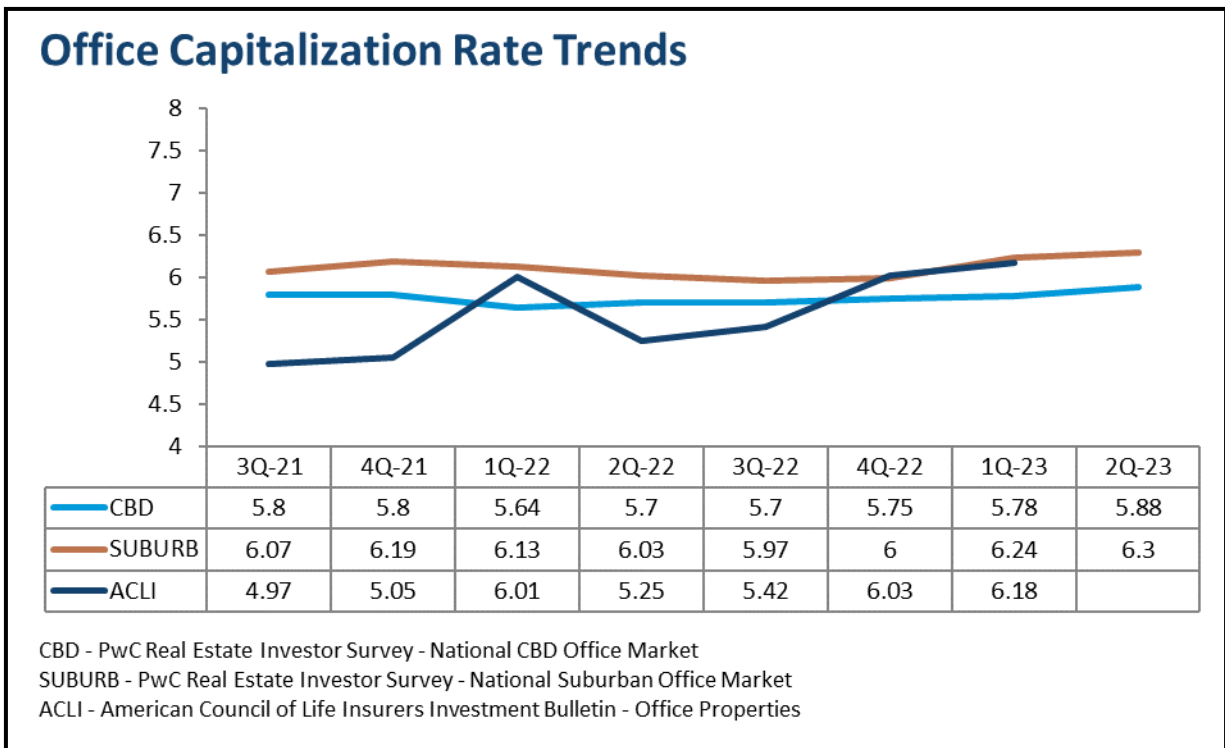
Respondent	Cap Rate	Comments
Broker, Colliers	6.00% +	For stabilized property with no upside.
Broker, Newmark	7.50% to 8.00%	With fixed rate debt near 7.00%, buyers would target 7.5% to 8.0% to stay debt neutral.
Broker, Cushman & Wakefield	6.50%	Expects rates to continue to increase; notes flight to quality.
Broker, Newmark	7.50% to 8.00%	Flight to quality has increased vacancy for lower quality space, while there is steady demand for best-in-class assets.
Broker, Cushman & Wakefield	7.00%	Buyers are targeting 7.0%, while sellers want 6.0%. Multitenant configurations appeal largely to professional office users, which impacts capitalization rate upwards above 7.00%.
Executive, US Bank	7.00% +	Even best-in-class institutional assets would trade north of 7.00%.
<b>Range:</b>	<b>6.00% to 8.00%</b>	

Finally, to determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys, presented as follows.

**Capitalization Rate Surveys – Office Properties**

	IRR-ViewPoint National CBD Office	IRR-ViewPoint National Suburban Office	PwC 2Q-23 National CBD Office	PwC 2Q-23 National Suburban Office	ACLI 1Q-23 National Office
Range	5.00% - 9.75%	5.50% - 8.75%	4.25% – 7.50%	4.30% – 8.00%	NA
Average	7.00%	7.18%	5.88%	6.30%	6.18

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

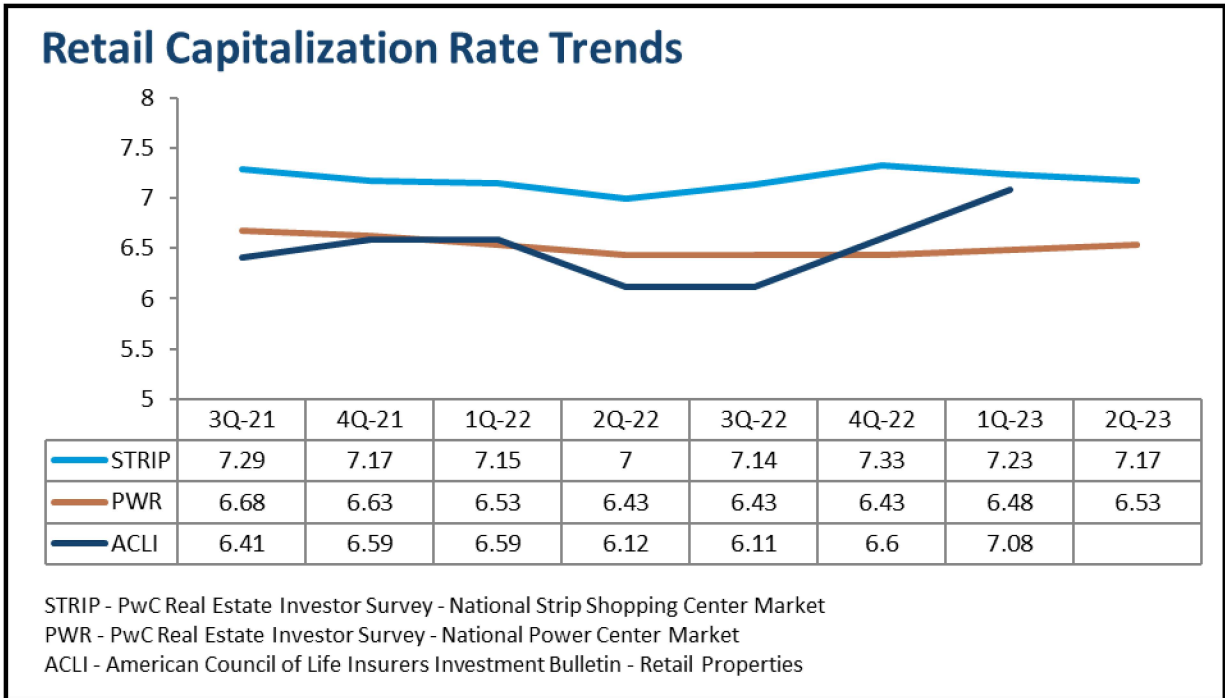


**Capitalization Rate Surveys – Retail Properties**

	IRR-ViewPoint Natl Regional Mall	IRR-ViewPoint Natl Neighborhood Retail	IRR-ViewPoint Natl Community Retail Center	PwC 2Q-23 National Strip Shopping Center	PwC 2Q-23 National Power Center	ACLI 1Q-23 National Retail
Range	5.25% - 9.75%	4.75% - 9.00%	4.75% - 8.75%	5.00% – 10.00%	5.50% – 7.50%	NA
Average	7.31%	7.00%	6.95%	7.17%	6.53%	7.08%

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment Bulletin.





Risk Factor	Issues	Impact on Rate
Income Characteristics	Rollover risk, escalation pattern, above/below market rents, major tenant credit strength. Market rent is assumed in this analysis. It is assumed Block B is likely to be leased to multiple tenants.	↔
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new, highly amenitized, good-quality construction within Mission Bay. Block B is being marketed to both general office and life sciences users, which provides flexibility in a down market.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject is located Mission Bay which has been the focus of significant redevelopment activity in recent years. In addition, the subject has good interstate access and reasonably good access to public transit. Office vacancies in the Mission Bay submarket are lower than many other San Francisco submarket.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. The San Francisco office market continues to be impacted by high vacancy rates as office users offload space and remote work remains commonplace. While there has been a flight to quality, there are very few transactions occurring under current market conditions.	↑
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject improvements are consistent with the highest and use of the property.	↔
Overall Impact		↔

Accordingly, we conclude capitalization rates as follows for the subject:

#### Capitalization Rate Conclusion

Going-In Capitalization Rate	7.25%
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## Direct Capitalization Analysis – Block B

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

<b>Direct Capitalization Analysis - Block B</b>			
		Annual	\$/SF Bldg.
<b>Income</b>			
Potential Gross Rent		\$22,685,400	\$78.41
Expense Reimbursements		\$9,600,081	\$33.18
Potential Gross Income		\$32,285,481	\$111.60
Vacancy & Collection Loss	10.00%	-\$3,228,548	-\$11.16
Effective Gross Income		\$29,056,933	\$100.44
<b>Expenses</b>			
Real Estate Taxes		\$3,059,308	\$10.57
Ad Valorem Tax - Base Development Special Tax Offset		-\$1,822,232	-\$6.30
Insurance		\$433,958	\$1.50
Utilities (MRU and SFPUC)		\$1,591,178	\$5.50
Repairs/Maintenance		\$1,084,894	\$3.75
Cleaning/Janitorial		\$578,610	\$2.00
Grounds		\$86,792	\$0.30
Security		\$506,284	\$1.75
General/Administrative		\$578,610	\$2.00
Management	3.00%	\$871,708	\$3.01
Base Development Special Tax - Office		\$1,822,232	\$6.30
Base Contingent Services Special Tax - Office		\$416,334	\$1.44
Base Special Tax - Office		\$538,259	\$1.86
Base Shoreline Special Tax - Office		\$510,225	\$1.76
Ground Lease		\$0	\$0.00
Total Expenses		\$10,256,158	\$35.45
<b>Net Operating Income</b>		<b>\$18,800,774</b>	<b>\$64.99</b>
Capitalization Rate		7.25%	
<b>Indicated Value</b>		<b>\$259,321,027</b>	<b>\$896.36</b>
<b>Rounded</b>		<b>\$259,300,000</b>	<b>\$896.29</b>

Lease-up costs for Block B will be considered in the upcoming extraction analysis. Please note, Special Taxes for the subject are calculated by applying the tax amount per square foot to the gross building area of each Block. The above table (and subsequent tables for other Blocks) divides the total Special Tax amounts by rentable square footage. As the gross and rentable square footages differ, the Special Taxes per rentable square foot reported above are different than the Special Taxes per gross square foot presented in the Special Tax tables.

### Direct Capitalization Analysis – Block G (Visa Building)

The same methodology is utilized in the valuation of the improvements for Block G. However, because Block G is 100% leased to Visa, credit-rated tenant, several assumptions have been modified. First, a 5% vacancy and collection loss is assumed, rather than 10%. In addition, we have selected a slightly lower management expense of 2.0% (compared to 3.0% for Block B) due to the single tenant nature of the building. Similarly, a capitalization rate of 7.0% is utilized (rather than 7.25%) because the property is commencing a 15-year initial term with a single credit tenant. As noted, because further terms of the lease were not disclosed, we have applied market rent to the property.

### Direct Capitalization Analysis – Block G

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

<b>Direct Capitalization Analysis - Block G</b>						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Pre-leased - Market Applied	302,920	Office	Market	\$80.00	\$24,233,600	–
Vacant	17,300	Retail	Market	\$50.00	\$865,000	–
Potential Gross Rent	320,220				\$25,098,600	\$78.38
Expense Reimbursements					\$10,739,260	\$33.54
Potential Gross Income					\$35,837,860	\$111.92
Vacancy & Collection Loss	5.00%				-\$1,791,893	-\$5.60
Effective Gross Income					\$34,045,967	\$106.32
<b>Expenses</b>						
Real Estate Taxes					\$3,804,296	\$11.88
Ad Valorem Tax - Base Development Special Tax Offset					-\$1,993,407	-\$6.23
Insurance					\$480,330	\$1.50
Utilities (MRU and SFPUC)					\$1,761,210	\$5.50
Repairs/Maintenance					\$1,200,825	\$3.75
Cleaning/Janitorial					\$640,440	\$2.00
Grounds					\$96,066	\$0.30
Security					\$560,385	\$1.75
General/Administrative Management	2.00%				\$640,440	\$2.00
Base Development Special Tax - Office					\$680,919	\$2.13
Base Contingent Services Special Tax - Office					\$1,993,407	\$6.23
Base Contingent Services Special Tax - Office					\$455,125	\$1.42
Base Special Tax - Office					\$588,410	\$1.84
Base Shoreline Special Tax - Office					\$557,764	\$1.74
Total Expenses					\$11,466,210	\$35.81
<b>Net Operating Income</b>					<b>\$22,579,756</b>	<b>\$70.51</b>
Capitalization Rate					7.00%	
<b>Indicated Value</b>					<b>\$322,567,947</b>	<b>\$1,007.33</b>
<b>Rounded</b>					<b>\$322,600,000</b>	<b>\$1,007.43</b>



A summary of the market value, as stabilized, of the subject’s Phase 1a office improvements via the direct capitalization analyses is provided below. As noted, lease up costs are considered in the upcoming extraction analyses to reflect the current occupancy of each Block.

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**Summary of Direct Capitalization Analyses - Office Use - Phase 1a**

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<b>Block</b>	<b>Value As If Stabilized</b>	<b>Rentable Building Area</b>	<b>\$/SF</b>
B	\$259,300,000	289,305	\$896
G	\$322,600,000	320,220	\$1,007

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As noted, there are very few properties transacting in the current San Francisco office market; properties that are trading are generally selling at steep discounts compared to pre-pandemic pricing. However, there are a couple of 2023 transactions over 50,000 square feet that bracket our conclusions of market value and provide secondary support. In addition, we consider the 2022 sale of 550 Terry Francois Blvd because it reflects an approximately 315,000 square foot office building in Mission Bay.

- 1 Harrison Street – Sobrato Organization acquired Gap’s 171,000 square foot headquarters for approximately \$80,000,000, or \$468 per square foot in February of 2023. Gap plans to lease back the property for one year.
- 345 4th Street – In an owner user sale, the Taipei Economic and Cultural Office purchased this newly constructed, 56,000 square foot building for \$53,000,000, or \$946 per square foot. The property sold in January 2023.
- 550 Terry Francois Blvd – transfer of Old Navy’s former headquarters in Mission Bay. The 314,826 square foot building traded for \$356,000,000, or \$1,130 per square foot in April of 2022.

The subject’s residential Blocks will be valued next in the following direct capitalization approach.

## Income Capitalization Approach – Residential Use – Phase 1a

The table summarizes Blocks which will include for-rent multifamily residential space. This section of the valuation focuses Blocks A and F, the residential Blocks within Phase 1a. Please note, since the previous 2021B/C Bond issuance, the Developer of Parcel F eliminated the basement, re-programmed the ground floor space, and designated portions of the second and third floors of the building as office.

Residential Overview								
Block	Phase	Rentable SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage
A	1a	284,771	214,135	283	181	102	36%	0.96
F	1a	207,498	177,898	254	157	97	38%	0.58
D1	2	193,552	193,552	259	114	145	56%	0.58
H	4	162,256	140,458	192	128	64	33%	0.72
K	4	105,680	96,450	131	92	39	30%	0.41
<b>Total</b>				<b>1,119</b>	<b>672</b>	<b>447</b>	<b>40%</b>	

We were provided unit mix information for Blocks A (The Canyon) and F, which are located in Phase 1a. Therefore, direct capitalization analyses will be conducted for these Blocks.

Apartment Unit Mix - Blocks A & F			
Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	97	34.3%
	Two Bedroom	69	24.4%
	Three Bedroom	6	2.1%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

Unit mix details were not available for residential Blocks in Phases 2 and 4. Because the market value as if stabilized is heavily influenced by the unit mix of market rate and below market rate units, it is difficult to conduct a credible direct capitalization analysis without additional detail. Therefore, rather than providing direct capitalization analyses for residential Blocks in Phases 2 and 4, the value conclusions for Blocks A and F will be utilized in estimating the value of Blocks D, H, and K.

A direct capitalization analysis will be provided for Block A first, followed by Block F. Both Blocks A and F include a mix of multifamily, office, and retail space.

### Apartment Unit Mix – Block A (The Canyon)

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units. Please note, average square footage is reported for each of the subject's floor plans. There is a slight discrepancy (likely due to rounding) between the sum of the total rentable square footage in the below table (214,116) and the total rentable square footage reported by the developer (214,135).

Unit Mix - Block A (The Canyon)				
Unit Type	Units	% of		Total SF
		Total	Avg. Unit Size	
Studio	9	3.2%	546	4,914
One Bedroom / One Bath	97	34.3%	627	60,819
Two Bedroom / Two Bath	69	24.4%	921	63,549
Three Bedroom / Two Bath	6	2.1%	1,222	7,332
Studio - BMR	8	2.8%	546	4,368
One Bedroom / One Bath - BMR	58	20.5%	627	36,366
Two Bedroom / Two Bath - BMR	31	11.0%	921	28,551
Three Bedroom / Two Bath - BMR	5	1.8%	1,222	6,110
<b>TOTAL/AVG.</b>	<b>283</b>	<b>100.0%</b>	<b>749</b>	<b>212,009</b>

\*Includes employee and model units, as applicable.

As of the effective appraisal date, 40 units within The Canyon (14%) are leased. As in the office valuation, lease up costs for the subject will be considered in the upcoming extraction analysis as part of the developer's costs.

The table below includes the average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.

Average Unit Size - Market Rate Units		
Unit Type	Average Unit	
	Size	Total Units
Studio	546	9
One Bedroom / One Bath	627	97
Two Bedroom / Two Bath	921	69
Three Bedroom / Two Bath	1,222	6
<b>TOTAL/AVG.</b>	<b>755</b>	<b>181</b>

The following table depicts utility responsibilities. It is common in the local market for the tenant to reimburse for all utilities.

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### Utilities Expenses

Tenant-Paid Utilities	Owner-Paid-Utilities
Water	None
Sewer	
Trash	
Gas	
In-Unit Electric	

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### Apartment Market Rent Analysis – Block A

To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, building age, and quality. Our search for comparables focused on new/recently constructed, Class A, high rise multifamily projects in San Francisco. The same comparable set is utilized for each of the subject's multifamily Blocks. The comparables are summarized in the following table. The subject's Block A, known as the Canyon, is actively leasing and is the first comparable presented.

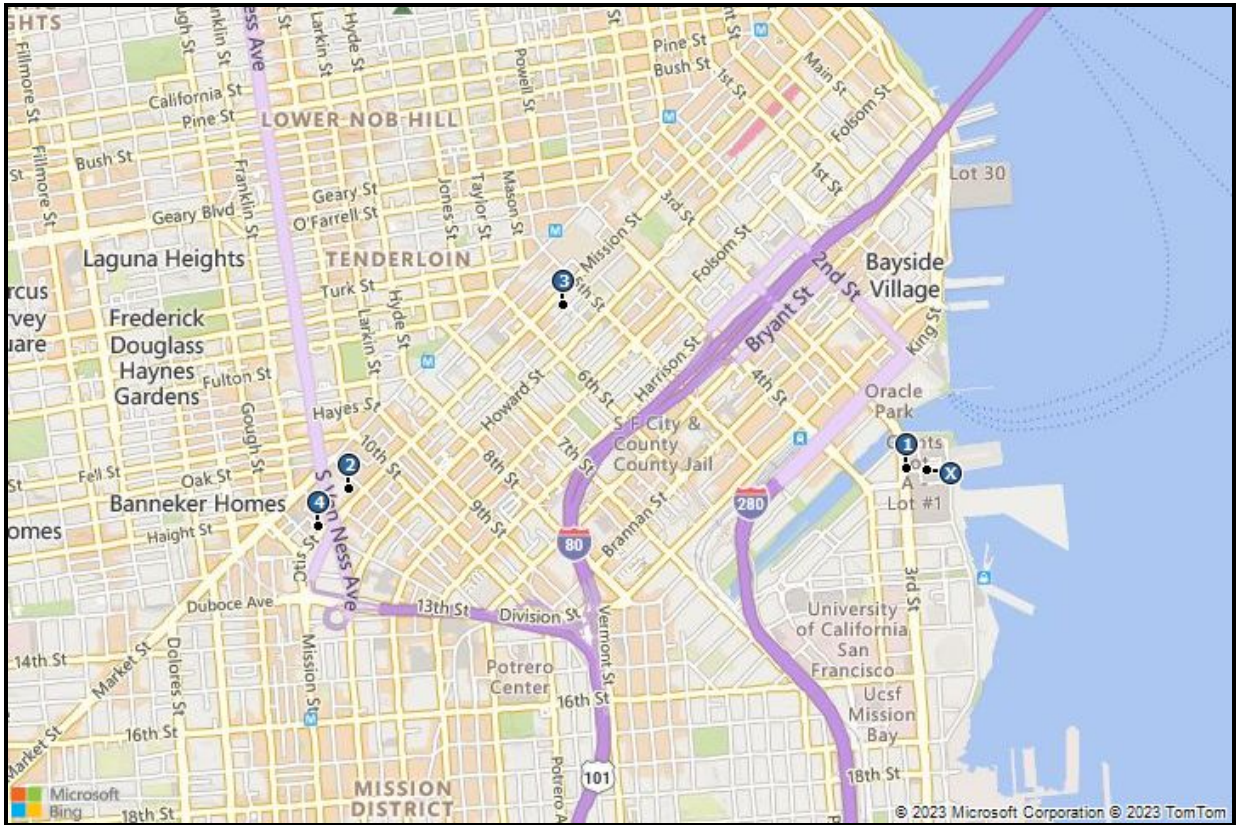
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**Summary of Comparable Rentals**


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No.	Property Name; Address	Yr Built; Stories	# Units; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
1	The Canyon 1023 3rd St. San Francisco	2023 23	283 14%			
				549	\$3,534	\$6.44
				605	\$4,569	\$7.55
				903	\$6,500	\$7.20
				1,262	\$7,750	\$6.14
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Bike Storage Room, Co-Working Space, Dog Run/Spa, Electric Car Charging Station, Fitness Center, Resident Lounge, Roofdeck/Sundeck, Security/Door Staff				
	Comments:	Class A mixed use property with 283 residential units, approximately 85,000 SF of office space, and 58,000 SF of retail space; 102 of the apartments are BMR units. The property is currently in lease-up, with the first move-in occurring on 6/1/23. Management is offering 8 weeks of free rent plus \$1,500 for a look and lease.				
2	Fifteen Fifty 1500 Mission St. San Francisco	2020 40	550 98%			
				416	\$3,325	\$7.99
				650	\$4,300	\$6.62
				1,105	\$6,500	\$5.88
				1,445	\$8,200	\$5.67
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	Dishwasher, Granite/Quartz Counters, Range - Gas, Refrigerator, Stainless Steel Appliances, Washer/Dryer In Unit, Window Blinds/Shades, Wood Floors				
	Project Amenities:	BBQ Grill/Picnic Area, Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Recreational Amenities, Resident Lounge, Roofdeck/Sundeck				
	Comments:	Management is offering 6 weeks free plus 2 additional weeks for a look and lease. Tenant is responsible for all utilities.				
3	The George 434 Minna St. San Francisco	2022 20	302 95%			
				467	\$2,860	\$6.12
				885	\$4,445	\$5.02
				983	\$5,210	\$5.30
	Tenant-Paid Utilities:	Water, Sewer, Trash, In-Unit Electric, Gas				
	Unit Features:	Dishwasher, Granite/Quartz Counters, Microwave, Patio/Balcony/Deck, Range - Gas, Refrigerator, Stainless Steel Appliances, Vinyl Plank Floors (LVT/LVP), Washer/Dryer In Unit, Window Blinds/Shades				
	Project Amenities:	Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Resident Lounge, Pet Grooming Stations, Clubroom, Private Bar				
	Comments:	Management is offering up to two months of free rent for move-ins before the end of August. Garage parking is \$500 per month.				
4	Chorus 30 Otis St. San Francisco	2021 20	416 94%			
				467	\$3,130	\$6.70
				692	\$3,679	\$5.32
				999	\$6,837	\$6.84
				1,146	\$6,495	\$5.67
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Comments:	New Class A high-rise luxury property with good quality, modern finishes and features. Amenities include rooftop terrace and pool, hot tub, fitness center, outdoor training area, lobby restaurant/cafe, coworking space, lounge, game room, rooftop solarium, valet parking, on-demand housekeeping, concierge. Currently offering \$2,000 look and lease special. The property opened in August 2021.				

### Comparable Rentals Map







Rent Survey 1  
The Canyon



Rent Survey 2  
Fifteen Fifty



Rent Survey 3  
The George



Rent Survey 4  
Chorus

Our analysis of the comparable rentals considers the following elements of comparison.

### Rental Analysis Factors

Tenant Paid Utilities	Utilities costs for which tenants are responsible.
Unit Size	Floor area in square feet.
Location	Market or submarket area influences on rent; surrounding land use influences.
Age/Condition	Effective age; physical condition.
Quality	Construction quality, market appeal, functional utility.
Unit Features	Features included in individual residential units.
Project Amenities	Amenities available to the entire property.

Tenants are responsible for all utilities at each of the comparable properties. All comparables are adjusted for unit size utilizing value ratios of 15% to 30% depending on the layout. The high end of the value ratio range is applied to smaller units, while lower ratios are applied to larger units. The comparables are located in SOMA and Potrero Hill and generally require upward adjustments for location when compared to Treasure Island. In addition, adjustments for age/condition are applied as necessary; though the comparables were recently constructed, they do not reflect brand new construction as of the date of rent survey. For these reasons, the comparable set generally shifts upward after adjustment.

### Analysis of Comparable Rentals – Block A

Rental Analysis Summary - Studio Units							
No.	Property Name	Unit Type	Avg Unit SF	Avg		Overall Comparison to Subject	Comment
				Unadjusted Rent/Mo	Avg Rent/SF		
1	The Canyon	Studio	549	\$3,534	\$6.44	Similar	No adjustments are necessary.
2	Fifteen Fifty	Studio	416	\$3,325	\$7.99	Inferior	Adjusted upward for size, location, and age/condition.
3	The George	Studio	467	\$2,860	\$6.12	Inferior	Adjusted upward for size, location, and age/condition.
4	Chorus	Studio	467	\$3,130	\$6.70	Inferior	Adjusted upward for size, location, and age/condition.
Rental Ranges and Averages							
			Range	Average (Unadjusted)		Avg/SF	
Comparables			\$2,860 - \$3,534	\$3,212		-	
Concluded Market Rent				\$3,500		\$6.41	

As noted, Comparable 1 reflects the subject property; the floor plan falls within the range of comparables on a per square foot basis.



**Rental Analysis Summary - One Bedroom / One Bath Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	1 BD/1 BA	605	\$4,569	\$7.55	Similar	No adjustments are necessary.
2	Fifteen Fifty	1 BD/1 BA	650	\$4,300	\$6.62	Inferior	Adjusted upward for location and age/condition.
3	The George	1 BD/ 1 BA	885	\$4,445	\$5.02	Similar	Adjusted downward unit size and upward for location and age/condition.
4	Chorus	1 BD/1 BA	692	\$3,679	\$5.32	Inferior	Adjusted downward for unit size and upward for location and age/condition.

**Rental Ranges and Averages**

	Range	Average (Unadjusted)	Avg/SF
Comparables	\$3,679 - \$4,569	\$4,248	–
Concluded Market Rent		\$4,550	\$7.26

**Rental Analysis Summary - Two Bedroom / Two Bath Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	2 BD/2 BA	903	\$6,500	\$7.20	Similar	No adjustments are necessary.
2	Fifteen Fifty	2 BD/ 2 BA	1,105	\$6,500	\$5.88	Similar	Adjusted downward for unit size and upward for location and age/condition.
3	The George	2 BD/2 BA	983	\$5,210	\$5.30	Inferior	Adjusted downward for unit size and upward for location and age/condition.
4	Chorus	2 BD/2 BA	999	\$6,837	\$6.84	Inferior	Adjusted downward for unit size and upward for location and age/condition.

**Rental Ranges and Averages**

	Range	Average (Unadjusted)	Avg/SF
Comparables	\$5,210 - \$6,837	\$6,262	–
Concluded Market Rent		\$6,500	\$7.06

**Rental Analysis Summary - Three Bedroom / Two Bath Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	3 BD/2 BA	1,262	\$7,750	\$6.14	Similar	No adjustments are necessary.
2	Fifteen Fifty	3 BD/2 BA	1,445	\$8,200	\$5.67	Inferior	Adjusted downward for unit size and upward for location and age/condition.
3	Chorus	3 BD/2 BA	1,146	\$6,495	\$5.67	Inferior	Adjusted upward for unit size, location, and age/condition.

**Rental Ranges and Averages**

	Range	Average	Avg/SF
Comparables	\$6,495 - \$8,200	\$7,482	–
Concluded Market Rent		\$7,750	\$6.34

Please note, while many of the comparables offer on-site parking garages, parking spaces are not included in rental rates. Instead, parking spaces may be rented for an additional \$300 to \$375 per month. In addition, it is typical in San Francisco for many residential tenants to forego on-site parking. Because Block D2 will offer up to a 3,000-space parking garage which is intended to service the entire Special Tax District area, we have not discounted the subject rent for a lack of on-site parking. Though the parking garage will also be used for San Francisco Giants games/events, the parking allocation for the residential buildings will be at least 0.50 spaces per market rate unit, in compliance with the subject's Covenants, Conditions, and Restrictions.

### Apartment Market Rent Conclusion – Block A

Based on the preceding analysis of comparable rentals, market rent is estimated for each unit type as shown in the table that follows.

<b>Market Rent Conclusions</b>					
Unit Type	Total Units	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	17	9	546	\$3,500	\$6.41
One Bedroom / One Bath	155	97	627	\$4,550	\$7.26
Two Bedroom / Two Bath	93	69	921	\$6,500	\$7.06
Three Bedroom / Two Bath	18	6	1,222	\$7,750	\$6.34
Total/Avg.	283	181	755	\$5,347	\$7.08

### Units Subject To Rent Restrictions – Block A

As a condition of the subject's entitlements, 102 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the subject's the maximum allowable rents by unit type.

<b>Block A Restricted Rents - BMR Units</b>							
Layout		90% AMI		120% AMI		150% AMI	Weighted Avg
Studio	1	\$2,269	5	\$3,025	2	\$3,783	\$3,120
One Bedroom	7	\$2,594	31	\$3,459	20	\$4,324	\$3,653
Two Bedroom	2	\$2,919	17	\$3,891	12	\$4,864	\$4,205
Three Bedroom	0	\$3,243	1	\$4,323	4	\$5,404	\$5,188
	10		54		38		\$3,854

### Office and Retail Rental Rates – Block A

Market rent for the subject's office and retail space was determined in the previous direct capitalization analysis for the subject's office improvements. Market rent for office space was determined to be \$80.00 per square foot, per year, triple net. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.

## Stabilized Income and Expenses – Block A

### Potential Gross Rent - Apartments

As noted, the subject property is currently in lease up with 40 units (14%) leased as of the effective appraisal date. As a rent roll was not provided, we rely on market rent to calculate potential gross income. The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

<b>Potential Gross Rent</b>			
Unit Type	Total Units	Market Rent/Unit (1)	Potential Rent at Market (1)
<b>Market Rate Units</b>			
Studio	9	\$3,500	\$378,000
One Bedroom / One Bath	97	\$4,550	\$5,296,200
Two Bedroom / Two Bath	62	\$6,500	\$4,836,000
Three Bedroom / Two Bath	13	\$7,750	\$1,209,000
<b>Total - Market Rate Units</b>	<b>181</b>	<b>\$5,347</b>	<b>\$11,614,200</b>
<b>Restricted Units</b>			
Studio - BMR-Below Market Unit	8	\$3,120	\$299,520
One Bedroom / One Bath - BMR-Below Market Unit	58	\$3,653	\$2,542,488
Two Bedroom / Two Bath - BMR-Below Market Unit	31	\$4,205	\$1,564,260
Three Bedroom / Two Bath - BMR-Below Market Unit	5	\$5,188	\$311,280
<b>Total - Restricted Units</b>	<b>102</b>	<b>\$3,854</b>	<b>\$4,717,548</b>
<b>Grand Total</b>	<b>283</b>	<b>\$4,809</b>	<b>\$16,331,748</b>

<sup>1</sup> For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

### Potential Gross Rent – Office and Retail Space

Potential rental income from the subject's office and retail space is summarized next.

<b>Potential Gross Rent</b>			
Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	12,500	\$50.00	\$625,000
Office	58,136	\$80.00	\$4,650,880
<b>Total Subject</b>	<b>70,636</b>	<b>\$74.69</b>	<b>\$5,275,880</b>

**Expense Reimbursements - Apartments**

Apartment tenants will reimburse ownership for their pro-rata share of utility expenses. As noted, the Master Developer is required to develop a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) System, which will serve the Mission Rock Project. Utility expenses associated with this system are expected to be greater than comparable properties. As previously discussed with Blocks B and G, based on information available, for purposes of this analysis building utility costs, which include a combination of MRU and SFPUC expenses, are forecast to average approximately \$5.50 per square foot, per year, for the retail and office space, which is reimbursable as part of typical triple net (common area maintenance, or CAM) reimbursements. Whereas, for the apartment units, utility expenses are projected to be \$3,250 per unit per year, or \$270 per month. Comparable utilities expenses from similar apartment projects in San Francisco reflect a range of utility expenses between \$1,200 and \$2,750 per unit. With the subject's MRU system forecast to operate initially at higher than typical utility rates given the costs associated with developing and implementing this sustainable system, a higher forecast of \$3,250 per unit is considered reasonable. However, unlike the commercial space, reimbursements for multifamily projects typically range from 60% to 90% of the total utilities expense. In order to maintain a competitive market position, utility expense reimbursements are anticipated to be lower and in line with the market.

It should be noted, this analysis also recognizes that apartment tenants will not reimburse for the Residential Base Development Special Tax.

**Expense Reimbursements – Office and Retail**

The office and retail tenants reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and management; the tenants do not reimburse for administrative expenses. Office tenants also reimburse for the special taxes associated with the Mission Rock Special Tax District, which will be summarized in the upcoming expense analysis. In addition, it is assumed office and retail tenants would reimburse for their pro-rata share of ground lease payments, though this does not apply to the upcoming analysis as ground lease payments have been prepaid by the developer for Phase 1.

**Vacancy & Collection Loss**

Please refer to the *Multifamily Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Multifamily market conditions have been improving over the past two years as the local market recovers from the pandemic. An allowance for stabilized vacancy and collection loss is estimated at 5.0% for the subject's multifamily units. However, Block A also includes substantial office space; vacancy and collection loss for office uses was determined to be 10% in the previous office valuation. Based on the proportions of multifamily and commercial space, we have selected a blended vacancy and collection loss of 6.0% for the subject property.

**Concessions**

Concessions have historically been uncommon in this market; however, new projects offering concessions during their initial lease-up phases in order to drive absorption tend to force stabilized projects to also offer some degree of concessions in order to maintain occupancy.

While the Canyon is currently offering concessions (eight weeks of free rent and a \$1,500 look and lease) to drive lease-up during the initial absorption period, we anticipate that concessions will no longer be necessary at the subject property once it has reached stabilization. As such, our market rent conclusions do not reflect ongoing concessions, nor is there a deduction for concessions in the Year 1 income projections. Lease up costs are included as part of the Developer's costs in the upcoming analysis.

**Net Parking Income**

Block A is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary, as well as games/events at Oracle Park. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

**Other Income**

The other income category includes any other income from the property including revenues from application fees, security deposits, and miscellaneous sources. Other income is projected at \$200 per unit, net of vacancy and rent loss, based on comparable projects.

**Effective Gross Income**

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$22,981,512.

**Operating Expenses**

Operating expenses are estimated based on expense data from comparable properties, as summarized in tables on the following pages. As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes (shown below). It is noted this tax is based upon the square footage of market rate units and excludes below market rate units.

**Aggregate Calculation of Special District Tax (2023/2024) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Total Tax
A	1a	0.96	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	\$1,317,947
			<i>Offset by Ad Valorem Tax</i>			(\$1,317,947)
			Base Development Special Tax - Office Use	Office	\$7.04	\$296,299
			<i>Offset by Ad Valorem Tax</i>			(\$296,299)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	\$228,120
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$67,697
			Base Office Special Tax	Office	\$2.08	\$87,522
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$82,964
						<b>\$466,303</b>
B	1a	0.93	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-
			Base Development Special Tax - Office Use	Office	\$7.04	\$1,822,232
			<i>Offset by Ad Valorem Tax</i>			(\$1,822,232)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$416,334
			Base Office Special Tax	Office	\$2.08	\$538,259
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$510,225
						<b>\$1,464,818</b>
F	1a	0.58	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	\$1,026,689
			<i>Offset by Ad Valorem Tax</i>			(\$1,026,689)
			Base Development Special Tax - Office Use	Office	\$7.04	\$154,549
			<i>Offset by Ad Valorem Tax</i>			(\$154,549)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	\$177,707
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$35,310
			Base Office Special Tax	Office	\$2.08	\$45,651
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$43,274
						<b>\$301,942</b>
G	1a	0.78	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-
			Base Development Special Tax - Office Use	Office	\$7.04	\$1,993,407
			<i>Offset by Ad Valorem Tax</i>			(\$1,993,407)
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	\$455,125
			Base Office Special Tax	Office	\$2.08	\$588,410
			Base Shoreline Special Tax - Office Use	Office	\$1.97	\$557,764
						<b>\$1,601,299</b>
<b>Totals</b>		<b>3.25</b>				<b>\$3,834,362</b>

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**Operating History and Projections - Block A**


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	IRR Projection
<b>Income</b>	
Rental Income - Apartments	\$16,331,748
Rental Income - Retail/Office	5,275,880
Expense Reimbursements - Apartments	518,708
Expense Reimbursements - Retail/Office	2,261,868
Potential Gross Income*	\$24,388,204
Vacancy & Collection Loss @ 6.0%	-1,463,292
Other Income	56,600
Effective Gross Income	\$22,981,512
<b>Expenses</b>	
Real Estate Taxes	\$3,596,206
Ad Valorem Tax - Residential Base Development Special Tax Offset	-1,317,947
Ad Valorem Tax - Office Base Development Special Tax Offset	-296,299
Insurance	299,454
Utilities (MRU and SFPUC)	1,239,498
Repairs/Maintenance	784,010
Payroll/Benefits	679,200
Advertising & Marketing	113,200
General/Administrative	563,973
Management	689,445
Replacement Reserves	70,750
Base Development Special Tax - Residential	1,317,947
Base Development Special Tax - Office	296,299
Base Contingent Services Special Tax - Residential	228,120
Base Contingent Services Special Tax - Office	67,697
Base Special Tax - Office	87,522
Base Shoreline Special Tax - Office	82,964
Ground Lease	0
Total Expenses	\$8,502,040
<b>Net Operating Income</b>	<b>\$14,479,472</b>
Operating Expense Ratio**	36.7%

\*\*Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

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<b>Expense Analysis per Unit</b>						
	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	2016	2017	2012	2020	2022	2023
Number of Units	121	87	202	172	116	283
					Pro-forma	
Operating Data Type	In Place	In Place	In Place	In Place	Owner	
Year	2021	2021	2021	2022	2022	IRR Projection
Real Estate Taxes	\$7,519	\$7,519	\$7,768	\$8,149	\$4,551	\$12,707
Ad Valorem Tax - Residential Base Development Special Tax Off:	\$0	\$0	\$0	\$0	\$0	-\$4,657
Ad Valorem Tax - Office Base Development Special Tax Offset	\$0	\$0	\$0	\$0	\$0	-\$1,047
Insurance	\$720	\$792	\$719	\$1,434	\$187	\$1,058
Utilities (MRU and SFPUC)	\$2,041	\$3,121	\$2,503	\$2,731	\$2,139	\$4,380
Repairs/Maintenance	\$3,335	\$2,124	\$5,070	\$2,114	\$1,889	\$2,770
Painting & Decorating	\$0	\$0	\$0	\$0	\$0	\$0
Payroll/Benefits	\$2,400	\$3,358	\$2,257	\$3,083	\$0	\$2,400
Advertising & Marketing	\$350	\$382	\$218	\$934	\$103	\$400
General/Administrative	\$621	\$1,509	\$506	\$653	\$189	\$1,993
Management	\$681	\$1,379	\$820	\$1,047	\$1,462	\$2,436
Replacement Reserves	\$0	\$0	\$0	\$188	\$0	\$250
Base Development Special Tax - Residential	\$0	\$0	\$0	\$0	\$0	\$4,657
Base Development Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$1,047
Base Contingent Services Special Tax - Residential	\$0	\$0	\$0	\$0	\$0	\$806
Base Contingent Services Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$239
Base Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$309
Base Shoreline Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$293
Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$17,666</b>	<b>\$20,184</b>	<b>\$19,862</b>	<b>\$20,333</b>	<b>\$10,520</b>	<b>\$30,043</b>
Operating Expense Ratio	61.4%	44.4%	61.9%	52.2%	28.7%	36.7%

The above multifamily comparables are each located within the City of San Francisco. As the definition of market value presumes a sale, taxes are calculated by applying the subject's tax rate to the conclusion of market value. Management is estimated at 3% of effective gross income and replacement reserves are projected at \$250 per multifamily unit.

As noted, the subject includes an office component which must also be considered in expense projections. Many of the above expense comparables include ground floor retail, but none include office space. In this analysis, we apply multifamily expense conclusions to the subject's apartment units and consider office space expense projections (previously presented) for the subject's office area. Our combined operating expense conclusions for all components are presented on a per unit basis in the table above. Please note, the general/administrative expense falls above the comparable range because office-specific expenses (such as janitorial, security, etc) are included in this category for the purposes of this analysis.

As discussed, the ground lease payments for Phase 1 parcels have been pre-paid. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1 Blocks. The pre-payment is instead considered later in the developer's costs in the upcoming extraction analyses.

### Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We consider the following data in selecting a capitalization rate for the subject.



**Capitalization Rate Comparables**

No.	Property Name	City	Year Built	Sale Date	Rentable Area	% Occup.	No. Units	Price/Unit	Cap Rate
1	Scotia Apartments	San Jose	2020	3/9/2023	54,175	95%	55	\$568,182	4.25%
2	Alice House	Oakland	2020	12/29/2022	57,828	95%	79	\$500,000	3.62%
3	The Edge	Oakland	2022	12/20/2022	74,707	95%	91	\$516,484	3.55%
4	Santana Terrace	Santa Clara	2020	10/7/2022	72,757	95%	92	\$576,087	3.60%
5	Bell South City	South San	2019	5/12/2022	233,543	93%	260	\$792,308	3.62%
6	Bell Mt. Tam	Corte Madera	2017	12/2/2021	186,520	95%	180	\$866,667	3.00%
Average (Mean) Cap Rate:									3.61%

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality are taken into account when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

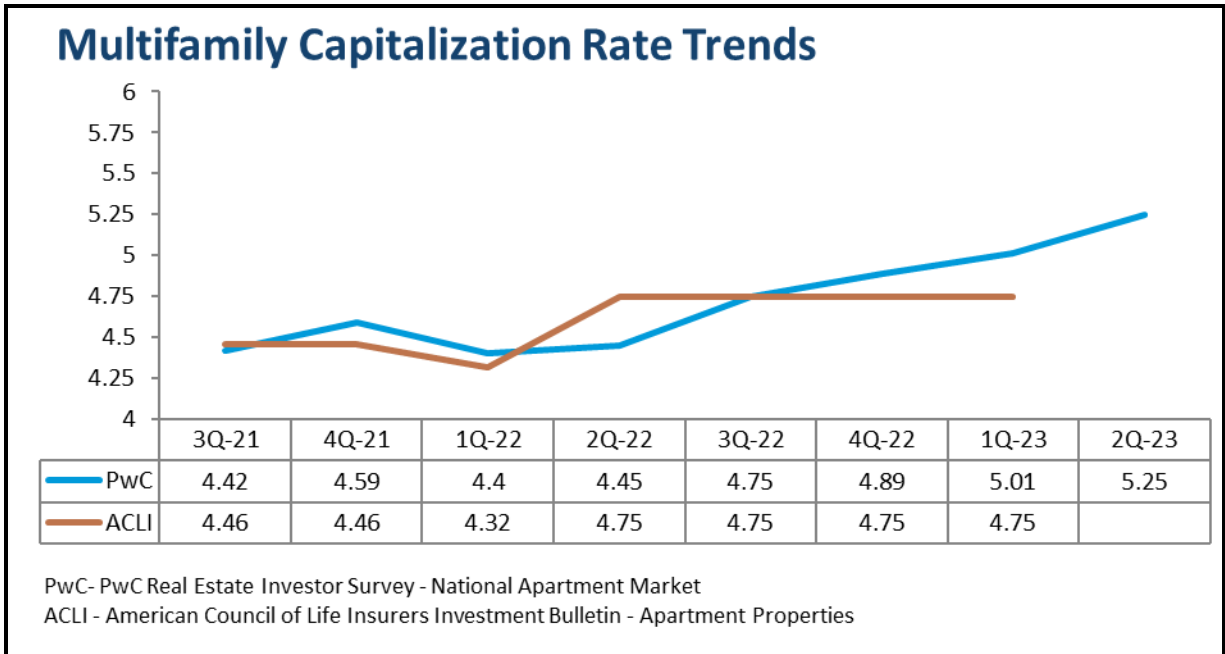
Our search for comparables focused on recently constructed properties in the Bay Area. Sales 5 and 6 traded with notable loss to lease, and the stabilized capitalization rates for these properties were trending towards the mid- to high-3.00% range. The subject reflects new, Class A construction in the Mission Bay neighborhood with views of Oracle Park. New, physically competitive multifamily properties are located in the SOMA neighborhood, rather than in Mission Bay. However, the subject includes a substantial office component, unlike the cap rate comparables (our search for comparables revealed no recent sales of multifamily properties with an office component). This applies upward pressure to the cap rate. Therefore, considering current macroeconomic conditions, a proforma capitalization rate above the high end of the range is appropriate.

To determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys and conducted a band of analysis, presented below and on the following page.

**Capitalization Rate Surveys – Multifamily Properties**

	IRR-ViewPoint National Urban Multifamily	IRR-ViewPoint National Suburban Multifamily	PwC 2Q-23 National Apartment	ACLI 1Q-23 National Apartment
Range	3.50% - 6.50%	3.50% - 7.25%	3.75% – 8.00%	NA
Average	4.85%	4.98%	5.25%	5.09%

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment



## Market Participant Interviews

Over the course of our research, we have conducted interviews with market participants familiar with the San Francisco multifamily market.

### Market Participant Survey - Capitalization Rates

Respondent	Cap Rate	Comments
Institutional Property Advisors	4.50% - 5.00%	Capitalization rates for institutional grade assets in the Bay Area have returned to the 4.00% range due to aggressive interest rate hikes implemented by the Federal Reserve. With fixed rate debt in the mid 5.00%, activity has slowed significantly, and deals that were negotiated earlier this year could not be replicated at the same terms today. Oversupplied urban core areas were hit hard operationally during the pandemic, resulting in further price impairment. Most sellers are expected to hold if possible, opting instead to refinance, recapitalize, or seek loan extensions. Those who are forced to sell will have to accept discounts. This is a transitional market which is not expected to stabilize for at least 6 to 12 months in the future. Lay-offs and hiring freezes in the technology sector are likely to spread to other sectors, impacting renter income. Buyers have a low threshold for negative leverage, and are looking for positive leverage by Year 3. As a result, there is minimal buyer interest in unstabilized or operationally-troubled assets. It is possible, however, to generate buyer interest in a basis play. Activity will likely pick up again in the second half of 2023, as owners are beginning to express interest in selling this year. Cap rates have increased 100 basis points over the past year, and buyers are targeting capitalization rates in the low 5.00% range, but expects rates to settle in the mid- to upper-4.00% range for the foreseeable future.
JLL	4.75% - 5.00%	There is minimal interest from institutional buyers presently, and the buyer pool for sub-\$50 million deals is wider. Capitalization rates for Class A urban core and core plus deals currently range from 4.75% to 5.00%, with properties in Oakland expected to achieve rates at the higher end of this range due to oversupply issues and political headwinds. Rent growth is expected to be flat in the coming year, with gradual increases back to normal trends in 2025.
JLL	4.50% - 5.00%	Capitalization rates have increased significantly over the past 6 to 12 months, concurrent with increases in interest rates. Buyers are willing to tolerate negative leverage for one or two years, but are targeting a 5.50% by Year 2 or 3. The going in rate can in the mid- to high 4.00% range if there is a compelling value-add story that will get the property to a 5.00% at the end of Year 1, and 5.50% by Year 2.
Indicated Cap Rate Range	4.50% - 5.00%	



Based on an analysis of the preceding data, a going-in capitalization rate for the subject is indicated within a range of 3.75% to 4.75%. To reach a capitalization rate conclusion, we consider each of the following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.

Risk Factor	Issues	Impact on Rate
Income Characteristics	Stability of occupancy, above/below market rents, rent control. Market rent is utilized in this analysis, though is noted the subject has a significant inclusionary housing component. While the majority of capitalization rate comparables include retail and multifamily space, the subject also includes an office component, which is somewhat unique. In the previous analysis, we concluded a capitalization rate of 7.25% for office space. This will influence the overall cap rate for Block A upward.	↔↑
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new construction with excellent appeal.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject enjoys a good location in Mission Bay close to employment centers with reasonable transportation availability and many recreation options within walking distance.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. The multifamily market continues to recover from the pandemic; vacancy rates are declining and rental rates are increasing (though are below pre-pandemic highs). However, the office market continues to face challenges.	↔↑
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject proposal is consistent with the highest and best use of the property.	↔
Overall Impact		↔

Accordingly, we conclude a capitalization rate as follows:

Capitalization Rate Conclusion	
Going-In Capitalization Rate	4.75%

**Direct Capitalization Analysis – Block A**

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table below.

<b>Direct Capitalization Analysis - Block A</b>			Annual	\$/Unit
<b>INCOME</b>				
Rental Income - Apartments			\$16,331,748	\$57,709
Rental Income - Retail/Office			\$5,275,880	\$18,643
Expense Reimbursements - Apartments			\$518,708	\$1,833
Expense Reimbursements - Retail/Office			\$2,261,868	\$7,992
Potential Gross Income			\$24,388,204	\$86,177
Vacancy & Collection Loss	6.00%		-\$1,463,292	-\$5,171
Other Income			\$56,600	\$200
Effective Gross Income			\$22,981,512	\$81,207
<b>EXPENSES</b>				
Real Estate Taxes			\$3,596,206	\$12,707
Ad Valorem Tax - Residential Base Development Special Tax Offset			-\$1,317,947	-\$4,657
Ad Valorem Tax - Office Base Development Special Tax Offset			-\$296,299	-\$1,047
Insurance			\$299,454	\$1,058
Utilities (MRU and SFPUC)			\$1,239,498	\$4,380
Repairs/Maintenance			\$784,010	\$2,770
Payroll/Benefits			\$679,200	\$2,400
Advertising & Marketing			\$113,200	\$400
General/Administrative			\$563,973	\$1,993
Management	3.00%		\$689,445	\$2,436
Replacement Reserves			\$70,750	\$250
Base Development Special Tax - Residential			\$1,317,947	\$4,657
Base Development Special Tax - Office			\$296,299	\$1,047
Base Contingent Services Special Tax - Residential			\$228,120	\$806
Base Contingent Services Special Tax - Office			\$67,697	\$239
Base Special Tax - Office			\$87,522	\$309
Base Shoreline Special Tax - Office			\$82,964	\$293
Ground Lease			\$0	\$0
Total Expenses			\$8,502,040	\$30,043
NET OPERATING INCOME			\$14,479,472	\$51,164
Capitalization Rate			4.75%	
<b>Indicated Value</b>			\$304,830,990	\$1,077,141
<b>Rounded</b>			<b>\$304,800,000</b>	<b>\$1,077,032</b>

Lease up costs will be considered in the upcoming extraction analysis.

### Apartment Unit Mix – Block F

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units.

<b>Unit Mix - Block F</b>				
Unit Type	Units	% of		Total SF
		Total	Avg. Unit Size	
Studio	21	8.3%	447	9,387
One Bedroom / One Bath	83	32.7%	576	47,808
Two Bedroom / Two Bath	52	20.5%	938	48,776
Three Bedroom / Two Bath	1	0.4%	1,068	1,068
Studio BMR	9	3.5%	447	4,023
One Bedroom / One Bath BMR	49	19.3%	576	28,224
Two Bedroom / Two Bath BMR	36	14.2%	938	33,768
Three Bedroom / Two Bath	3	1.2%	1,068	3,204
<b>Total Units</b>	<b>254</b>	<b>100.0%</b>	<b>694</b>	<b>176,258</b>

The table below includes the weighted average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.

### Average Unit Size - Market Rate Units

Unit Type	Average Unit	
	Size	Total Units
Studio	447	21
One Bedroom / One Bath	576	83
Two Bedroom / Two Bath	938	52
Three Bedroom / Two Bath	1,068	1
<b>TOTAL/AVG.</b>	<b>682</b>	<b>157</b>

The average unit size for Block F apartments is slightly smaller than Block A units.

### Apartment Market Rent Conclusion – Block F

Please refer to the previous direct capitalization analysis of Block A for a description of the rent comparables. Given the similarities between Block A and Block F units, the same comparables were utilized in the market rent analysis for Block F. However, because the average unit size for Block F layouts is smaller than Block A floorplans, our market rent conclusions have been adjusted downward accordingly.

### Market Rent Conclusions

Unit Type	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	21	447	\$3,350	\$7.49
One Bedroom / One Bath	83	576	\$4,500	\$7.81
Two Bedroom / Two Bath	52	938	\$6,500	\$6.93
Three Bedroom / Two Bath	1	1,068	\$7,600	\$7.12
Total/Avg.	157	682	\$5,028	\$7.38

### Units Subject to Rent Restrictions – Block F

As a condition of the subject's entitlements, 97 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The unit mix for the subject's inclusionary units is provided below.

### Block F Restricted Rents - BMR Units

Layout	90% AMI		120% AMI		150% AMI		Weighted Avg
Studio	2	\$2,269	6	\$3,025	1	\$3,783	\$2,941
One Bedroom	5	\$2,594	28	\$3,459	16	\$4,324	\$3,653
Two Bedroom	5	\$2,919	19	\$3,891	12	\$4,864	\$4,080
Three Bedroom	1	\$3,243	2	\$4,323	0	\$5,404	\$3,963
	13		55		29		\$3,755

### Office and Retail Rental Rates – Block F

Market rent for the subject's office and retail space was determined in the previous direct capitalization analysis for the subject's office improvements. Market rent for office space was determined to be \$80.00 per square foot, per year, triple net. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.

### Stabilized Income and Expenses – Block F

#### Potential Gross Rent - Apartments

The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

### Potential Gross Rent

Unit Type	Total Units	Market Rent/Unit (1)	Potential Rent at Market (1)
<b>Market Rate Units</b>			
Studio	21	\$3,350	\$844,200
One Bedroom / One Bath	83	\$4,500	\$4,482,000
Two Bedroom / Two Bath	52	\$6,500	\$4,056,000
Three Bedroom / Two Bath	1	\$7,600	\$91,200
<b>Total - Market Rate Units</b>	<b>157</b>	<b>\$5,028</b>	<b>\$9,473,400</b>
<b>Restricted Units</b>			
Studio BMR-Below Market Rate	8	\$2,941	\$282,336
One Bedroom / One Bath BMR-Below Market Rate	51	\$3,653	\$2,235,636
Two Bedroom / Two Bath BMR-Below Market Rate	35	\$4,080	\$1,713,600
Three Bedroom / Two Bath BMR-Below Market Rate	3	\$3,963	\$142,668
<b>Total - Restricted Units</b>	<b>97</b>	<b>\$3,755</b>	<b>\$4,370,820</b>
<b>Grand Total</b>	<b>254</b>	<b>\$4,542</b>	<b>\$13,844,220</b>

<sup>1</sup> For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

### Potential Gross Rent – Office & Retail Space

Potential rental income from the subject's office and retail space is summarized next.

### Potential Gross Rent

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	8,000	\$50.00	\$400,000
Office	21,600	\$80.00	\$1,728,000
<b>Total Subject</b>	<b>29,600</b>	<b>\$71.89</b>	<b>\$2,128,000</b>

### Expense Reimbursements - Apartments

Apartment tenants will reimburse ownership for utilities. As in the Block A analysis, it is assumed 90% of utility expenses will be reimbursed by the tenants. It should be noted, this analysis recognizes that apartment tenants will not reimburse for the Residential Base Development Special Tax.

### Expense Reimbursements –Retail & Office

The retail and office tenants will reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and management (but not administrative) expenses.

### Vacancy & Collection Loss

An allowance for stabilized vacancy and collection loss is estimated at 6.0%, based upon the allocation of multifamily, office, and retail space at the property.

**Concessions**

This analysis considers the market value of the subject as if stabilized. Similar to Block A, lease-up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

**Net Parking Income**

Block F is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

**Other Income**

The other income category includes any other income from the property including revenues from application fees, security deposits, and miscellaneous sources. Total other income is projected at \$200 per multifamily unit, net of vacancy and rent loss, based on our experience with multifamily projects in the local market.

**Effective Gross Income**

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$16,450,979.

**Operating Expenses**

Operating expenses are estimated based on expense data from comparable properties, as summarized in table below.



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**Operating History and Projections - Block F**


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	IRR Projection
<b>Income</b>	
Rental Income - Apartments	\$13,844,220
Rental Income - Retail/Office	2,128,000
Expense Reimbursements - Apartments	530,806
Expense Reimbursements - Retail/Office	943,973
Potential Gross Income*	\$17,446,999
Vacancy & Collection Loss @ 6.0%	-1,046,820
Other Income	50,800
Effective Gross Income	\$16,450,979
<b>Expenses</b>	
Real Estate Taxes	\$2,547,277
Ad Valorem Tax - Residential Base Development Special Tax Offset	-1,026,689
Ad Valorem Tax - Office Base Development Special Tax Offset	-154,549
Insurance	222,900
Utilities (MRU and SFPUC)	944,300
Repairs/Maintenance	589,000
Payroll/Benefits	609,600
Advertising & Marketing	101,600
General/Administrative Management	321,180
Replacement Reserves	493,529
Replacement Reserves	63,500
Base Development Special Tax - Residential	1,026,689
Base Development Special Tax - Office	154,549
Base Contingent Services Special Tax - Residential	177,707
Base Contingent Services Special Tax - Office	35,310
Base Special Tax - Office	45,651
Base Shoreline Special Tax - Office	43,274
Ground Lease	0
Total Expenses	\$6,194,829
<b>Net Operating Income</b>	<b>\$10,256,150</b>
Operating Expense Ratio**	37.3%

\*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss.

\*\*Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

Please see the direct capitalization analysis for Block A for a summary of the expense comparables utilized in this projection.

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## Capitalization Rate Selection

Capitalization rate comparables, market participant interviews, and national data were presented in the direct capitalization analysis for Block A. As discussed, the concluded capitalization rate of 4.75% for Block A was higher than a traditional multifamily project with ground floor retail due to the office component. As Block F also includes these components, we conclude to a rate of 4.75%, consistent Block A.

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### Capitalization Rate Conclusion

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Going-In Capitalization Rate	4.75%
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### Direct Capitalization Analysis – Block F

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table that follows.

<b>Direct Capitalization Analysis - Block F</b>				
		Annual	\$/Unit	\$/SF
<b>INCOME</b>				
Rental Income - Apartments		\$13,844,220	\$54,505	\$66.72
Rental Income - Retail/Office		\$2,128,000	\$8,378	\$10.26
Expense Reimbursements - Apartments		\$530,806	\$2,090	\$2.56
Expense Reimbursements - Retail/Office		\$943,973	\$3,716	\$4.55
Potential Gross Income		\$17,446,999	\$68,689	\$84.08
Vacancy & Collection Loss	6.00%	-\$1,046,820	-\$4,121	-\$5.04
		\$50,800	\$200	\$0.24
Effective Gross Income		\$16,450,979	\$64,768	\$79.28
<b>EXPENSES</b>				
Real Estate Taxes		\$2,547,277	\$10,029	\$12.28
Ad Valorem Tax - Residential Base Development Special Tax Offset		-\$1,026,689	-\$4,042	-\$4.95
Ad Valorem Tax - Office Base Development Special Tax Offset		-\$154,549	-\$608	-\$0.74
Insurance		\$222,900	\$878	\$1.07
Utilities (MRU and SFPUC)		\$944,300	\$3,718	\$4.55
Repairs/Maintenance		\$589,000	\$2,319	\$2.84
Payroll/Benefits		\$609,600	\$2,400	\$2.94
Advertising & Marketing		\$101,600	\$400	\$0.49
General/Administrative		\$321,180	\$1,264	\$1.55
Management	3.00%	\$493,529	\$1,943	\$2.38
Replacement Reserves		\$63,500	\$250	\$0.31
Base Development Special Tax - Residential		\$1,026,689	\$4,042	\$4.95
Base Development Special Tax - Office		\$154,549	\$608	\$0.74
Base Contingent Services Special Tax - Residential		\$177,707	\$700	\$0.86
Base Contingent Services Special Tax - Office		\$35,310	\$139	\$0.17
Base Special Tax - Office		\$45,651	\$180	\$0.22
Base Shoreline Special Tax - Office		\$43,274	\$170	\$0.21
Total Expenses		\$6,194,829	\$24,389	\$29.85
NET OPERATING INCOME		\$10,256,150	\$40,379	\$49.43
Capitalization Rate		4.75%		
<b>Indicated Value</b>		\$215,918,946	\$850,075	\$1,040.58
<b>Rounded</b>		<b>\$215,900,000</b>	<b>\$850,000</b>	<b>\$1,040.49</b>

Lease up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

A summary of the market value, as if stabilized, of the subject's Phase 1a residential improvements via the direct capitalization analyses is provided on the following page.

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**Summary of Direct Capitalization Analyses - Residential Use - Phase 1a**


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<b>Block</b>	<b>Value As If Stabilized</b>	<b>Number of Units</b>	<b>\$/Unit</b>
A	\$304,800,000	283	\$1,077,032
F	\$215,900,000	254	\$850,000

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As further support for our improved value conclusions, we searched for multifamily residential transactions in Bay Area within the past four years. Our search included properties with at least 50 units.

As will be demonstrated, our value conclusion for Block F falls within the comparable range, while the conclusion for Block A fall just above the top of the comparable range. However, it is noted none of the comparables include office space.



## Extraction Analysis – Phase 1a

Vertical development is underway on all Phase 1a Blocks. Extraction (residual) analyses are employed to determine the market value of the subject property by Block. An extraction (residual) analysis takes into account revenue, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of underlying value. As substantial vertical costs have been incurred, an extraction analysis will be conducted for each of the subject's Blocks. The elements of the extraction technique are discussed below.

### Revenue

The market value as if stabilized was provided in the previous sections for each of the Blocks within Phase 1a. A summary of the market value conclusions is provided below.

#### Summary of Direct Capitalization Analyses - Phase 1a

Block	Value as if Stabilized
B	\$260,400,000
G	\$322,600,000
A	\$304,800,000
F	\$215,900,000

### Direct and Indirect Construction Costs

The next step in the extraction technique is to estimate typical costs associated with the construction of office and multifamily improvements. Construction costs are generally classified into direct and indirect costs. As the improvements in Phase 1a are nearing completion, the Developer's budget provides the best estimate of remaining costs and is relied upon in the upcoming extraction analyses. A description of each cost category as it relates to Phase 1a is provided below and on the following pages, but further discussion of market conditions and comparable data will be provided in the following valuation of Phases 2 through 4 components.

**Direct Costs** - Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs. Recent conversations with builders confirm construction costs have increased over the last several years. The Developer has provided remaining direct costs applicable to each of the Blocks, which are nearing completion.

**Indirect Costs** Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies;
- Appraisal, consulting, accounting and legal fees;

- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered;
- All-risk insurance;
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved.

Indirect costs can vary widely as a percentage of the direct costs. The Developer has provided a budget of costs spent to date and remaining indirect costs for each Block within Phase 1a.

**Jobs Housing Equivalency Fees** - The subject project has site specific fees beyond typical city fees. San Francisco's Jobs Housing Linkage Fee (JHL) applies to development projects which increase any combination of commercial uses by 25,000 or more gross square feet. The developer may either pay the JHL fee, contribute land at an equivalent to value to the fee, or utilize the funds to construct housing units. In the case of the subject, Jobs Housing Equivalency Fees (JHEF) are categorized as office development costs; these fees offset some of the residential costs, as the subject property includes a substantial inclusionary housing component. The developer has provided the impact of Jobs Housing Equivalent Fees for all Blocks within Phase 1a; these fees are an additional cost to the office Blocks and an offsetting cost, or credit, to the residential Blocks.

**Parking Contribution** - each of the subject Blocks will also contribute to vertical construction of the D2 garage based upon the improvement's expected garage usage. The developer has provided the cost contribution to the garage of each of the four Blocks in Phase 1a. Remaining costs are considered in the upcoming analysis.

**Lease Up Costs** – generally includes tenant improvement allowances, leasing commissions, free rent/concessions, and expense recovery and rent loss over the absorption period prior to stabilization. The Developer's budget for remaining lease up costs is considered for Phase 1a, while appraiser estimates based upon market driven inputs is relied upon for the upcoming phases.

### **Accrued Depreciation**

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

### **Developer's Incentive**

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing,

as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements;
- Block G is preleased to Visa;
- Oracle Park and Bay views; walking distance to multiple recreation options;
- The improvements reflect new, highly amenitized, Class A construction;
- The San Francisco multifamily market continues to recover from the pandemic;
- The Mission Bay neighborhood has a reputation as desirable given it's location proximate to Oracle Park and newer commercial and residential development.

Weaknesses of the subject property include:

- Broader macroeconomic factors, such as (comparatively) high interest rates and high construction costs
- The current office market continues to be influenced by an abundance of sublease space, high vacancy rates, and a slow return of employees to the office.
- The subject has a large inclusionary housing component, which impacts the financial feasibility of the residential Blocks.
- Under current market conditions, and considering construction costs and the subject's inclusionary housing requirements, neither multifamily nor office construction is financially feasible on the subject sites as if vacant as of the effective appraisal date.

Based on the characteristics of the subject property, we estimate incentive at **10.0%** of costs.

A summary of remaining costs by Block for Phase 1a is provided below.

<b>Remaining Vertical Costs</b>				
Description	Block A	Block B	Block F	Block G
Direct Costs	\$22,606,000	\$20,890,600	\$91,012,000	\$14,468,000
Indirect Costs	\$14,017,000	\$14,097,000	\$18,462,000	\$2,340,000
Jobs Housing Equivalency Fee	\$0	\$0	\$0	\$0
Parking Contribution	\$3,588,000	\$3,599,000	\$0	\$33,805
Lease Up Costs	\$11,731,000	\$54,485,000	\$10,578,000	\$35,165,000
Total Costs	\$36,623,000	\$93,071,600	\$109,474,000	\$51,973,000
Profit at 10%	\$3,662,300	\$9,307,160	\$10,947,400	\$5,197,300
Total Costs	\$40,285,300	\$102,378,760	\$120,421,400	\$57,170,300
<b>Rounded</b>	<b>\$36,620,000</b>	<b>\$102,380,000</b>	<b>\$109,470,000</b>	<b>\$51,970,000</b>



## Conclusion

Our estimates of finished lot value for the subject's Blocks via the extraction analysis are presented below.

### Extraction Analysis - Block A - Residential Use

Market Value as if Stabilized	\$304,800,000
Less: Construction & Lease Up Costs	<u>(\$72,400,000)</u>
<b>Indicated Land Value</b>	<b>\$232,400,000</b>

### Extraction Analysis - Block B - Office Use

Market Value as if Stabilized	\$259,300,000
Less: Construction & Lease Up Costs	<u>(\$102,380,000)</u>
<b>Indicated Land Value</b>	<b>\$156,920,000</b>

### Extraction Analysis - Block F - Residential Use

Market Value as if Stabilized	\$215,900,000
Less: Construction & Lease Up Costs	<u>(\$109,470,000)</u>
<b>Indicated Land Value</b>	<b>\$106,430,000</b>

### Extraction Analysis - Block G - Office Use

Market Value as if Stabilized	\$322,600,000
Less: Construction & Lease Up Costs	<u>(\$51,970,000)</u>
<b>Indicated Value</b>	<b>\$270,630,000</b>

## Market Value by Ownership – Vertical Developer Component

The preceding analyses derived estimates of residual land value, as if all infrastructure, by Phase, was in place and available to serve the developable Blocks. As previously described, Blocks A, B, F and G, which comprise Phase 1a of the Mission Rock Project, have transferred to vertical developers and are in the process of vertical development commensurate with the entitlements and development plan for Mission Rock.

In order to estimate the market value of each Block (ownership), the remaining Phase 1a infrastructure costs to be completed will be deducted, on a pro rata share of each Block's improved land value, resulting in a residual market value for each Block (ownership).

According to the horizontal (infrastructure) cost information provided for use in this analysis, total horizontal infrastructure costs associated with Phase 1a of Mission Rock are \$218,500,000, including construction costs for the Mission Rock Utilities systems, which are being financed separately by bond anticipation notes. According to the current cost budget, \$68,501,351 in horizontal infrastructure costs remain and will be allocated to the four vertical development Blocks in Phase 1a.

As an example of the allocation of remaining costs assigned to each Block, the value for Block A is estimated at \$232,400,000 (Block value via extraction) ÷ \$767,480,000 (Phase 1a total value via extraction) = 30.28% x \$68,501,351 (remaining infrastructure costs) = \$20,742,839 (infrastructure costs allocated to Block A).

Based on the information above, the estimates of market value, per Block, for the Phase 1a component, by ownership, is shown in the following table.

<b>Phase 1a Residual Values</b>					
<b>Owner</b>	<b>Block</b>	<b>Use</b>	<b>Improved Value</b>	<b>Infrastructure Cost Allocation</b>	<b>Residual Market Value (Rd.)</b>
Mission Rock Parcel A Owner L.L.C.	A	Res./Office/Retail	\$232,400,000	(\$20,772,611)	\$211,630,000
Mission Rock Parcel B Owner L.L.C.	B	Office/Retail	\$156,920,000	(\$14,025,982)	\$142,890,000
Mission Rock Parcel F Owner L.L.C.	F	Res./Office/Retail	\$106,430,000	(\$9,513,034)	\$96,920,000
Mission Rock Parcel G Owner L.L.C.	G	Office/Retail	\$270,630,000	(\$24,189,724)	\$246,440,000
<b>Total</b>			\$766,380,000	(\$68,501,351)	\$697,880,000

## Master Developer Valuation

The master developer, Seawall Lot 337 Associates, L.L.C., retains ownership to the leasehold position in the underlying land identified as Phases 1b, 2, 3 and 4 of the Mission Rock Project, which comprise developable Blocks C, D1, E, H, I, J and K.

In order to estimate the market value in bulk of this ownership, the subdivision development method, a form of discounted cash flow analysis, will be employed; whereby, the expected revenue, absorption period, expenses, and discount rate associated with the sell-off of the future development Blocks will be taken into account. A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

As a discounted cash flow analysis, the subdivision development method consists of four primary components summarized as follows:

**Revenue** – the gross income is based on the individual component values. To arrive at an estimate of underlying land value for the master developer components, the market value as if stabilized of the proposed improvements is determined. Similar to the Blocks in Phase 1a, the direct capitalization approach will be utilized. Then, an extraction analysis considering direct and indirect costs and entrepreneurial profit will be employed to arrive at estimates of market value of the underlying land.

**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 of the underlying land 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 (internal rate of return) 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

It is again noted that the subject is unique in that it reflects Port-owned, ground leased land on the San Francisco Bay. These types of properties rarely transfer ownership and therefore comparable land sales data is not available for analysis. The market value as if stabilized was provided in the previous sections for each of the Blocks within Phase 1a utilizing the direct capitalization approach to value. Similarly, the direct capitalization approach is employed to determine the market value as if stabilized for each of the Blocks within Phases 2 through 4. While the direct capitalization methodology is the same for Phases 1a and 2 though 4, there are some notable differences in the assumptions we utilize.

In determining the market value of Phase 1a as of the effective appraisal date, current market conditions were considered. However, Phases 2 through 4 consist of undeveloped land owned by the master developer, rather than under-construction vertical improvements. Given the timeline of development, and the highest and best use as vacant presented earlier in this Appraisal Report, it is our opinion market participants would consider stable market conditions as the first step in determining the market value of the subject's land. Interviews with market participants affirm the timing of development will necessarily depend on stable, improving market conditions. A vertical developer is expected to anticipate timing the delivery of product (office or multifamily) to coincide with the market's anticipated demand. Consequently, for purposes of forecasting estimates of market value, by Block, upon completion of construction and stabilized occupancy, market inputs on rent, vacancy, expenses, and overall capitalization rates will be based on stabilized market data. The increased risk associated with current market conditions will be considered in our selection of an internal rate of return at the end of the analysis, rather than in the direct capitalization assumptions.

### Market Value Conclusions at Stabilization - Blocks C, E, I, & J

For the subject's office Blocks, the assumption of stable market conditions results in some key variations from the Phase 1a analysis. While the market rental rates of \$80 per square foot for office space and \$50 per square foot for retail space, triple net, remain reasonable, the San Francisco office market has historically offered lower TI allowances than the conclusions for Phase 1a. Therefore, we estimate TI allowances for office space at \$30 per square foot. A summary of our market rent conclusions for Phases 2 through 4 is provided below. This analysis assumes the Blocks will be leased to multiple tenants.

Concluded Market Lease Terms - Phases 2-4									
Space Type	SF	Market		Rent		Lease		TI/SF New	TI/SF Renew
		Rent	Measure	Escalations	Lease Type	Term (Mos.)	Free Rent (Mos.)		
Office	300,013	\$80.00	\$/SF/Yr	3% annually	Triple Net	120	6	\$30.00	\$15.00
Retail	29,975	\$50.00	\$/SF/Yr	3% annually	Triple Net	36	3	\$30.00	\$15.00

In addition, stabilized vacancy and collection loss has historically been anywhere from 5% to 8%. We have selected a stabilized vacancy rate of 5% in the upcoming direct capitalization analyses.

We also utilize a stabilized capitalization rate of 5.0% in the upcoming analysis. Expenses are consistent with the previous Phase 1a analyses; though, since the ground lease for Blocks in Phases 2 through 4 are not yet prepaid, ground lease payments are also considered. Using the parameters above, stabilized values for future buildings are summarized as follows (again, the presumption is stable market conditions at a future date):

### Summary of Direct Capitalization Analyses - Office Use - Phases 2-4

Block	Value As If	Rentable	\$/SF
	Stabilized	Building Area	
C	\$455,900,000	329,988	\$1,381.57
E	\$179,000,000	131,437	\$1,361.87
I	\$189,300,000	141,297	\$1,339.73
J	\$189,000,000	141,344	\$1,337.16

### Market Value Conclusions at Stabilization - Blocks D1, H, & K

Blocks D1, H, and K encompass the subject's remaining residential Blocks. As current multifamily market conditions are less volatile than office market conditions, assumptions from the previous multifamily analysis are considered on the following pages. It is important to note, however, development of the multifamily residential Blocks D1, H, and K necessarily depend on the timing of development of the office Blocks C, E, I and J, which are each obligated to pay the previously discussed JHEF impact fee to offset the cost obligations associated with providing below-market rate housing on site. The residential overview table is recreated below.

#### Residential Overview

Block	Phase	Rentable	Rentable	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage
		SF	Residential					
D1	2	193,552	193,552	259	114	145	56%	0.58
H	4	162,256	140,458	192	128	64	33%	0.72
K	4	105,680	96,450	131	92	39	30%	0.41
<b>Total</b>				<b>1,119</b>	<b>672</b>	<b>447</b>	<b>40%</b>	

Detailed unit mix information, beyond what is provided above, is not yet available for Blocks D1, H, and K, which will be in Phases 2 and 4. It is therefore difficult to conduct a direct capitalization analysis, as the value is heavily reliant on unit mix and income potential. However, because we have been provided the number of below market units for each Block, as well as the expected retail square footage, we have conducted an income analysis for Blocks D1, H, and K assuming a weighted average rent per market rate unit and below market unit similar to Block F. These three income analyses, which include an approximation of the special taxes attributable to each Block, are retained in our work file. To determine the market value of these three residential Blocks, we also consider the improved sales presented in the previous section. The sales ranged from \$670,626 to \$957,813 per unit. The following table presents our market value conclusions for Blocks D1, H, and K.

#### Market Value As If Stabilized - Blocks D, H, K

Block	Acreage	Number of Units	Rentable	Rentable	BMR Units	% BMR	Value per Unit	Market Value	Rounded	
			Residential SF	% Retail						Retail SF
D1	0.58	259	193,552	-	-	145	56%	<b>\$715,000</b>	\$185,185,000	<b>\$185,200,000</b>
H	0.72	192	140,458	15.5%	21,798	64	33%	<b>\$910,000</b>	\$174,720,000	<b>\$174,700,000</b>
K	0.41	131	96,450	9.6%	9,230	39	30%	<b>\$870,000</b>	\$113,970,000	<b>\$114,000,000</b>

Block D1 does not include any retail space and includes the highest ratio of below market rate units, at 56%. This will heavily impact the value of the property as if stabilized. Below market rate units for the

previous sale comparables range from 9% to 15%. Based on our income analysis, and given the impact of the below market rate units, we have selected a value of \$715,000 per unit, toward the low end of the comparable range and consistent with our income analysis.

Block H offers 21,798 square feet of retail space with 33% of units designated below market rate. This reflects a lower percentage of BMR units compared to Block F, but also a lower percentage of retail space (38% of Block F units are BMR, and 20% of the rentable area is comprised of retail space). It is also important to note that the ground lease is not pre-paid for Phases 2, 3, or 4 in this analysis. Therefore, these Blocks will also be subject to a ground lease payment. We have selected a value per unit of \$910,000 for Block H, which is within the comparable range and consistent with our income analysis.

Block K includes only 9,230 rentable square feet of retail space and will offer 39 below market rate units (30%). Given the sensitivity of the income stream to retail space, we have selected a value per unit of \$870,000. This falls within the range of improved comparables and considers our income analysis.

A summary of the conclusions of market value as if stabilized for the subject's residential Blocks in Phases 2 through 4 are as follows.

<b>Summary of Direct Capitalization Analyses - Residential Use - Phases 2 to 4</b>			
<b>Block</b>	<b>Value As If Stabilized</b>	<b>Number of Units</b>	<b>\$/Unit</b>
D1	\$185,200,000	259	\$715,058
H	\$174,700,000	192	\$909,896
K	\$114,000,000	131	\$870,229

### **Extraction Analysis – Phases 2 - 4**

As discussed, an extraction (residual) analysis takes into account direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of underlying value. The revenue component of the extraction analyses is comprised of the market value as if stabilized of the proposed improvements for Phases 2 through 4. The next steps of the extraction technique are discussed below.

### **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. Recent conversations with builders confirm construction costs have increased over the last several years.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys, and environmental studies;
- Appraisal, consulting, accounting, and legal fees;
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered;
- All-risk insurance;
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved.

Indirect costs can vary widely as a percentage of the direct costs, as indicated in the comparable expense tables below and on the following page.

The subject reflects a unique, ground leased project with a mix of office, retail, and multifamily residential uses. The similarities between Bay Area construction cost comparables and the subject improvements are limited. The developer's budget best considers the intricacies of the subject proposal. Bay Area cost comparables will be presented for comparison purposes, followed by the developer's budget.

#### Multifamily Cost Comparables

Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
Alameda	70,000 - 79,999	\$379	\$104	27%	\$483	LIHTC
Oakland	120,000 - 129,999	\$359	\$131	36%	\$490	LIHTC
San Jose	20,000 - 29,999	\$354	\$149	42%	\$503	LIHTC
Cupertino	10,000 - 19,999	\$342	\$206	60%	\$548	LIHTC
Redwood City	130,000 - 139,000	\$416	\$153	37%	\$569	LIHTC
San Jose	100,000 - 109,999	\$463	\$109	24%	\$572	LIHTC
Oakland	30,000 - 39,999	\$462	\$184	40%	\$646	LIHTC
San Francisco	110,000 - 119,999	\$438	\$145	33%	\$583	LIHTC
Fairfax	40,000 - 49,999	\$582	\$111	19%	\$693	LIHTC
San Francisco	100,000 - 109,999	\$509	\$134	26%	\$643	LIHTC
San Francisco	140,000 - 149,999	\$795	\$150	19%	\$945	Market
San Francisco	300,000 - 309,999	\$410	NA	NA	NA	Market
San Carlos	30,000 - 39,999	\$428	\$42	10%	\$470	Market
San Jose	190,000 - 199,999	\$641	\$159	25%	\$800	Market

The previous comparables reflect a mix of for-rent and for-sale attached product. Direct costs vary substantially, with a median of \$433 per square foot. Indirect costs range from 10% to 60%, with a median of 30%.

### Office Cost Comparables

Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
San Francisco	360,000 - 369,999	\$310	NA	NA	-	General Office
Walnut Creek	5,000 - 9,999	\$440	\$153	35%	\$593	Mixed Use Retail/Office
Menlo Park	40,000 - 49,999	\$825	\$262	32%	\$1,087	Mixed Use Retail/Office/Residential
Sunnyvale	880,000 - 889,999	\$380	\$87	23%	\$467	General Office
San Jose	570,000 - 579,999	\$565	\$109	19%	\$674	General Office

Direct costs for the office comparables range from \$310 to \$825 per square foot, with indirect costs ranging from 19% to 35% of direct costs.

The developer's budget was provided by Block for Phase 1a. Depending on the use, the developer's direct cost estimates range from approximately \$400 to \$650 per square foot. Based on the comparable data previously presented, and our review of the developer's budget, we have selected a market driven direct cost of **\$415** per square foot for the subject's office/retail space, and **\$630** per square foot for the subject's residential space.

The developer's estimate of indirect costs as a percentage of direct costs also varies by use. Office development, for example, includes substantially higher city permits and fees on a per square foot of building area basis than residential use. In addition, the lower direct cost per square foot associated with office space means indirect costs reflect a higher percentage of direct costs. Based upon the developer's budget, which best considers the intricacies of the subject property, and the cost comparables previously presented, we estimate indirect costs at **21%** of direct costs for residential properties and **41%** of direct cost for office properties.

There are several other costs, in addition to direct and indirect costs, which must be considered in the analysis of the subject property. The subject project has site specific fees beyond typical city fees. San Francisco's Jobs Housing Linkage Fee (JHL) applies to development projects which increase any combination of commercial uses by 25,000 or more gross square feet. The developer may either pay the JHL fee, contribute land at an equivalent to value to the fee, or utilize the funds to construct housing units. In the case of the subject, Jobs Housing Equivalency Fees (JHEF) are categorized as office development costs; these fees offset some of the residential costs, as the subject property includes a substantial inclusionary housing component. The developer has provided the impact of Jobs Housing Equivalent Fees for all Blocks within Phase 1a; these fees are an additional cost to the office Blocks and an offsetting cost, or credit, to the residential Blocks. For Phase 2, 3, and 4 Blocks, we have calculated the weighted average JHEF per square foot of building area for Phase 1a and applied this cost as either a positive or negative cost to each of the remaining Blocks depending on the use. It should be noted it is possible JHEF fees may vary in future phases, though future changes are not known at this time.

In addition, each of the subject Blocks will also contribute to vertical construction of the D2 garage based upon the improvement's expected garage usage. The developer has provided the cost contribution to the garage of each of the four Blocks in Phase 1a. To calculate the cost contribution for



Blocks in forthcoming phases, we consider the typical cost per square foot of building area for Phase 1a office and residential Blocks.

Finally, lease up costs must be considered. Our calculation of lease up costs varies by use. For office Blocks, we consider the lease-up period needed for the improvements to reach stabilized occupancy. Although it is our opinion lease up of the proposed office improvements could take as long as 36 months under current market conditions, this analysis assumes stable market conditions. Historically, scarcity of office space in San Francisco meant office buildings were often delivered to the market preleased. In this analysis, we assume twelve months for lease up. Rent loss during the absorption period is considered based upon market rent conclusions. In addition, rent concessions, tenant improvements, leasing commission, and lost expense recoveries are considered. We have projected office tenants will receive 6 months of free rent and a \$30 per square foot tenant improvement allowance and retail tenants will receive 3 months of free rent and a \$30 per square foot tenant improvement allowance. In addition, we estimate leasing commissions at 6%. Calculations for lease up costs by Block are retained in our workfile. However, lease up costs for Block C are presented as an example.

Lease-Up Costs														
		Assumptions								Costs				
Tenant	SF/Units	Months Vacant	Annual Rent/SF/Unit	Expense Recovery/SF/Unit	Lease Term (Mos.)	Free Rent (Mos.)	TI's/SF	LC %	Fore-gone Rent	Expense Recovery Loss	TI's	LC	Free Rent	Total
Vacant	75,000	3	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$1,500,000	\$468,750	\$2,250,000	\$3,600,000	\$3,000,000	\$10,818,750
Vacant	75,000	6	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$3,000,000	\$937,500	\$2,250,000	\$3,600,000	\$3,000,000	\$12,787,500
Vacant	75,000	9	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$4,500,000	\$1,406,250	\$2,250,000	\$3,600,000	\$3,000,000	\$14,756,250
Vacant	45,012	12	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$3,600,960	\$1,125,300	\$1,350,360	\$2,160,576	\$1,800,480	\$10,037,676
Vacant	26,978	12	\$50.00	\$25.00	36	3	\$30.00	6.0%	\$1,348,875	\$674,438	\$809,325	\$242,798	\$337,219	\$3,412,654
Total														\$51,812,830
Rounded														\$51,810,000

Similarly, for the subject's residential space, we estimate the lease-up period for the improvements to reach stabilized occupancy. For the majority of the subject's residential improvements, we have estimated a lease-up period of 12 months for market rate units. Below market rate units are expected to be leased at a substantially faster rate, as these units often have waiting lists prior to completion of construction. Though, sometimes there can be delays in reviewing income requirements and processing applications. Still, lease up costs are less substantial for BMR units compared to market rate units. Our analysis assumes units will be leased evenly over the absorption periods. For residential Blocks beyond Phase 1a, we have estimated lease up costs based upon an average cost per unit for the subject's Phase 1a residential Blocks, which is approximately \$30,000 per market rate unit.

### Accrued Depreciation

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

### Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as

developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

As in the Phase 1a analysis, we estimate incentive at **10.0%** of costs for Phases 2 through 4.

## Conclusion

Our estimates of finished lot value for the subject's Blocks via the extraction analysis are presented below and on the following page.

<b>Cost Analysis - Block C</b>				
Direct Costs	354,826 SF	at	\$415 /SF	\$147,252,790
Plus JHEF Offset to Residential		at	\$265 /SF	\$94,028,890
Indirect Costs		at	41% of directs	\$60,373,644
Lease-Up Costs				\$51,810,000
Parking Contribution		at	\$12.45 /SF	\$4,417,584
<b>Total Direct &amp; Indirect Costs</b>				<b>\$357,882,908</b>
Developer's Incentive		at	10%	\$35,788,291
<b>Total Project Costs</b>				<b>\$393,671,198</b>
<b>Rounded</b>				<b>\$393,700,000</b>

<b>Extraction Analysis - Block C - Office Use</b>	
Market Value as if Stabilized	\$455,900,000
Less: Construction & Lease Up Costs	<u>(\$393,700,000)</u>
<b>Indicated Land Value</b>	<b>\$62,200,000</b>

**Cost Analysis - Block E**

Direct Costs	141,330 SF	at	\$415 /SF	\$58,651,950
Plus JHEF Offset to Residential		at	\$265 /SF	\$37,452,450
Indirect Costs		at	41% of directs	\$24,047,300
Lease-Up Costs				\$20,520,000
Parking Contribution		at	\$12.45 /SF	\$1,759,559
<b>Total Direct &amp; Indirect Costs</b>				<b>\$142,431,258</b>
Developer's Incentive		at	10%	\$14,243,126
<b>Total Project Costs</b>				<b>\$156,674,384</b>
<b>Rounded</b>				<b>\$156,700,000</b>

**Extraction Analysis - Block E - Office Use**

Market Value as if Stabilized	\$179,000,000
Less: Construction & Lease Up Costs	<u>(\$156,700,000)</u>
<b>Indicated Land Value</b>	<b>\$22,300,000</b>

**Cost Analysis - Block I**

Direct Costs	151,932 SF	at	\$415 /SF	\$63,051,780
Plus JHEF Offset to Residential		at	\$265 /SF	\$40,261,980
Indirect Costs		at	41% of directs	\$25,851,230
Lease-Up Costs				\$21,770,000
Parking Contribution		at	\$12.45 /SF	\$1,891,553
<b>Total Direct &amp; Indirect Costs</b>				<b>\$152,826,543</b>
Developer's Incentive		at	10%	\$15,282,654
<b>Total Project Costs</b>				<b>\$168,109,198</b>
<b>Rounded</b>				<b>\$168,100,000</b>

**Extraction Analysis - Block I - Office Use**

Market Value as if Stabilized	\$189,300,000
Less: Construction & Lease Up Costs	<u>(\$168,100,000)</u>
<b>Indicated Land Value</b>	<b>\$21,200,000</b>

**Cost Analysis - Block J**

Direct Costs	151,982 SF	at	\$415 /SF	\$63,072,530
Plus JHEF Offset to Residential		at	\$265 /SF	\$40,275,230
Indirect Costs		at	41% of directs	\$25,859,737
Lease-Up Costs				\$21,710,000
Parking Contribution		at	\$12.45 /SF	\$1,892,176
<b>Total Direct &amp; Indirect Costs</b>				<b>\$152,809,673</b>
Developer's Incentive		at	10%	\$15,280,967
<b>Total Project Costs</b>				<b>\$168,090,641</b>
<b>Rounded</b>				<b>\$168,100,000</b>

**Extraction Analysis - Block J - Office Use**

Market Value as if Stabilized	\$189,000,000
Less: Construction & Lease Up Costs	<u>(\$168,100,000)</u>
<b>Indicated Land Value</b>	<b>\$20,900,000</b>

**Cost Analysis - Block D1**

Direct Costs	240,494 SF	at	\$630 /SF	\$151,511,220
Less JHEF Offset to Residential		at	(\$265) /SF	(\$63,730,910)
Indirect Costs		at	21% of directs	\$31,817,356
Lease Up Costs		at	\$30,000 per unit (market)	\$3,249,000
Parking Contribution		at	\$9.15 /SF	\$2,200,520
<b>Total Direct &amp; Indirect Costs</b>				<b>\$125,047,186</b>
Developer's Incentive		at	10%	\$12,504,719
<b>Total Project Costs</b>				<b>\$137,551,905</b>
<b>Rounded</b>				<b>\$137,600,000</b>

**Extraction Analysis - Block D1 - Residential Use**

Market Value as if Stabilized	\$185,200,000
Less: Construction & Lease Up Costs	<u>(\$137,600,000)</u>
<b>Indicated Land Value</b>	<b>\$47,600,000</b>

**Cost Analysis - Block H**

Direct Costs	200,315 SF	at	\$630 /SF	\$126,198,450
Less JHEF Offset to Residential		at	(\$265) /SF	(\$53,083,475)
Indirect Costs		at	21% of directs	\$26,501,675
Lease Up Costs		at	\$30,000 per unit (market)	\$3,363,000
Parking Contribution		at	\$9.15 /SF	\$1,832,882
<b>Total Direct &amp; Indirect Costs</b>				<b>\$104,812,532</b>
Developer's Incentive		at	10%	\$10,481,253
<b>Total Project Costs</b>				<b>\$115,293,785</b>
<b>Rounded</b>				<b>\$115,300,000</b>

**Extraction Analysis - Block H - Residential Use**

Market Value as if Stabilized	\$174,700,000
Less: Construction & Lease Up Costs	(\$115,300,000)
<b>Indicated Land Value</b>	<b>\$59,400,000</b>

**Cost Analysis - Block K**

Direct Costs	130,469 SF	at	\$630 /SF	\$82,195,470
Less JHEF Offset to Residential		at	(\$265) /SF	(\$34,574,285)
Indirect Costs		at	21% of directs	\$17,261,049
Lease Up Costs		at	\$30,000 per unit (market)	\$2,622,000
Parking Contribution		at	\$9.15 /SF	\$1,193,791
<b>Total Direct &amp; Indirect Costs</b>				
Developer's Incentive		at	10%	\$6,869,803
<b>Total Project Costs</b>				<b>\$75,567,828</b>
<b>Rounded</b>				<b>\$75,600,000</b>

**Extraction Analysis - Block K - Residential Use**

Market Value as if Stabilized	\$114,000,000
Less: Construction & Lease Up Costs	(\$75,600,000)
<b>Indicated Land Value</b>	<b>\$38,400,000</b>

The preceding analyses were used to estimate the anticipated revenue component associated with the subject, including the values for the various office and multifamily Blocks. These value conclusions are summarized below.

#### Summary of Master Developer Land Values - Phases 2 - 4

Block	Residual Land Value	Use
C	\$62,200,000	Office
D1	\$47,600,000	Residential
E	\$22,300,000	Office
H	\$59,400,000	Residential
I	\$21,200,000	Office
J	\$20,900,000	Office
K	<u>\$38,400,000</u>	Residential
<b>Total</b>	<b>\$272,000,000</b>	

### Absorption

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the parcels, we have considered historic absorption rates for similar properties and also attempted to consider the impacts of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject properties. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, or large land holding, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project.

At build out, Mission Rock will include approximately 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units within eleven taxable Blocks. The boundaries of the Special Tax District will also include multiple parks, open space, and a parking garage; these components are excluded from the valuation because they are not subject to the Lien of the Special Tax. The seven development Blocks comprising Phases 2 through 4 will be developed commensurate with the overall development plan for the Mission Rock Project, with development of additional backbone infrastructure expected to commence in Year 4 and continue through Year 8 of the discounted cash flow.

### Expense Projections

#### Changes in Expenses (Expense Increases or Decreases)

Market participants widely expect expenses to increase either from inflation or labor increases. General and administrative and marketing and sale expenses are calculated in this section as a fixed percentage of revenue. Property tax expenses are trended upward, as will be discussed in a later section.

**General and Administrative**

General and administrative expenses would include management of project entitlements and Special Tax District financing, as well as coordination with others. This expense category typically ranges from 1.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. Given the complexity of the proposed development and the holding period of the subject, we have estimated this expense at 1.0% of revenue, which is spread evenly over the sell-off period.

**Marketing and Sale**

The costs associated with marketing, commissions and closing costs relative to the disposition of the subjects' components are estimated at 2% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is consistent with current industry trends. Larger transactions, such as the subject, typically have a lower sales commission as a percentage of sale price. For the sell-off of individual Blocks (Units) to builders, marketing costs would be negligible, since master developers often contact builders directly and indicate development Blocks are available, rather than openly list properties and have marketing costs.

**Property Taxes (Ad Valorem and Special Taxes)**

This appraisal is predicated on, and assumes, a sale of the appraised property in bulk. Interim ad valorem real estate taxes are based on a tax rate of 1.17973782%. This rate is applied to the estimated market value (in bulk) and divided by the total acreage to yield an estimate of ad valorem taxes/acreage/year. The ad valorem taxes are appreciated by 2% per year and the total tax expense is gradually reduced over the absorption period, as the land components are sold off.

The appraised properties are within the boundary of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). According to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Maximum Development Special Tax Revenues and Projected Development Special Tax Levies, provided by Goodwin Consulting Group, Inc., a summary of the special taxes by Tax Zone is presented in the following table.

For purposes of this analysis, the Special Taxes applicable to the Tax Zone 2 (master developer held Blocks) property will be commensurate with the total amounts reflected in the following table.

<b>Max Special Assessments - Mission Rock Special Tax District No. 2020-1</b>		<b>Max Escalation</b>
<b>Base Development Special Tax - Market Rate Residential - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$9.29 /SF	2.0%
<b>Base Development Special Tax - Office Use -Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$7.04 /SF	2.0%
<b>Base Office Special Tax - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.74 /SF	2.0%
<b>Base Shoreline Special Tax - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.97 /SF	2.0%
<b>Base Contingent Services Special Tax - Market-Rate Residential - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.61 /SF	2.0%
<b>Base Contingent Services Special Tax - Office - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.61 /SF	2.0%



### Ground Lease Payment

The land within Special Tax District No. 2020-1 is encumbered with a ground lease between the Port of San Francisco and the master developer, which escalates 3.0% per year; though, the ground lease payment is reduced as the land components are sold off, as the Port will enter into a new lease with the vertical developer at that time. In addition, Block D2's pro-rata share of the ground lease payment is excluded in the upcoming analysis, in accordance with the allocation below.

### Ground Lease Allocation

Block	Phase	Tax	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1a	1	0.96	41,818	10.1%	\$238,229	Prepaid
B	1a	1	0.93	40,511	9.8%	\$230,784	Prepaid
F	1a	1	0.58	25,265	6.1%	\$143,930	Prepaid
G	1a	1	0.78	33,977	8.2%	\$193,561	Prepaid
C	2	2	0.90	39,204	9.4%	\$223,340	
D1	2	2	0.58	25,265	6.1%	\$143,930	
E	3	2	0.58	25,265	6.1%	\$143,930	
H	4	2	0.72	31,363	7.6%	\$178,672	
I	4	2	0.75	32,670	7.9%	\$186,116	
J	4	2	0.72	31,363	7.6%	\$178,672	
K	4	2	0.41	17,860	4.3%	\$101,744	
D2	2	2	1.62	70,567	17.0%	\$402,011	
<b>Totals</b>			<b>9.53</b>	<b>415,127</b>	<b>100%</b>	<b>\$2,364,919</b>	
<b>Total Ground Lease Rent less D2</b>						<b>\$1,962,908</b>	

Excluding the Phase 1a Blocks (Tax Zone 1), which prepaid the allocable ground lease, the total second year ground lease payment associated with the master developer held Blocks above, Tax Zone 2, is \$1,962,908.

### Backbone Infrastructure

According to the master developer, total remaining infrastructure costs for Phases 2 through 4 are \$186,000,000, which includes both hard costs and soft costs. Phase 1b costs associated with China Basin Park are \$33,395,980, of which \$23,136,180 remain; these costs are also reflected in the master developer's remaining horizontal cost obligation. The total costs cited above will be disbursed during the development and sell-off period commensurate with the development timeline provided; however, since the discounted cash flow analysis calculates soft (indirect) costs separately, the development costs for Phases 2 through 4 will only consider the hard costs reported, or \$152,400,000.

### Internal Rate of Return

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the

threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey<sup>[1]</sup>, discount rates for land development projects ranged from 12.00% to 30.00%, with an average of 19.2% during the Second Quarter 2023, which is 50 basis points higher than the average reported in the Fourth Quarter 2022, 100 basis points higher than a year ago, and assumes entitlements are in place. Without entitlements in place, certain investors will increase the discount rate an average of 125 basis points.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

"Development land investors continue to search for opportunities, especially in the apartment and industrial sectors of the industry. They note, however, that holding costs are dramatically higher due to the rise in interest rates over the past year, which could change their strategies for the near term and keep their acquisitions to a minimum. 'Deals are requiring further due diligence to meet projected returns,' states an investor. Unfortunately, the current stress in the financial sector is adding additional challenges. 'We are looking closely at our banking relationships,' says another. Growth rates for development expenses, such as amenities, real estate taxes, advertising, and administration, range from 0.00% to 10.00% and average 4.71%. For lot pricing, investors indicate a range from 2.00% to 5.00%; the average growth rate is 3.13%." (Second Quarter 2023)

"Confronted with inflation, rising interest rates, economic uncertainty, and a slowdown in tenant demand, it is not surprising that most surveyed investors expect property values to decline over the next 12 months...When looking at macro development prospects for the five major commercial real estate sectors included in *Emerging Trends*, only the hotel sector shows an improvement in its rating from last year... Although the industrial/distribution and multi-family sectors boast the highest ratings for 2023, they both slip this year among respondents... From a micro standpoint, the top-five property types for development prospects in 2023 are datacenters, fulfillment, moderate-income/workforce apartments, life-science facilities, and single-family

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[1] [PwC Real Estate Investor Survey](#), PricewaterhouseCoopers, 2<sup>nd</sup> Quarter 2023.

rental housing.” Labor costs and availability as well as material costs are among the top three reported development issues for 2023. (Fourth Quarter 2022)

“Based on our Survey results, the industrial and multifamily sectors of the U.S. commercial real estate industry offer the best development land investment opportunities due to strong tenant demand. Investors also see opportunities in the single-family residential sector...However, many are mindful that rising interest rates could dampen demand even though U.S. homebuilding unexpectedly rose in March 2022. Still, record low housing supply should continue to support homebuilding this year...Over the next 12 months, surveyed investors are mostly optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +7.0%. This average is better than where it is was both six months ago, as well as a year ago (+5.8% for both time periods).” (Second Quarter 2022)

“Compared to five years ago, both the apartment and industrial sectors show strong gains in their ratings, while the other three sectors [retail, office, hotel] see their ratings decline...From a micro standpoint, the top five property types for development prospects in 2022 are fulfillment, life science facilities, warehouse, single-family rental housing, and moderate-income/workforce apartments.” Among the top five development issues as reported among *Emerging Trends* Respondents are construction material costs, construction labor costs, construction labor availability, land costs and state & local regulations. (Fourth Quarter 2021)

“2020 revealed that where people work and where people live can be very far apart,” says a development land participant. This philosophy is a driving force behind a resurgence of new-home construction in the United States. In the nonresidential sector, each segment reported year-over-year declines in spending as of March 2021. Over the next 12 months, surveyed investors are most optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +5.8%. This average is better than where it was six months ago (+4.9%), as well as a year ago (-6.9%). (Second Quarter 2021)

For 2021, most *Emerging Trends* respondents (53.0%) believe that debt capital for development and redevelopment will be undersupplied. This percentage is more than twice the figure from last year’s report and is likely due to the uncertainty tied to the pandemic. Interestingly, the percentage of respondents that feel debt capital for such projects will be “in balance” drops this year to 35.0% – down from 57.0% in 2020. (Fourth Quarter 2020)

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. “These are highly uncertain times, and we are moving in a direction no one thought we’d be headed a few months ago,” shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

<b>Project Yield Rate Survey</b>	
<b>Data Source</b>	<b>Yield / IRR Expectations (Inclusive of Profit)</b>
PwC Real Estate Investor Survey - Second Quarter 2023 (updated semi-annually)	Range of 12.0% to 30.0%, with an average of 19.20%, on an unleveraged basis, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

According to industry sources, project yield rates historically have ranged anywhere from 5% to 30%, with a predominate range of 10% to 20%. A yield rate is based on the perceived risk associated with the development.

As noted in Phase 1a, there are multiple positive attributes associated with the subject property that we consider in our selection of a discount rate, including:

- Approved entitlements;
- Oracle Park and Bay views; walking distance to multiple recreation options;
- The lack of developable land in San Francisco.

Large and otherwise complex developments like Mission Rock are often associated with public and private partnerships or alliances. In an effort to achieve each parties' respective objectives, both groups work to create incentives that are linked to the development project that become part of the

contributors to value for the development as a whole, are now part of the real estate that is offered as the Mission Rock project. For instance, The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate near term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District—City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses. The abovementioned attributes now run with the development.

The subject property comprises the leasehold interest of the developable land subject to the Lien of the Special Tax securing the Bonds, which is a substantial portion of the Mission Rock mixed-use redevelopment with the City and County of San Francisco. The project represents a substantial high-density, infill development. Although the development is fully entitled, which mitigates substantial risk for urban development in California, there remains significant risk associated with the estimates of presumed sell-off of the developable components (Blocks), as well as the anticipated revenue associated with such developable Blocks. While the multifamily residential market has largely recovered from the pandemic, the San Francisco office market has been heavily impacted by remote work policies and a reduced demand for office space by major employers. There also remains risk associated with unforeseen factors such as broad macroeconomic declines. Additionally, all backbone infrastructure must be completed during the sell-off period, which is expected to span the disposition timeline.

As part of the appraisal process, we conducted a survey of market participants familiar with land development in both urban and suburban locations throughout California, many of which indicated a reconsideration of the development timeline would likely be precipitated by the effects of current market/economic conditions.

Considering these factors, the magnitude and complexity of the subject project, and the strengths and weaknesses previously described, a discount rate of **22%** is estimated for the leasehold interest in the subject property.

## **Conclusion**

The subdivision development method is presented on the following page.

Subdivision Development Method - Seawall Lot 337 Associates, LLC (master developer)											
Inputs											
<b>Revenue &amp; Expenses</b>					<b>Ad Valorem Tax Table</b>						
Taxable Land Acreage - All Blocks	4.66	Annual Increase in Property Taxes		2.0%							
Total Land Revenue	\$272,000,000	First Year Annual Taxes/Acre		\$3,291							
Total Revenue per Acre	\$58,369,099										
<b>Phase 2 - Blocks C &amp; D1</b>					<b>Max Special Assessments - Mission Rock Special Tax District No. 2020-1</b>			<b>Max Escalation</b>			
Phase 2 Land Acreage	1.48	<b>Base Development Special Tax - Market Rate Residential - Tax Zone</b>									
Phase 2 Revenue	\$109,800,000	Mission Rock Special Tax District No. 2020-1		\$9.29 /SF		2.0%					
<b>Phase 3 - Block E</b>					<b>Base Development Special Tax - Office Use - Tax Zone 2</b>						
Phase 3 Land Acreage	0.58	Mission Rock Special Tax District No. 2020-1						\$7.04 /SF		2.0%	
Phase 3 Revenue	\$22,300,000										
<b>Phase 4 - Blocks H, I, J, &amp; K</b>					<b>Base Office Special Tax - Tax Zone 2</b>						
Phase 4 Land Acreage	2.60	Mission Rock Special Tax District No. 2020-1						\$1.74 /SF		2.0%	
Phase 4 Revenue	\$139,900,000										
<b>Annual Revenue Appreciation</b>					<b>Base Shoreline Special Tax - Tax Zone 2</b>						
General & Administrative	1.0%	Mission Rock Special Tax District No. 2020-1						\$1.97 /SF		2.0%	
Marketing & Commissions	2.0%										
<b>Phase 1b</b>					<b>Base Contingent Services Special Tax - Market-Rate Residential - Tax Zone 2</b>						
Phase 1b	\$23,136,180	Mission Rock Special Tax District No. 2020-1						\$1.61 /SF		2.0%	
<b>Phases 2-4 Infrastructure Costs</b>					<b>Base Contingent Services Special Tax - Office - Tax Zone 2</b>						
Phase 2	\$70,185,830	Mission Rock Special Tax District No. 2020-1						\$1.61 /SF		2.0%	
Phase 3	\$20,762,560										
Phase 4	\$61,451,610	<b>Ground Lease Payment per Acre</b>						\$248,155 /Acre		3.0%	
<b>Revenue, Expenses and Valuation</b>											
<b>Revenue</b>	<b>Period (1 year)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>Total</b>	
Sales (Acreage):											
Phase 2		0.00	0.00	0.00	1.48	0.00	0.00	0.00	0.00	1.48	
Phase 3		0.00	0.00	0.00	0.00	0.58	0.00	0.00	0.00	0.58	
Phase 4		0.00	0.00	0.00	0.00	0.00	0.00	1.30	1.30	2.60	
Total Sales		0.00	0.00	0.00	1.48	0.58	0.00	1.30	1.30	4.66	
End of Period Inventory		4.66	4.66	4.66	3.18	2.60	2.60	1.30	0.00		
Total Period Inventory (acres)		4.66	4.66	4.66	4.66	3.18	2.60	2.60	1.30		
Land Sales Revenue Unappreciated											
Phase 2		\$0	\$0	\$0	\$0	\$109,800,000	\$0	\$0	\$0	\$109,800,000	
Phase 3		\$0	\$0	\$0	\$0	\$0	\$22,300,000	\$0	\$0	\$22,300,000	
Phase 4		\$0	\$0	\$0	\$0	\$0	\$0	\$139,900,000	\$139,900,000	\$139,900,000	
Total Revenue		\$0	\$0	\$0	\$0	\$109,800,000	\$22,300,000	\$0	\$139,900,000	\$272,000,000	
Revenue Appreciated		\$0	\$0	\$0	\$0	\$109,800,000	\$22,300,000	\$0	\$139,900,000	\$272,000,000	
<b>Total Revenue</b>		\$0	\$0	\$0	\$0	\$109,800,000	\$22,300,000	\$0	\$139,900,000	\$272,000,000	
<b>Expenses</b>	<b>All Categories</b>										
General & Administrative		(\$340,000)	(\$340,000)	(\$340,000)	(\$340,000)	(\$340,000)	(\$340,000)	(\$340,000)	(\$340,000)	(\$2,720,000)	
Marketing/Commissions		\$0	\$0	\$0	\$0	(\$2,196,000)	(\$446,000)	\$0	(\$2,798,000)	(\$5,440,000)	
Backbone Infrastructure											
Phase 1b		\$0	(\$23,136,180)	\$0	\$0	\$0	\$0	\$0	\$0	(\$23,136,180)	
Phase 2		\$0	\$0	\$0	(\$35,092,915)	(\$35,092,915)	\$0	\$0	\$0	(\$70,185,830)	
Phase 3		\$0	\$0	\$0	\$0	(\$10,381,280)	(\$10,381,280)	\$0	\$0	(\$20,762,560)	
Phase 4		\$0	\$0	\$0	\$0	\$0	(\$20,483,870)	(\$20,483,870)	(\$20,483,870)	(\$61,451,610)	
Total Infrastructure		\$0	(\$23,136,180)	\$0	(\$35,092,915)	(\$45,474,195)	(\$30,865,150)	(\$20,483,870)	(\$20,483,870)	(\$175,536,180)	
Ad Valorem Taxes		(\$15,337)	(\$15,643)	(\$15,956)	(\$16,275)	(\$11,328)	(\$9,448)	(\$9,636)	(\$4,915)	(\$98,538)	
Mission Rock District No. 2020-1		(\$1,236,424)	(\$178,510)	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,414,934)	
Ground Lease Payment		(\$1,156,403)	(\$1,191,095)	(\$1,226,828)	(\$1,263,633)	(\$888,177)	(\$747,968)	(\$770,407)	(\$396,759)	(\$7,641,271)	
<b>Total Expenses</b>		<b>(\$2,748,164)</b>	<b>(\$24,861,429)</b>	<b>(\$1,582,784)</b>	<b>(\$36,712,823)</b>	<b>(\$48,909,700)</b>	<b>(\$32,408,565)</b>	<b>(\$21,603,913)</b>	<b>(\$24,023,544)</b>	<b>(\$192,850,923)</b>	
<b>Net Income</b>		<b>(\$2,748,164)</b>	<b>(\$24,861,429)</b>	<b>(\$1,582,784)</b>	<b>(\$36,712,823)</b>	<b>\$60,890,300</b>	<b>(\$10,108,565)</b>	<b>(\$21,603,913)</b>	<b>\$115,876,456</b>	<b>\$79,149,077</b>	
<b>Internal Rate of Return</b>	<b>22.00%</b>	0.81967	0.67186	0.55071	0.45140	0.37000	0.30328	0.24859	0.20376		
<b>Discounted Cash Flow</b>		(\$2,252,593)	(\$16,703,459)	(\$871,650)	(\$16,572,135)	\$22,529,365	(\$3,065,706)	(\$5,370,486)	\$23,611,118	\$1,304,454	
<b>Net Present Value</b>		\$1,304,454									
<b>Conclusion of Market Value, in Bulk (Rd.)</b>										<b>\$1,300,000</b>	

The preceding analysis considers the subject property (future phases) as if developed commensurate with the existing entitlements and development agreement. As discussed in the Phase 1a valuation, the multifamily residential components of the Mission Rock project rely on significant impact fee contributions from the non-residential (office) components to finance the onerous inclusionary housing requirements on site. Given the current state of the office market detailed earlier in this Appraisal Report, the feasibility and timing of future office demand is considered speculative at this time. While the implied residual value derived herein is positive, the number of assumptions employed to derive the value, not the least of which is the timeline not only of the absorption of



future office space, but the correlation between the implied residual value for each future development Block and the disposition (sell off) of these Blocks to future vertical developers, has a direct impact on residual land value.

It is our opinion, continued use of the land comprising the future Phases 2 through 4 as surface parking, which is income generating, is the highest and best interim use. Further, the existing entitlements and planned development uses may also warrant reconsideration in light of current market conditions described herein; this suggests the subject property is in a transitional state, and the most probable buyer may be a speculator seeking future development opportunities for a significant site along the San Francisco Bay waterfront. Therefore, it is our opinion a nominal value of **\$1,000,000** is considered reasonable as a speculative, transitional leasehold land position.

## Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinions of market value, by ownership, of the appraised properties, subject to the hypothetical condition cited herein, is as follows:

### Value Conclusions

#### Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership

Ownership	Tax Zone / Phase	Interest Appraised	Date of Value	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$211,630,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$142,890,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$96,920,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$246,440,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	September 15, 2023	\$1,000,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$698,880,000</b>

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

## Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local development site market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.



**Marketing Time**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Given the current environment, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be similar to the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have prepared two previous appraisals of the subject property for the current client. We have provided no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, Kevin Ziegenmeyer, MAI, and Laura Diaz, MAI have made personal inspections 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, Kevin Ziegenmeyer, MAI, and Laura Diaz, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
15. As of the date of this report, Laura Diaz, MAI, 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

## **DRAFT**

Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567

## **DRAFT**

Laura Diaz, MAI  
Certified General Real Estate Appraiser  
California Certificate # 3005037

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
  8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
  9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
  10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
  11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
  12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
  13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
  14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
  15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
  16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
  17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
  19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
  20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
  21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
  22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
  23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
  24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client’s use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

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### Extraordinary Assumptions and Hypothetical Conditions

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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**Addendum A**  
**Appraiser Qualifications**



## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com



## **Addendum B**

### **Definitions**



## Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

### **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

### **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

### **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

### **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

### **Entrepreneurial Incentive**

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's*

*profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

### **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

### **Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.



### **Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

### **Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

## Addendum C





## APPENDIX H

### INFRASTRUCTURE FINANCING DISTRICT

#### General

**Relevance of the IFD.** Under the Rate and Method, with respect to each fiscal year, the Development Special Taxes required to be levied in the District with respect to certain parcels will be reduced in the amount of certain tax increment that was allocated to the IFD during the prior fiscal year (“Parcel Increment”). Parcel Increment will only be available to reduce Development Special Taxes that otherwise would have been levied on “Assessed Parcels” under the Rate and Method. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” to this Official Statement. Under the Rate and Method, only the Development Special Tax levy, not the other special taxes under the Rate and Method, may be offset by any revenue from Parcel Increment.

**IFD Law.** Under Chapter 2.8 of Part 1 of Division 2 Title 5 of the California Government Code (the “IFD Law”), cities and counties are authorized to establish tax increment financing districts known as infrastructure financing districts, allocate incremental tax property tax revenues to the district, and approve infrastructure financing plans. The infrastructure financing plans must include certain tax increment limits, including a maximum amount of tax increment that may be allocated to the infrastructure financing district and a maximum period in which tax increment revenue may be allocated.

Under provisions of the IFD Law that apply only to the City, the City may establish one or more “waterfront districts” on land under San Francisco Port Commission jurisdiction along the San Francisco waterfront and may establish project areas within a waterfront district. The purpose of project areas is to allow the tax increment limits established by the infrastructure financing plan to apply only to portions of the territory within the IFD, typically corresponding with phases of a development project.

#### **IFD No. 2; Project Area I; Sub-Project Areas**

Under the IFD Law, the Board of Supervisors formed City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) as a “waterfront district” and approved an Infrastructure Financing Plan (the “IFP”) for the IFD pursuant to Ordinance No. 27-16, which was adopted by the Board of Supervisors on March 1, 2016, and approved by the Mayor on March 11, 2016.

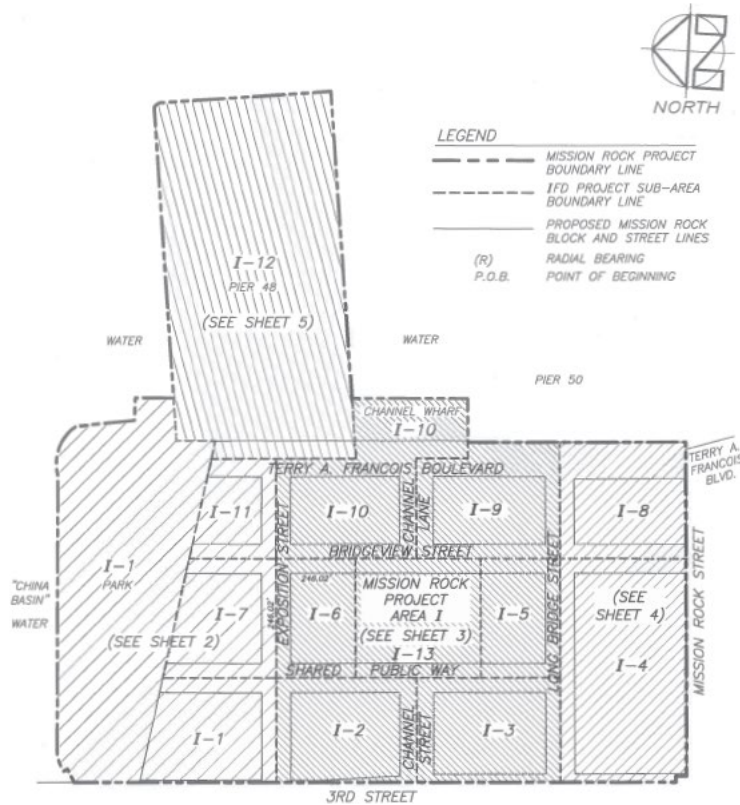
In a judicial validation action (Case No. CGC-16-551235), under Code of Civil Procedure Section 860 et seq. (the “Validating Act”), the San Francisco Superior Court ruled on July 26, 2016 that the IFD was validly established and that the IFP, when delivered, was legal, valid and binding.

**Project Area I; Sub-Project Areas.** Under the IFD Law, the Board of Supervisors formed Project Area I as a “waterfront district,” including Sub-Project Areas I-1 through I-13 (the “Sub-Project Areas”), and approved Appendix I to the IFP pursuant to Ordinance No. 34-18, which was adopted by the Board of Supervisors on February 27, 2018, and approved by the Mayor on March 6, 2018. The boundary of Project Area I substantially aligns with the District boundary (but also includes the Future Annexation Area). Each Sub-Project Area I-1 through I-13 substantially aligns with a development block in the District. (Sub-Project Area I-1 corresponds with Parcel A, Sub-Project Area I-2 corresponds with Parcel B, Sub-Project Area I-3 corresponds with Parcel C, Sub-Project Area I-4 corresponds with Parcel D, Sub-Project Area I-5 corresponds with Parcel E, Sub-Project Area I-6 corresponds with Parcel F, Sub-Project Area I-7 corresponds with Parcel G, Sub-Project Area I-8 corresponds with Parcel H, Sub-Project Area I-9 corresponds with Parcel I, Sub-Project Area I-10 corresponds with Parcel J, Sub-Project Area I-11

corresponds with Parcel K and Sub-Project Area I-12 corresponds with Pier 48 (in the Future Annexation Area).)

In a judicial validation action under the Validating Act (Case No. CGC-18-565561), the San Francisco Superior Court ruled on October 17, 2019, that Project Area I and the Sub-Project Areas were validly established as “waterfront districts” and that Appendix I and the Pledge Agreement, when delivered, were legal, valid and binding.

The map below illustrates the IFD.



**Allocation of Allocated Tax Increment**

**General.** Appendix I to the IFP is the infrastructure financing plan for Project Area I, including the Sub-Project Areas.

In Appendix I, the City irrevocably allocates the “Allocated Tax Increment” from the Sub-Project Areas to the IFD to the extent that the Allocated Tax Increment is necessary to repay bonds, notes or related agreements or to meet contractual obligations that the IFD or the Port is obligated to satisfy with Allocated Tax Increment, in each case to the extent such bonds, notes, agreements or obligations have been approved by the Board of Supervisors.

Appendix I defines the following relevant terms:

“Allocated Tax Increment” is, for each of the Sub-Project Areas, the City Share of Tax Increment.

“City Share of Tax Increment” is 64.588206% of Gross Tax Increment.

“Gross Tax Increment” is, for each of the Sub-Project Areas, 100% of the revenue produced by the application of the 1% ad valorem tax rate to the Incremental Assessed Property Value of property within each Sub-Project Area.

“Incremental Assessed Property Value” is, in any year, for each Sub-Project Area, the difference between the assessed value of the property within such Sub-Project Area for that fiscal year and the assessed value of the property within such Sub-Project Area in the Base Year, to the extent that the difference is a positive number.

“Base Year” for each of the Sub-Project Areas is the fiscal year in which the assessed value of taxable property in such Sub-Project Area was last equalized prior to the effective date of the ordinance adopted to create the Sub-Project Areas or a subsequent fiscal year. The Base Year for each Sub-Project Area is fiscal year 2017-18.

***Tax Increment Limits Established by Appendix I.*** Appendix I established the 45th fiscal year after the fiscal year in which the IFD actually receives \$100,000 of Allocated Tax Increment from each Sub-Project Area as (i) the final date on which the allocation of tax increment from each Sub-Project Areas will end and (ii) the date after which the IFD may no longer repay indebtedness with tax increment generated in each Sub-Project Area.

Tax increment may begin to be allocated to the IFD from each Sub-Project Area beginning in the fiscal year following the Base Year, provided that no tax increment will be allocated to the IFD from a Sub-Project Area until (i) assessor parcels for the development parcels within the Sub-Project Area have been created and (ii) the amount of increment available to be allocated from the Sub-Project Area in the fiscal year is equal to at least \$100,000. The IFD has not received \$100,000 of Allocated Tax Increment from any of the Sub-Project Areas as of the date of this Official Statement.

Appendix I establishes the following limits on the amount of tax increment that may be allocated to the IFD from each Sub-Project Area:

<b>Sub-Project Area</b>	<b>Tax Increment Limit</b>
Sub-Project Area I-1	\$370,000,000
Sub-Project Area I-2	236,000,000
Sub-Project Area I-3	384,000,000
Sub-Project Area I-4	829,000,000
Sub-Project Area I-5	170,000,000
Sub-Project Area I-6	411,000,000
Sub-Project Area I-7	266,000,000
Sub-Project Area I-8	182,000,000
Sub-Project Area I-9	280,000,000
Sub-Project Area I-10	204,000,000
Sub-Project Area I-11	130,000,000
Sub-Project Area I-12	240,000,000
Sub-Project Area I-13	143,000,000

***Waterfront Set-Aside.*** The IFD Law requires not less than 20 percent of the amount allocated to the IFD from Project Area I to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront. In the Pledge Agreement, the amount to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront is referred to as “Waterfront Set-Aside.” In Appendix I, the Board of Supervisors estimates that approximately 37.5% of the Allocated Tax Increment to the IFD from the Sub-Project Areas will be used for authorized Waterfront Set-Aside uses.

With respect to the Development Special Tax Bonds, the amount of the IFD Payment Amount that can be funded from the Waterfront Set-Aside will be determined based on the percentage of the net proceeds of the Development Special Tax Bonds that will be used for Waterfront Set-Aside uses.

### **Pledge Agreement**

Under the IFD Law, the IFD is authorized to pledge Allocated Tax Increment to support payment of the principal of, and interest on, bonds (such as the Development Special Tax Bonds) issued under the Act, the proceeds of which have been or will be used entirely for allowable purposes of the IFD.

Under the IFD Law, the City, for and on behalf of the District, has entered into a Pledge Agreement, dated as of May 1, 2021 (as defined earlier herein, the “Pledge Agreement”), with the IFD and the Fiscal Agent, pursuant to which the IFD has agreed to make certain payments to the Fiscal Agent from Allocated Tax Increment. Under the Pledge Agreement, the IFD pledges Pledged Tax Increment (defined below) as security for and a source of payment of the IFD Payment Amount by the IFD to the Fiscal Agent. The pledge of Pledged Tax Increment under the Pledge Agreement is senior to any other pledge of Allocated Tax Increment. The “IFD Payment Amount” represents the payment of a portion of the tax increment (if any) generated in Project Area I (including Sub-Project Areas I-1 through I-13) of the IFD to the Fiscal Agent by the IFD pursuant to the Pledge Agreement.

The Pledge Agreement defines “Pledged Tax Increment,” for each IFD Payment Date (i.e., each July 1), as the Allocated Tax Increment received by the IFD as of such date that is attributable to the levy of the 1% ad valorem tax rate during the preceding Fiscal Year, but excluding the Waterfront Set-Aside except to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law for its payment obligations hereunder based on the use of proceeds of the Special Tax District Bonds. Allocated Tax Increment that is not Pledged Tax Increment cannot be used to pay the IFD Payment Amount because of the limitations on the authorized uses of Waterfront Set-Aside. The obligations of the IFD with respect to Allocated Tax Increment set forth in the Pledge Agreement do not apply to any Allocated Tax Increment applied by the Treasurer-Tax Collector to pay its costs of collecting the Allocated Tax Increment.

The Port has determined that Pledged Tax Increment is the equivalent of the Parcel Increment described in the Rate and Method.

The Pledge Agreement defines or incorporates the following terms:

“IFD Payment Amount” means, as of the IFD Payment Date, an amount equal to the lesser of (A) the Potential Development Special Tax Levy on all Current Parcels for the current Fiscal Year and (B) the amount of Pledged Tax Increment available to pay the IFD Payment Amount pursuant to the Pledge Agreement.

“Current Parcel” is defined in the Financing Plan as an Assessed Parcel in the Mission Rock CFD that is identified in the Payment Report as being current on payment of ad valorem taxes.

“Assessed Parcel” is defined in the Financing Plan as a Taxable Parcel that meets all of the following conditions:

- (i) one or more buildings have been constructed or rehabilitated on the Taxable Parcel for which the Port has issued a TCO;
- (ii) the buildings have been finally assessed; and
- (iii) the Assessor has levied ad valorem taxes on the Taxable Parcel covering a full City Fiscal Year.

“Potential Development Special Tax Levy” means the amount of the Development Special Tax levy on each Assessed Parcel:

- (i) after applying capitalized interest, delinquency collections, and other sources in the RMA; and
- (ii) before applying the Development Special Tax Credit.

As a result of these definitions, because Allocated Tax Increment will be generated when there are increases in the assessed value of the Leasehold Interests resulting from new construction, and because the IFP provides that tax increment will not be allocated to the IFD from a Sub-Project Area until the increment available to be allocated from the Sub-Project Area in a fiscal year is equal to at least \$100,000, the City does not expect there to be an IFD Payment Amount available to offset Development Special Taxes for at least 2-3 years.

Under the Pledge Agreement, the IFD is required to establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Tax Increment Fund,” and to establish the following accounts (among others) within the Tax Increment Fund: the “Waterfront Set-Aside Account” and the “Project Account.” The IFD Law requires the IFD to deposited Allocated Tax Increment in a special account, and the Tax Increment Fund and the accounts therein are the required special account.

The Pledge Agreement provides that, promptly upon receipt thereof, the IFD will deposit 80% of the Allocated Tax Increment received in any Bond Year in the Project Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel) and 20% of such Allocated Tax Increment in the Waterfront Set-Aside Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel).

The Pledge Agreement provides that the IFD will also establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Bonds Fund,” a separate restricted account within the Bonds Fund known as the “Mello-Roos Bonds Account (Tax Increment).”

The Pledge Agreement provides that, during each Fiscal Year, the IFD may transfer funds from the Project Account or the Waterfront Set-Aside Account to the Mello-Roos Bonds Account (Tax Increment) in an amount equal to the IFD Payment Amount due on the following IFD Payment Date. On each IFD Payment Date (or such earlier date determined by the IFD), the IFD will transfer (or cause to be transferred)

Pledged Tax Increment from the accounts in the Tax Increment Fund and the Mello-Roos Bonds Account (Tax Increment) to the Fiscal Agent for deposit into the IFD Payment Amount Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, in an amount equal to the IFD Payment Amount.

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

### **Development Special Tax Bonds Fiscal Agent Agreement**

The moneys in the IFD Payment Amount Fund will be distributed in the following order of priority:

(i) at least seven (7) Business Days prior to each Interest Payment Date, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund to the Bond Fund established and held by the Fiscal Agent under the Development Special Tax Bonds Fiscal Agent Agreement in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2021A Reserve Fund, the 2021B Reserve Fund and any reserve account (including the 2023A Reserve Fund) for Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, any capitalized interest account for the Development Special Tax Bonds, and the Development Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Development Special Tax Bonds on such Interest Payment Date and any past due principal or interest on the Development Special Tax Bonds; and

(ii) at least seven (7) Business Days prior to each Interest Payment Date without preference or priority, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund (a) to the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, (b) to the 2021B Reserve Fund an amount, taking into account amounts then on deposit in the 2021B Reserve Fund, such that the amount in the 2021B Reserve Fund is equal to the 2021B Reserve Requirement, and (c) to the reserve account (including the 2023A Reserve Fund) for any Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the IFD Payment Amount Fund and any Development Special Taxes available for that purpose are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2021A Reserve Fund, the 202B Reserve Fund and any other reserve accounts (including the 2023A Reserve Fund) ratably based on the then Outstanding principal amount of the Development Special Tax Bonds).

On each October 1, the Fiscal Agent will transfer all of the moneys remaining in the IFD Payment Amount Fund to the Special Fund Trustee for deposit in the IFD Remainder Account of the Tax Increment Fund established and held by the Special Fund Trustee under the Special Fund Administration Agreement. Funds in the IFD Remainder Account are not security for the Development Special Tax Bonds.