

~~PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2021~~

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

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

~~DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021B~~

~~\$54,280,000~~

~~\$10,000,000~~

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

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

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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

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

The 2021B/C Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2021B/C Bonds shall be payable on each March 1 and September 1, commencing ~~September~~ March 1, ~~2021~~ 2022 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2021B/C Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2021B/C Bonds. Individual purchases of the 2021B/C Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021B/C Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the 2021B/C Bonds will not receive physical delivery of the 2021B/C Bonds purchased by them.

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

The 2021B/C Bonds are not rated. See "Special Risk Factors" herein for certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2021B/C Bonds.

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

The 2021B/C Bonds are not payable from any ~~other~~ source of funds other than the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Revenues consist primarily of the proceeds of Development Special Taxes levied on certain leasehold interests in certain real property located within the District as described herein, and certain payments from tax increment available to offset the obligation of property owners in the District to pay Development Special Taxes. Neither the General Fund of the City nor the enterprise funds of the San

\* -Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Francisco Port Commission (the "Port") are liable for the payment of the principal of or interest on the 2021B/C Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2021B/C Bonds.

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

*The 2021B/C Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriter by its counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for Seawall Lot 337 Associates, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2021B/C Bonds will be available for delivery through the book-entry facilities of DTC on or about ~~June~~, November 10, 2021.*

**STIFEL**

Dated:           , October 21, 2021

~~\$(Par Amount)~~ MATURITY SCHEDULE

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

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

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

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

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

\$10,000,000  
DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021BC  
(Base CUSIP†       )

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> <sup>*</sup>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <sup>†</sup>

\$        10,000,000 4.000% Term Bonds due September 1, 20 2051 – Yield:        2.680% Price:        %110.664<sup>C</sup>  
CUSIP†:        79771HAM5

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~~\* Preliminary, subject to change.~~<sup>c</sup> [Priced to the optional redemption date of September 1, 2028 at 103%.](#)

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriter, or the Municipal ~~Advisor~~[Advisors](#), is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2021B/[C](#) Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021B/[C](#) Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2021B/[C](#) Bonds.

**CITY AND COUNTY OF SAN FRANCISCO  
MAYOR**

London N. Breed

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

Shamann Walton, *Board President, District 10*

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

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

**CITY ATTORNEY**

~~Dennis J. Herrera~~  
[David Chiu<sup>\(2\)</sup>](#)

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

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

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**PROFESSIONAL SERVICES**

**Bond Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Special Tax Consultant**

Goodwin Consulting Group, Inc.  
Sacramento, California

**Municipal ~~Advisor~~ Advisors**

PFM Financial Advisors LLC  
San Francisco, California

[CSG Advisors Incorporated](#)  
[San Francisco, California](#)

**Fiscal Agent**

Zions Bancorporation, National Association  
Los Angeles, California

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

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

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## ~~GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT~~ NOTICE TO INVESTORS

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2021B-~~Bonds~~/C Bonds, the complete terms and conditions being set forth in the Fiscal Agent Agreement (as described herein). Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal ~~Advisor~~ Advisors or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriter.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the 2021B/C Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the 2021B/C Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

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

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

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

IN CONNECTION WITH THE OFFERING OF THE 2021B/C BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2021B/C BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

The City maintains a website with information pertaining to the City. However, the information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the 2021B/C Bonds.

## FORWARD LOOKING STATEMENTS

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

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



The green highlighted area in the photo above shows the location of the Mission Rock Project, a portion of which is included in the District. The 2021B/C Bonds will be secured by Development Special Taxes levied in the District and certain payments from tax increment generated in Project Area I of the City and County of San Francisco Infrastructure Financing District (Port of San Francisco) [available to offset the obligation of holders of Leasehold Interests in the District to pay Development Special Taxes](#). The boundaries of Project Area I generally correspond to the boundaries of the District. See Appendix III for a map of the boundaries of the District and Project Area I. No mortgage or deed of trust on property secures the repayment of the 2021B/C Bonds. Further, neither the General Fund of the City nor the enterprise funds of the San Francisco Port Commission are liable for the payment of the principal of or interest on the 2021B/C Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the

2021B/C Bonds. See “SECURITY FOR THE BONDS – Limited Obligation” herein.



# OFFICIAL STATEMENT

~~\$(Par Amount)†~~ CITY AND COUNTY OF SAN FRANCISCO  
SPECIAL TAX DISTRICT NO. 2020-1  
(MISSION ROCK FACILITIES AND SERVICES)  
~~DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021B~~

<u>\$54,280,000</u>	<u>\$10,000,000</u>
<u>DEVELOPMENT SPECIAL TAX BONDS,</u>	<u>DEVELOPMENT SPECIAL TAX BONDS,</u>
<u>SERIES 2021B</u>	<u>SERIES 2021C</u>
<u>(FEDERALLY TAXABLE)</u>	

## INTRODUCTION

### General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco, California (the “City” or “County”) on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) of its Development Special Tax Bonds, Series 2021B (~~the “2021B Federally Taxable) (the “2021B Bonds”) and Development Special Tax Bonds, Series 2021C (the “2021C Bonds” and, together with the 2021B Bonds, the “2021B/C Bonds”~~).

### Authority for the 2021B/C Bonds

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

- the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”),
- Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by Mayor London N. Breed (the “Mayor”) on May 15, 2020, as supplemented by Resolution No. ~~565-20 adopted by the Board of Supervisors on December 8, 2020 and approved by the Mayor on December 18, 2020, and Resolution No. \_\_\_\_\_, 224-21,~~ which was adopted by the Board of Supervisors on \_\_\_\_\_, May 11, 2021 and approved by the Mayor on \_\_\_\_\_, May 21, 2021, approving the First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$ \_\_\_\_\_ 64,900,000 of special tax bonds in one or more series (collectively, the “Resolution”), and
- a Fiscal Agent Agreement, dated as of May 1, 2021 (the “Original Fiscal Agent Agreement”), as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of ~~June~~ November 1, 2021 (the “First Supplement to Fiscal Agent Agreement” and, together with the Original Fiscal Agent Agreement, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”).

† ~~Preliminary, subject to change.~~  
101988597.4

## Use of Proceeds

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

## Parity Bonds

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

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

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

## The District and the Mission Rock Project

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

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

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

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

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

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

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

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

## Appraisal

The firm of Integra Realty Resources, Inc. (the “Appraiser”) was retained by the City and prepared an Appraisal Report dated ~~March 31,~~ September 20, 2021 (the “Appraisal Report”), estimating the market value of the leasehold interests (by ownership) in the District that are subject to the Development Special Taxes securing the ~~2021B Bonds.~~ ~~None of the City, the Port, the District or the Underwriter make any representation as to the accuracy or completeness of the Appraisal Report.~~ Bonds. In the Appraisal Report, the Appraiser concluded that the aggregate ~~market~~ or cumulative value (by ownership) of the leasehold interest in the appraised properties as of ~~February~~ August 1, 2021 was ~~\$324,890,000,~~ 394,470,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report, including the condition that proceeds from the 2021B/C Bonds are available for public improvements. ~~On \_\_\_\_\_, 2021 the Appraiser issued its [describe bring down letter].~~ 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 2021B Bonds.~~

The Appraisal Report appraised the leasehold interests in the District that are subject to the Development Special Taxes securing the ~~2021B~~ Bonds, representing 11 of the 12 planned blocks within the District. The developable uses planned for Block D2 (intended to include a parking garage and retail space) are not subject to the Development Special Taxes securing the ~~2021B~~ Bonds and, therefore, Block D2 was excluded from the Appraisal Report. The value of individual parcel leasehold interests may vary significantly, and no assurance can be given that should Development Special Taxes levied on one or more of the leasehold interests become delinquent, and should the delinquent leasehold interest be offered for sale at a judicial foreclosure sale, that any bid would be received for it or, if a bid is received, that such



bid would be sufficient to pay the related delinquent Development Special Taxes. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.”

~~The City had previously commissioned the Appraiser to appraise the property at several points over the past year; those prior reports indicated lower values as of their respective earlier dates of value. A prior report concluded that the market value in bulk of the leasehold interest in the appraised properties as of April 22, 2020 was \$150,400,000, subject to certain assumptions and limiting conditions set forth in that report. A later report concluded that the market value in bulk of the leasehold interest in the appraised properties as of October 28, 2020 was \$130,000,000, subject to certain assumptions and limiting conditions set forth in such report; a subsequent bring forward letter by the Appraiser concluded the market value in bulk of the leasehold interest in the appraised properties, as of January 14, 2021, was not less than \$130,000,000, similarly, subject to certain assumptions and limiting conditions.~~

~~A variety of factors resulted in the net increased value reflected in the Appraisal Report, including most significantly (i) the transfer of Phase 1A blocks from the Master Developer to Vertical Developers and thus being valued as separate properties and not included in the Master Developer held property in the Appraisal Report’s discounted cash flow analysis, (ii) substantial investment into the horizontal development since the value dates in prior reports, (iii) division of Phase 1 into Phase 1A and Phase 1B, with China Basin Park (completion of which is not required for a temporary certificate of occupancy) apportioned to Phase 1B and (iv) substantial payment of Vertical Developer impact fees for Parcel G, enhancing its appraised value~~

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

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

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

See “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein. None of the City, the Port, the District or the Underwriter make any representation as to the accuracy or completeness of the Appraisal Report.

## **Formation of the District**

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

Under the Special Tax Financing Law, the City may establish a district to provide for and finance the cost of eligible facilities and services. Subject to approval by two-thirds of the votes cast of the qualified electors at an election and compliance with the other provisions of the Special Tax Financing Law, the Board of Supervisors may cause the district to issue bonds and may levy and collect a special

tax within such district to repay such indebtedness. The Board of Supervisors serves as the legislative body of the District. See “FORMATION OF THE DISTRICT” below.

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

The 2021B/C Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2021B/C Bonds shall be payable on each March 1 and September 1, commencing ~~September~~March 1, ~~2021~~2022 (each an “Interest Payment Date”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2021B/C Bonds delivered to the Fiscal Agent prior to the applicable Record Date.

The 2021B/C Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2021B/C Bonds. Individual purchases of the 2021B/C Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021B/C Bonds will be payable by DTC through the DTC participants. Purchasers of the 2021B/C Bonds will not receive physical delivery of the 2021B/C Bonds purchased by them. See “THE 2021B/C BONDS - Book-Entry System” herein.

### **Security for the Bonds**

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

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

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

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

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

### **2021A Reserve Fund**

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

As 2021A Related Parity Bonds, the 2021C Bonds will be secured by a first pledge of all moneys deposited in the 2021A Reserve Fund. The moneys in the 2021A Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2021A Bonds, the 2021C Bonds and all other 2021A Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2021A Bonds, the 2021C Bonds and all other 2021A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – 2021A Reserve Fund” herein. The 2021A Reserve Fund does not secure the 2021B Bonds or any 2021B Related Parity Bonds.

### **2021B Reserve Fund**

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

The 2021B Bonds will be secured by a first pledge of all moneys deposited in the 2021B Reserve Fund. The moneys in the 2021B Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2021B Bonds and all other 2021B Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the 2021B Bonds and all other 2021B Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – 2021B Reserve Fund” herein. The 2021B Reserve Fund does not secure the 2021A Bonds, the 2021C Bonds or any 2021A Related Parity Bonds.

### **Future Indebtedness**

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

## Foreclosure Covenant

The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Development Special Taxes within the District, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS –Development Special Tax Account” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

## Limited Obligations

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

## Transfer Restrictions

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

## Continuing Disclosure

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data and notice of certain enumerated events. The City’s covenants have been made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12 (“Rule 15c2-12”). In addition, the Master Developer has voluntarily agreed to provide certain continuing disclosure. See the caption “CONTINUING DISCLOSURE” herein.

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

## No Rating

The 2021B/C Bonds are not rated. See “NO RATING” herein. The determination by the City not to obtain a rating does not, directly or indirectly, express any view by the City of the credit quality of the 2021B/C Bonds. The lack of a bond rating could impact the market price or liquidity for the 2021B/C Bonds in the secondary market. See “SPECIAL RISK FACTORS – Limited Secondary Market” herein.

## Risk Factors

For a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2021B/C Bonds, see “SPECIAL RISK FACTORS” herein. Such discussion does not purport to be comprehensive or definitive, and investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

## Further Information

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

## THE FINANCING PLAN

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

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

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

The Facilities to be financed by the 2021B/C 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 ~~elsewhere~~ 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 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:

<b>Sources of Funds</b>	
Principal Amount	\$
<del>[Net] [Premium/Discount]</del>	
<b>Total Sources</b>	
<b>Uses of Funds</b>	
Deposit to Improvement Fund	\$
<del>[Deposit to 2021B Capitalized Interest Account]</del>	
Deposit to 2021B Reserve Fund	
Costs of Issuance <sup>(+)</sup>	
<b>Total Uses</b>	\$

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

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

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

### THE 2021B/C BONDS

#### Description of the 2021B/C Bonds

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

The 2021B Bonds will bear interest at the rates set forth on the first inside cover page hereof, payable on the Interest Payment Dates in each year. The 2021C Bonds will bear interest at the rates set forth on the second inside cover page hereof, payable on the Interest Payment Dates in each year. Interest



on all 2021B/C Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2021B/C Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the dated date of the 2021B/C Bonds; provided, however, that if at the time of authentication of a 2021B/C Bond, interest is in default thereon, such 2021B/C Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2021B/C Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2021B/C Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which ~~instructions~~ shall continue in effect until revoked in writing, or until such 2021B/C Bonds are transferred to a new Owner. "Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day. The interest, principal of and any premium on the 2021B/C Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2021B/C Bonds at the Principal Office of the Fiscal Agent. All 2021B/C Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent.

## Redemption<sup>‡</sup>

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

The "Make-Whole Redemption Price" is the greater of (i) 100 percent of the principal amount of the 2021B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2021B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2021B Bonds are to be redeemed, discounted to the date on which the 2021B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" defined below, plus the "Applicable Spread" defined below.

"Applicable Spread" means 50 basis points.

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

<sup>‡</sup> ~~Preliminary, subject to change.~~

any sinking fund installments for such 2021B Bonds) is less than one year, the weekly average yield on actual traded United States Treasury securities adjusted to a constant maturity of one year will be used.

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

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

**Optional Redemption on or after September 1, 2031 – 2021B Bonds.** The 2021B Bonds maturing on or after September 1, ~~20—~~2032 are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, ~~20—~~2031, as a whole or in part as directed by the City, at a redemption price equal to the principal amount of the 2021B Bonds to be redeemed, without premium, together with accrued interest thereon to the date fixed for redemption.

**Mandatory Sinking Fund Redemption – 2021B Bonds.** The 2021B Bonds maturing on September 1, 2031, September 1, 2033 and September 1, 2049 (the “Term 2021B Bonds”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

<u>Term 2021B Bonds Maturing September 1, 2031</u>	
<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
<u>2024</u>	<u>\$355,000</u>
<u>2025</u>	<u>435,000</u>
<u>2026</u>	<u>515,000</u>
<u>2027</u>	<u>600,000</u>
<u>2028</u>	<u>690,000</u>
<u>2029</u>	<u>780,000</u>
<u>2030</u>	<u>885,000</u>
<u>2031 (maturity)</u>	<u>990,000</u>

<u>Term 2021B Bonds Maturing September 1, 2033</u>	
<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
<u>2032</u>	<u>\$ 960,000</u>
<u>2033 (maturity)</u>	<u>1,070,000</u>



Term 2021B Bonds Maturing September 1, 2049

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

Provided, however, if some but not all of the Term 2021B Bonds of a given maturity have been redeemed pursuant to optional redemption or redemption from Development Special Tax Prepayments, the total amount of all future Sinking Fund Payments related to such maturity shall be reduced by the aggregate principal amount of Term 2021B Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City.

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

**Mandatory Sinking Fund Redemption – 2021C Bonds.** The 2021BC Bonds maturing on September 1, ~~2051~~ (the “Term 2021BC Bonds”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
<u>2050</u>	<u>\$4,845,000</u>

2051 (maturity)

5,155,000

Provided, however, if some but not all of the Term 2021~~BC~~ Bonds of a given maturity have been redeemed pursuant to optional redemption or redemption from Development Special Tax Prepayments, the total amount of all future Sinking Fund Payments related to such maturity shall be reduced by the aggregate principal amount of Term 2021~~BC~~ Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the City.

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

<u>Redemption Date</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, <del>20—2029</del>	<del>—103%</del>
September 1, <del>20—2029</del> and March 1, <del>20—2030</del>	<del>—102</del>
September 1, <del>20—2030</del> and March 1, <del>20—2031</del>	<del>—101</del>
September 1, <del>20—2031</del> and any Interest Payment Date thereafter	<del>—100</del>

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

<u>Redemption Date</u>	<u>Redemption Price</u>
<u>Any Interest Payment Date on or before March 1, 2029</u>	<u>103%</u>
<u>September 1, 2029 and March 1, 2030</u>	<u>102</u>
<u>September 1, 2030 and March 1, 2031</u>	<u>101</u>
<u>September 1, 2031 and any Interest Payment Date thereafter</u>	<u>100</u>

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

***Notice of Redemption.*** The Fiscal Agent shall cause notice to be sent at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, and to the respective registered Owners of any 2021B/~~C~~ Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its Electronic Municipal Market Access (“EMMA”) system.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2021B/~~C~~ Bonds are to be called for redemption shall state as to any 2021B/~~C~~ Bond

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called in part the principal amount thereof to be redeemed, and shall require that such 2021B/C Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2021B/C Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City.

The City has the right to rescind any notice of the optional redemption of 2021B/C Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2021B/C Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

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

***Purchase of Bonds in Lieu of Redemption.*** In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2021B/C Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2021B/C Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2021B/C Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

## **The Fiscal Agent**

Zions Bancorporation, National Association has been appointed as the Fiscal Agent for all of the ~~2021B~~ Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto.

## **Book-Entry System**

DTC will act as securities depository for the 2021B/C Bonds. The 2021B/C Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2021B/C Bonds will not receive physical certificates representing their interest in the 2021B/C Bonds. So long as the 2021B/C Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the 2021B/C Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the 2021B/C Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” hereto.

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## Debt Service Schedule

The following is the debt service schedule for the 2021B Bonds and the 2021C Bonds and the outstanding Parity Bonds, assuming no redemptions other than mandatory sinking fund redemptions. ~~The 2021B Bonds have been sized to provide at least 110% debt service coverage from the net available Development Special Tax Revenues anticipated from the levy on Parcels A, B, F and G alone upon such parcels being categorized as Developed Property under the Rate and Method. See also Table 11 in “THE MISSION ROCK PROJECT – Projected Development Special Tax Levy, Assessed Values and Value to Lien Ratios” herein.~~

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**DEBT SERVICE SCHEDULE**

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

(1) Outstanding Parity Bonds currently include only the 2021A Bonds.



## SECURITY FOR THE BONDS

### General

***Pledge of Revenues.*** The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Revenues, which include Development Special Tax Revenues, and any available IFD Payment Amounts—~~The~~ [\(defined below; see “ - IFD Payment Amount Fund” below\)](#). [Except as provided below, the](#) Bonds are also payable from amounts in certain funds and accounts including the Bond Fund (including the Development Special Tax Prepayments Account), the IFD Payment Amount Fund, the Development Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Development Special Taxes). The Revenues and all moneys deposited into such funds and accounts (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement, the IFD Law (defined below) and the Special Tax Financing Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. See “ - Special Fund Administration Agreement and Related Funds and Accounts” and “IFD Payment Amount Fund” below [and APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” and APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto](#).

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

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

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

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

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

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

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



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

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

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

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

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

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

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

“2021B Related Parity Bonds” means the 2021B Bonds and any series of Parity Bonds for which (i) the Proceeds are deposited into the 2021B Reserve Fund so that the balance therein is equal to the 2021B Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2021B Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds. See “ - 2021B Reserve Fund.” ~~[No 2021B Related Parity Bonds will be issued concurrently with issuance of the 2021B Bonds.] [confirm whether 2021B Bonds will be Related Parity Bonds with the 2021A Bonds]~~

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

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

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

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

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

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

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

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

(ii) promptly upon receipt, the City will identify (or cause to be identified) any Development Special Tax Revenues constituting the collection of delinquencies in payment of Development Special Taxes and will cause such Development Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond

Fund to pay any past due Debt Service on the Bonds; (b) second, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in the 2021~~BA~~ Reserve Fund to the extent needed to increase the amount then on deposit in the 2021~~BA~~ Reserve Fund to the then 2021~~BA~~ Reserve Requirement, transferred for deposit in the 2021B Reserve Fund to the extent needed to increase the amount then on deposit in the 2021B Reserve Fund to the then 2021B Reserve Requirement, and transferred for deposit in the reserve account for any Parity Bonds that are ~~not~~neither 2021A Related Parity Bonds nor 2021B Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

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

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

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

(vi) on each September 1, after the transfers described in preceding subparagraphs, the City will cause the Special Fund Trustee to transfer from the Development Special Taxes Subaccount of the

CFD Facilities Special Taxes Account to the CFD Administrative Costs Account, any amount required to pay Administrative Expenses that may be paid from the Development Special Tax that cannot be paid from amounts then on deposit in the CFD Administrative Costs Account or the Administrative Expense Fund.

On each October 1, ~~beginning on October 1, 2021,~~ the City will cause all of the moneys remaining in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to be transferred to the Development Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee, after which they will no longer be available to pay debt service on the Bonds.

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

### **IFD Payment Amount Fund**

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

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

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

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

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

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

## **Bond Fund**

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

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

**Flow of Funds for Payment of Principal and Interest.** At least ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Director of the Office of Public Finance of the City (or a successor official responsible for management of municipal bonds issued by the City) (the “Finance Director”) in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

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

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

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

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

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



extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in the Bond Fund.

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

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

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

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

## **2021A Reserve Fund**

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

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

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

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

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

provided, however,

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

2021C Bonds or any other 2021A Related Parity Bonds and (b) using the issue price would produce a lower result than using the outstanding principal amount.

(B) that in no event shall the amount calculated exceed the amount on deposit in the 2021A Reserve Fund on the date of issuance of the 2021A Bonds (if they are the only Bonds covered by the 2021A Reserve Fund) or the most recently issued series of 2021A Related Parity Bonds except in connection with any increase associated with the issuance of 2021A Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2021A Reserve Fund in connection with the issuance of a series of 2021A Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at \_\_\_\_\_ an \_\_\_\_\_ unrestricted \_\_\_\_\_ yield.

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

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

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

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2021A Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2021A Bonds, the 2021C Bonds or any other 2021A Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto for more information about the 2021A Reserve Fund.

## **2021B Reserve Fund**

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

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

~~(i) Maximum Annual Debt Service on the 2021B Bonds and any 2021B Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or~~

~~(ii) one hundred twenty five percent (“Aggregate 2021A/2021B Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any 2021B Related Parity Bonds, between the date of such calculation and the final maturity of such Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Bonds), (b) 125%) of average Annual Debt Service on the 2021B Bonds and any 2021B Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and (iii) A Bonds, the 2021C~~



Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any 2021B Related Parity Bonds (which, for the avoidance of doubt, shall be calculated based on the aggregate debt service on such Bonds), and (c) 10% of the outstanding principal amount of the 2021A Bonds, the 2021C Bonds, any 2021A Related Parity Bonds, the 2021B Bonds and any ~~2021B~~-Related 2021B Parity Bonds; provided, however,;

(A) that with respect to the calculation of clause ~~(iii)~~(c) of any Bonds the interest on which is excluded from gross income for federal income tax purposes, the issue price of ~~the 2021B Bonds or any 2021B Related Parity~~such Bonds excluding accrued interest ~~will~~shall be used rather than the outstanding principal amount, if (a) the net original issue discount or premium of ~~the 2021B Bonds or any 2021B Related Parity~~such Bonds was less than 98% or more than 102% of the original principal amount of ~~the 2021B Bonds or any 2021B Related Parity~~such Bonds and (b) using the issue price would produce a lower result than using the outstanding principal amount; and

~~(B) that~~that, with respect to each of the 2021A Reserve Fund and the 2021B Reserve Fund, considered separately, in no event shall the amount so calculated exceed the amount on deposit in ~~the 2021B Reserve~~such Fund on the date of issuance of the ~~2021B Bonds (if they are the only Bonds covered by the 2021B Reserve Fund) or the most recently issued series of 2021B Related Parity Bonds (if any 2021B Related Parity Bonds are covered by the 2021B Reserve Fund) except in connection with any increase associated with the issuance of 2021B Related Parity Bonds; and~~ most recent issue of Bonds secured by such Fund.

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

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2021B Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2021B Bonds or any 2021B Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto for more information about the 2021B Reserve Fund.

## Rate and Method of Apportionment of Special Taxes

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

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

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

“Assessed Parcel” means, in any Fiscal Year, any Taxable Parcel that meets all five of the following conditions: (i) there is a building on the Taxable Parcel for which a Certificate of Occupancy (as defined in the Rate and Method) has been issued; (ii) based on all information available to the Administrator, the Baseline Assessed Value has been determined for the Taxable Parcel; (iii) ad valorem

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Zone each Taxable Parcel is located, (iii) for Developed Property, the Market-Rate Residential Square Footage and Office Square Footage within each building, (iv) the Taxpayer for each Leasehold Interest in a Taxable Parcel, and (v) the Development Special Tax Requirement, Office Special Tax Requirement, Shoreline Special Tax Requirement, and, if applicable, Services Special Tax Requirement for the Fiscal Year.

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

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

<b>Square Footage Category</b>	<b>Base Development Special Tax Tax Zone 1 and Tax Zone 2 (FY <del>2020</del>2021-2122) (per square foot of the applicable type)</b>
Market-Rate Residential Square Footage	<del>\$8.75</del> <u>8.93</u>
Office Square Footage	<del>\$6.63</del> <u>6.76</u>
Excess Exempt Square Footage	
Market-Rate Residential Square Footage	<del>\$8.75</del> <u>8.93</u>
Office Square Footage	<del>\$6.63</del> <u>6.76</u>

*Source: Goodwin Consulting Group, Inc.*

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

**Maximum Development Special Tax.** Pursuant to the Rate and Method, the Administrator shall apply the steps set forth therein to determine the Maximum Development Special Tax for the next succeeding Fiscal Year for the Leasehold Interests in each Taxable Parcel. The Maximum Development Special Tax is based in part upon whether such Taxable Parcel is classified as Developed Property or Undeveloped Property. For Undeveloped Property, the Maximum Development Special Tax is set forth in an attachment to the Rate and Method. For Developed Property, the Administrator determines the Maximum Development Special Tax based generally on the applicable Tax Zone, the applicable Base Development Special Taxes, and the identified actual or expected square footage attributable to Market Rate Residential Square Footage, Office Square Footage and Excess Exempt Square Footage in the building(s) on the Taxable Parcel. ~~Following issuance of the 2021B Bonds, the~~The Administrator will also conduct a comparison to the Expected Maximum Development Special Tax Revenues as part of its determination of Maximum Development Special Taxes. On each July 1, each of the following amounts

shall be increased by 2% of the amount in effect in the prior Fiscal Year: the Base Development Special Tax for each Tax Zone, the Expected Maximum Development Special Tax Revenues and the Maximum Development Special Tax assigned to the Leasehold Interests in each Taxable Parcel. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

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

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

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

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

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

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

Step 1d. For all Assessed Parcels:

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

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

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

Substep 1dC(i). If, after coordination with the City and Port, the Administrator is provided with a breakdown of Parcel Increment on a Parcel-by-Parcel basis in time for submission of the special tax levy, the Administrator shall determine the net tax levy on Leasehold Interests in each Assessed Parcel (the “Net Assessed Parcel Tax Levy”) by taking the following steps in the following order of priority: (i) subtract from the Maximum Development Special Tax for each Assessed Parcel the amount of Parcel Increment generated from the applicable Assessed Parcel, and (ii) for each Assessed Parcel whose tax levy was not reduced to \$0 pursuant to item (i) in this paragraph, apply any remaining Parcel Increment



that was not applied pursuant to item (i) in this paragraph to each such Assessed Parcel on a pro rata basis (based on the Assessed Parcel's net remaining tax levy as a percentage of the aggregate net remaining tax levy for all Assessed Parcels for which Parcel Increment was insufficient to pay the full amount of the Assessed Parcel's Maximum Development Special Tax). The Administrator shall levy on Leasehold Interests in each Assessed Parcel the Net Assessed Parcel Tax Levy for such Assessed Parcel. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.

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

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

Step 2. ~~After issuance of the 2021B Bonds, if~~ additional revenue is needed after Step 1 in order to meet the Development Special Tax Requirement after Capitalized Interest, if any, has been applied to reduce the Development Special Tax Requirement, the Development Special Tax shall be levied Proportionately on Leasehold Interests in each Taxable Parcel of Undeveloped Property, in an amount up to 100% of the Maximum Development Special Tax for Leasehold Interests in each Taxable Parcel of Undeveloped Property for such Fiscal Year.

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

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

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

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



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

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

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

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Development Special Taxes theretofore levied in the District to the amount of Development Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Development Special Tax in the District is delinquent in the payment of one or more installments of Development Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the District is then participating in the Teeter Plan, or an equivalent procedure, (2) the amount in the 2021A Reserve Fund is at least equal to the 2021A Reserve Requirement (3) the amount in the 2021B Reserve Fund is at least equal to the 2021B Reserve Requirement and (~~34~~) the amount in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds is at least equal to the required amount.

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

## Limited Obligation

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

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

## Teeter Plan

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

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

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

## Parity Bonds

The District is authorized to incur \$3.7 billion of bonded indebtedness and other debt in the aggregate. Such bonded indebtedness and other debt includes the Bonds that are payable from the Development Special Taxes as well as bonded indebtedness and other debt payable from other special taxes levied under the Rate and Method. The 2021B Bonds and the 2021C Bonds will be the second and third series of bonds issued for the District and the second and third series of Bonds issued under the Fiscal Agent Agreement. The City may issue additional bonds payable on a parity with the 2021A Bonds

and the 2021B/C Bonds under the Fiscal Agent Agreement (“Parity Bonds”) pursuant to a Supplemental Agreement entered into by the City and the Fiscal Agent. [See “– Future Indebtedness” below.](#)

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

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

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

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

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

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2021~~B~~~~A~~ Reserve Fund and that the Owners of the Bonds covered by the 2021~~B~~~~A~~ Reserve Fund will have no interest in or claim to such other reserve account; or

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

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

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

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

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

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

“Other Special Tax Bonds” means the following: (a) bonds issued by or for a community facilities district or special tax district other than the District that are outstanding and payable at least partially from special taxes to be levied on parcels of land within the District, and (b) bonds issued by or

for the District that are payable from special taxes levied under the Rate and Method other than the Development Special Tax and that do not constitute Bonds under ~~this~~ [Fiscal Agent](#) Agreement.

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

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

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

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

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

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

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

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

See “~~Expected~~ Future Indebtedness” below.

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

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

The City, for and on behalf of the District, has executed a promissory note to the Port in a principal amount of \$43 million, ~~which accretes interest at an annual rate of 4.48% compounded quarterly, until the principal amount is paid in full. As of March, The promissory note evidences the principal of and interest on the loans made by the Port as DRP Advances (defined below). As of October 1, 2021, the amount of the promissory note, including accreted interest, was about \$43.845 million.~~ (The Port lent this amount to the District as a DRP Advance, as reflected in Table 5, below.) The District reimbursed Master Developer for entitlement costs and capital costs of the Horizontal Improvements with the DRP Advance.) The promissory note is payable from Special Taxes under the Rate and Method, including Development Special Taxes, after payment of debt service on the Bonds. The promissory note is (i) not secured by a pledge of Development Special Tax Revenues or other District Special Taxes and (ii) secured by a pledge of Allocated Tax Increment that is subordinate to the pledge of the IFD Payment Amount under the Pledge Agreement. See “ – Special Fund Administration Agreement and Related Funds and Accounts” and “ – IFD Payment Amount Fund” above. ~~The promissory note evidences the principal and interest on the loans made by the Port as DRP Advances (defined below).~~ See “THE MISSION ROCK PROJECT - Overview of Mission Rock Transaction Structure – Financing Plan” and “SPECIAL RISK FACTORS – Future Indebtedness” herein.



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

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

## **Other Indebtedness and Obligations**

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

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

## **~~Expected~~ Future Indebtedness**

As discussed under the caption “ - Parity Bonds” above, the District is authorized to issue \$3.7 billion of bonded indebtedness and other debt in the aggregate. Assuming development within the District progresses as projected by the Master Developer, the City anticipates issuing additional community facilities district bonds for the District. Within the next several years, the City expects to issue approximately \$~~135~~44.7 million in additional bonds leveraging the Development Special Taxes, Shoreline Special Taxes and Office Special Taxes associated with Phase 1A; additional bonds ~~for that will~~ be sized based on the Development Special Taxes, Shoreline Special Taxes and Office Special Taxes on parcels in Phases 2 through 4 may follow as development proceeds. ~~The City expects that the next issuance of Development Special Tax Bonds may occur later in 2021. See~~ See Table 5 below. Issuance of additional District bonds may result in overall appraised value-to-lien ratios for the District as a whole and for individual Parcels that are lower than current ratios unless sufficient additional investment by the Master Developer and/or the Vertical Developers occurs before the issuance of such bonds.

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

## **FORMATION OF THE DISTRICT**

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

On April 14, 2020, after holding a noticed public hearing, the Board of Supervisors adopted (i) Resolution No. 160-20 forming the District and the Future Annexation Area, approving the levy of



special taxes within the District according to the Rate and Method and approving an initial \$3,700,000,000 annual appropriation limit for the District, subject to approval of the qualified electors, (ii) Resolution No. 161-20 declaring the necessity to incur bonded indebtedness and other debt in an amount not to exceed \$3,700,000,000, subject to approval of the qualified electors and (iii) Resolution No. 162-20, calling an election of the qualified landowner electors in the District. The Mayor approved these resolutions on April 24, 2020.

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

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

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

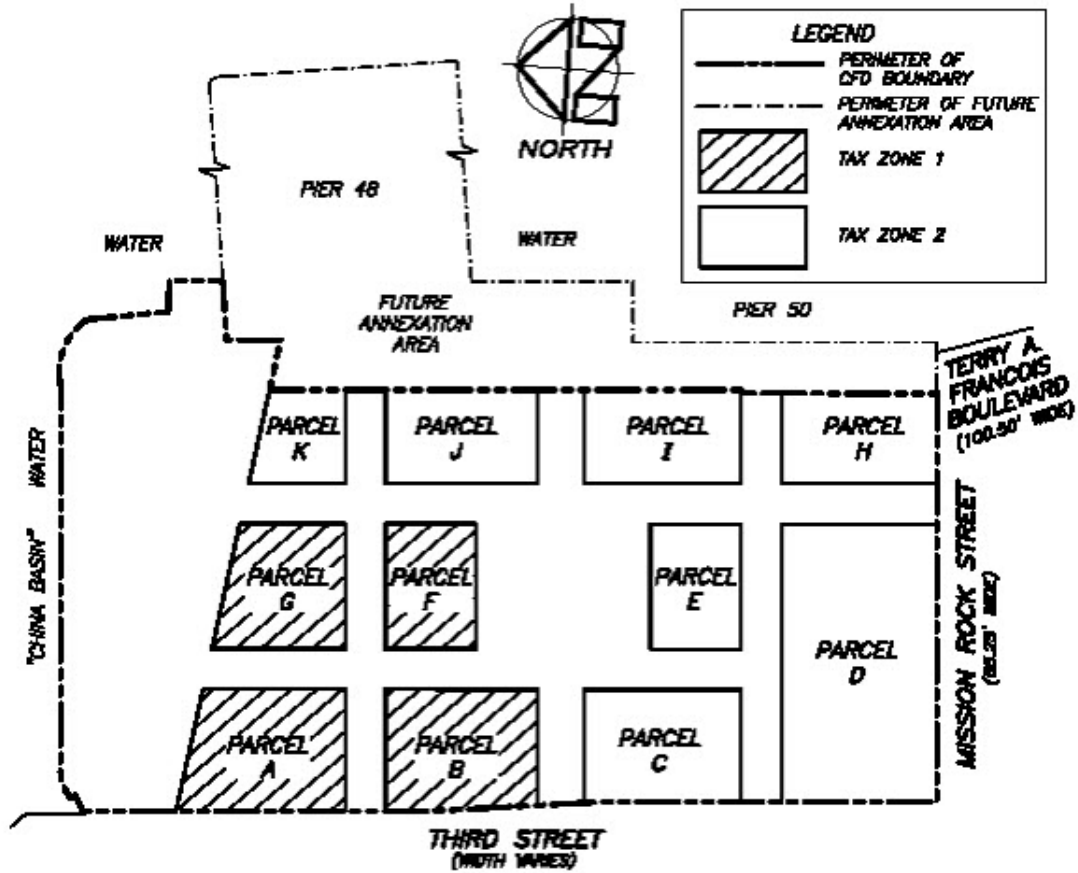
On May 22, 2020, a Notice of Special Tax Lien was recorded against the property in the District as Instrument No. 2020-K933385-00. The Notice of Special Tax Lien establishes the lien of special taxes pursuant to the Rate and Method against the Leasehold Interests in property in the District in accordance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

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

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

*Only the property in the District is subject to the Development Special Tax that secures payment on the ~~2021B~~ Bonds.* Pier 48 and certain adjacent areas (also owned by the Port) ~~is~~ are part of the Mission Rock Project, but ~~is~~ are not currently located within the District. Pier 48 ~~is~~ consists of four acres located to the east of the District and is currently used for storage. Pier 48 ~~is~~ 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~~ 48 and the Future Annexation Area.

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



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## THE CITY

*General.* The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (previously defined as the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, generally bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley, a region regarded as a global center for technology and innovation, is about a 40-minute drive to the south, and the Napa and Sonoma “wine country” is about an hour’s drive to the north. The City is among the most populous cities in California as well as the country. ~~The City~~ As of January 1, 2021, the State estimates the City’s population ~~in fiscal year 2018-19~~ to be 887,463.875,010. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” hereto.

The City benefits from a broad economic base, anchored by several major technology companies ~~and benefitting from its proximity to Silicon Valley~~. In addition, the City is near Silicon Valley, a region regarded as a global center for technology and innovation, and hosts a vital life-sciences research sector that includes the Gladstone Institutes (located in the City’s Mission Bay area) and the Eli and Edythe Broad Center of Regeneration Medicine and Stem Cell Research at UCSF. San Francisco has historically ranked among the highest average income counties in the country. The City is served by two major airports: San Francisco International Airport and Oakland International Airport. There are multiple universities located in or near the City, such as University of California, Berkeley, Stanford University, University of San Francisco, San Francisco State University and University of California, San Francisco.

*Impact of COVID-19 Pandemic on San Francisco Economy.* ~~Since~~ Beginning in late winter 2020, the City ~~has been facing~~ faced significant negative impacts ~~of~~ resulting from the global COVID-19 pandemic and efforts to contain it, including the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools throughout the City and the United States. The impacts on the City’s and the region’s economy have been material and adverse, ~~including an economic recession~~. The pandemic has resulted in reductions in tourism and disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment. In the City, numerous businesses have closed on a permanent basis and tourism-related economic activity ~~has dropped substantially. More than [54,000] layoffs have been announced~~ declined substantially with only a partial recovery to date. From March 2020 through March 2021, more than 173,000 temporary or permanent layoffs were reported in the Bay Area through September 2020, with about 61,000 of those in the City. The unemployment rate in the City rose to a high of 12.8% in May 2020 from ~~2.32.2%~~ in February ~~2020 to a high of 12.7% in May 2020~~, before declining to ~~6.4% by December 2020~~. ~~While many layoffs in the City have been classified as temporary, no assurances can be given as to the nature of any re-hiring that may occur as public health orders are loosened and the economic recovery takes shape.~~ 5.2% in July 2021. Some of the City’s largest private employers ~~have instructed their employees to telecommute whenever possible and several high profile employers, such as Facebook, Twitter, Zillow, Square and Coinbase, have announced plans to allow employees to work remotely indefinitely. Any significant exodus of industries, companies, or jobs out of San Francisco without replacement of those jobs at similar wage levels may result in the reduction in commercial and residential rents and economic vitality in San Francisco.~~ instituted remote work policies that may continue for extended periods or indefinitely. A large-scale return to workplaces has yet to materialize, which is also reflected in continued low transit ridership to workplace centers in the City.

The COVID-19 pandemic has negatively impacted values in certain segments of the real estate market. The Appraisal Report describes adverse impacts of the COVID-19 Pandemic on residential ~~and office rental~~ markets and more positive indicators in those markets. See “THE MISSION ROCK

PROJECT - Property Values” and “SPECIAL RISK FACTORS – Value-to-Lien Ratios; Future Indebtedness; Parity Liens” herein and APPENDIX G – APPRAISAL REPORT” attached hereto.

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

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

## THE PORT

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

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

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

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

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

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

## THE MISSION ROCK PROJECT

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

*No assurance can be given by the City, including the Port, that development of the Mission Rock Project will be completed, or that it will be completed in a timely manner, including, but not limited to construction of the infrastructure required to occupy future buildings in the District. See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2021B/C Bonds.*

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

### Overview of the Mission Rock Project

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

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



The Mission Rock Project is anticipated to include:

- Approximately 1,119 residential rental units, with 40 percent affordable to low and moderate income households earning 45-150% of the area median income.
- About 8 acres of parks and open space, including signature 4.4-acre China Basin Park on the waterfront.
- Up to 1.4 million square feet of new, high quality office space.
- 200,000+ square feet of neighborhood-serving retail and production space (considered part of the active ground floor retail space).
- Up to 3,000 space parking structure to serve Oracle Park and neighborhood needs.
- Rehabilitation of historic Pier 48.
- Public waterfront access and improvements, including a segment of the Blue Greenway trail connection from Embarcadero to Hunters Point.

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

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

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

***San Francisco Giants.*** The ~~136~~138-year old Giants franchise, one of the oldest teams in Major League Baseball, moved to San Francisco from New York in 1958. After playing for 42 years in Seals Stadium and Candlestick Park, the team privately constructed Oracle Park pursuant to a Port ground lease in 2000. The 41,265 seat Oracle Park is now the home baseball stadium of the San Francisco Giants. Since opening its gates, Oracle Park has become internationally-renowned as a premier venue in the world of both sports and entertainment.

***Tishman Speyer.*** Tishman Speyer is a leading owner, developer, operator and fund manager of first-class real estate around the world. Founded in 1978, Tishman Speyer is active across the United States, Europe, Latin America and Asia, building and managing premier office, residential and retail space in 29 key global markets for industry-leading tenants. The firm has acquired, developed and operated a portfolio of over 165 million square feet with a total value of approximately \$83 billion spread over 401 assets. Signature assets include New York City’s Rockefeller Center, São Paulo’s Torre Norte, The Springs in Shanghai, Lumière in Paris and OpernTurm in Frankfurt. Tishman Speyer currently has projects at different stages of development in Boston, Brasília, Frankfurt, Gurgaon, Hyderabad, Los



Angeles, New York City, Paris, Rio de Janeiro, São Paulo, Shanghai, Shenzhen and Washington, D.C. In San Francisco, the firm has been responsible for projects such as Infinity, Lumina, 555 Mission and 222 2nd Street. The firm also operates portfolios of prominent office property portfolios in Berlin, Chicago and London.

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

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

### Overview of Mission Rock Transaction Structure

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

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

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

If the Horizontal Improvements have not been completed and neither the Port nor the City has assumed the obligation to construct the Horizontal Improvements, the City will covenant under the Fiscal Agent Agreement to inhibit the Port from terminating the DDA solely as a result of a delinquency by the Master Developer in the payment of Development Special Taxes or other taxes or assessments levied or assessed on the Leasehold Interest conveyed under the Master Lease, unless the Port will concurrently enter into a ~~replacement~~ “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 ~~lease agreement obtained by the City in replacement of a lease that is subject to the Development Special Taxes, which establishes a Leasehold Interest with a term that ends on or after the final maturity date of the Bonds and that covers substantially the same real property and improvements as the existing lease~~ Replacement Lease.

**Financing Plan.** A financing plan (the “Financing Plan”) establishes the agreement between the Master Developer and the Port for the financing of the Horizontal Improvements using revenue generated

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

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

[CBBC that it intends to issue a Notice of Default for non-payment of rent, CBBC would endeavor to promptly cure. Parking revenues have since recovered with the return of in-person games at the ballpark.](#)

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

As the Port enters into Parcel Leases, the vertical development sites leased under the Parcel Leases are released from the Master Lease premises. The areas within each approved Phase that are to be improved with Horizontal Improvements remain subject to the Master Lease and part of the Master Lease premises until such Horizontal Improvements are completed. Once complete, the Acquiring Agency will accept and acquire the completed Horizontal Improvements, and the accepted Horizontal Improvements are released from the premises leased under the Master Lease. Though such portions may be released upon completion, the area to be developed in subsequent Phases (Phases ~~1B~~, 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~~A~~ was fully prepaid through Development Rights Payments upon conveyance of the Parcel Lease. Parcel Leases in subsequent Phases are expected to require a mix of Development Rights Payments and annual ground rent. To the extent provided in the Phase Budget, Development Rights Payments received by the Port from the Vertical Developer will be loaned by the Port to the District as DRP Advances. The DRP Advances, along with other Project Payment Sources, will be used by the District to pay the Master Developer for the purchase price of the Horizontal Improvements and associated developer return or as a credit against such amounts due. The Port is to be repaid for its DRP Advances from Project Payment Sources after the Master Developer has been fully repaid. The Port is not obligated to convey Parcel Leases under a VDDA for Phases 2 through 4 unless a minimum annual rent at least equal to the "Reserve Rent" (\$3.5 million for the entire site, allocated among the remaining development parcels) will be payable.

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

**Assignment of Phase 1.** The DDA permits the Master Developer to transfer its horizontal development rights and obligations with respect to a particular Phase to certain affiliates. Mission Rock Horizontal Sub (Phase I), L.L.C., a 100% subsidiary of the Master Developer (herein, the "Phase I Sub"),

acquired a ground subleasehold interest in all of the non-vertical parcels in Phase 1, such as the common areas, streets, plazas, and China Basin Park in anticipation of constructing Horizontal Improvements, but excluding vertical development Parcels A, B, F, and G (the “Phase 1 Sublease”).

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

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

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

**Phase 1 Budget.** The Master Developer has a Port-approved Phase Budget for Phase 1 to construct the [Phase 1A](#) Horizontal Improvements required for the Vertical Developers of Parcels A, B, F and G to obtain certificates of occupancy for the vertical improvements on those Parcels. ~~See “~~[and to construct Phase 1B \(China Basin Park\). On August 10, 2021, the Port Commission approved a \\$39.1 million increase to the Phase 1 Budget. Primary drivers of this increase include \(i\) rising construction material and labor costs, \(ii\) higher than expected costs to approve use of lightweight cellular concrete \(“LCC”\) in the project’s streets, and associated LCC warranty and monitoring costs, \(iii\) unforeseen geotechnical, environmental, and field conditions such as higher groundwater levels and utility conflicts, \(iv\) additional permitting requirements, design scope changes, and requests on behalf of City agencies, and \(v\) incorporating design improvements for China Basin Park based on required Port, San Francisco Bay Conservation and Development Committee \(“BCDC”\), and community feedback. As part of the Phase 1 Budget update, the Master Developer updated the Phase 2 – 4 budgets to incorporate the hard and soft cost escalation and specified requirements that have evolved through the development and final permitting approval of the Phase 1 scope. The increased Phase 1 and future phase budgets are reflected in the Appraisal Report and the financial tables herein. See “ - Development and Financing Plan for the Mission Rock Project—~~Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities”~~ 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 ~~is~~[and certain adjacent areas are](#) identified as a Future Annexation Area that may be annexed into the District in the future; ~~Pier 48~~[the Future Annexation Area](#) is not part of the Master Lease at this time. The Master Developer, however, will enter into an interim lease of Pier 48 for parking and event use. Because ~~Pier 48~~[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 ~~Pier 48~~[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 ~~February~~ August 1, 2021)**

<b>Parcel/ Block</b>	<b>Phase</b>	<b>Tax Zone</b>	<b>Acreage</b>	<b>Rentable Residential Sq. Ft.<sup>(1)</sup></b>	<b>Rentable Office Sq. Ft.<sup>(1)</sup></b>	<b>Rentable Retail Sq. Ft.<sup>(1)</sup></b>
A	1	1	0.96	214,135	58,136	20,931
B	1	1	0.93	--	274,005	20,101
F	1	1	0.58	175,964	--	44,197
G	1	1	0.78	--	302,920	18,435
C	2	2	0.90	--	<del>300,013</del> <u>300,000</u>	<del>29,975</del> <u>27,250</u>
D1	2	2	0.58	<del>193,552</del> <u>188,963</u>	--	--
E	3	2	0.58	--	<del>115,542</del> <u>112,748</u>	<del>15,895</del> <u>14,450</u>
H <sup>(2)</sup>	4	2	0.72	<del>140,458</del> <u>85,175</u>	<del>-50,000</del>	21,798
I <sup>(2)</sup>	4	2	0.75	--	<del>119,320</del> <u>116,760</u>	<del>21,977</del> <u>19,979</u>
J <sup>(2)</sup>	4	2	0.72	--	<del>118,820</del> <u>114,259</u>	22,524
K	4	2	0.41	<del>96,450</del> <u>89,461</u>	--	<del>9,230</del> <u>8,391</u>
D2 <sup>(3)</sup>	2	2	1.62	--	--	<del>10,327</del> <u>9,388</u>
<b>Totals</b>			<b>9.53</b>	<b><del>820,559</del> <u>753,698</u></b>	<b><del>1,288,756</del> <u>1,328,828</u></b>	<b><del>235,390</del> <u>227,444</u></b>

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

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

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

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

Source: Master Developer

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



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

Parcel/ Block	Phase	Tax Zone	Number of Units		
			Market Rate Units	Inclusionary Units <sup>(1)</sup>	Total
A	1	1	181	102	283
F	1	1	157	97	254
D1	2	2	<del>144</del> 115	<del>145</del> 149	<del>259</del> 264
H <sup>(2)</sup>	4	2	<del>128</del> 80	<del>64</del> 46	<del>192</del> 126
K	4	2	92	39	131
<b>Totals</b>			<del>672</del> 625	<del>447</del> 433	<del>1,119</del> 1,058

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

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

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

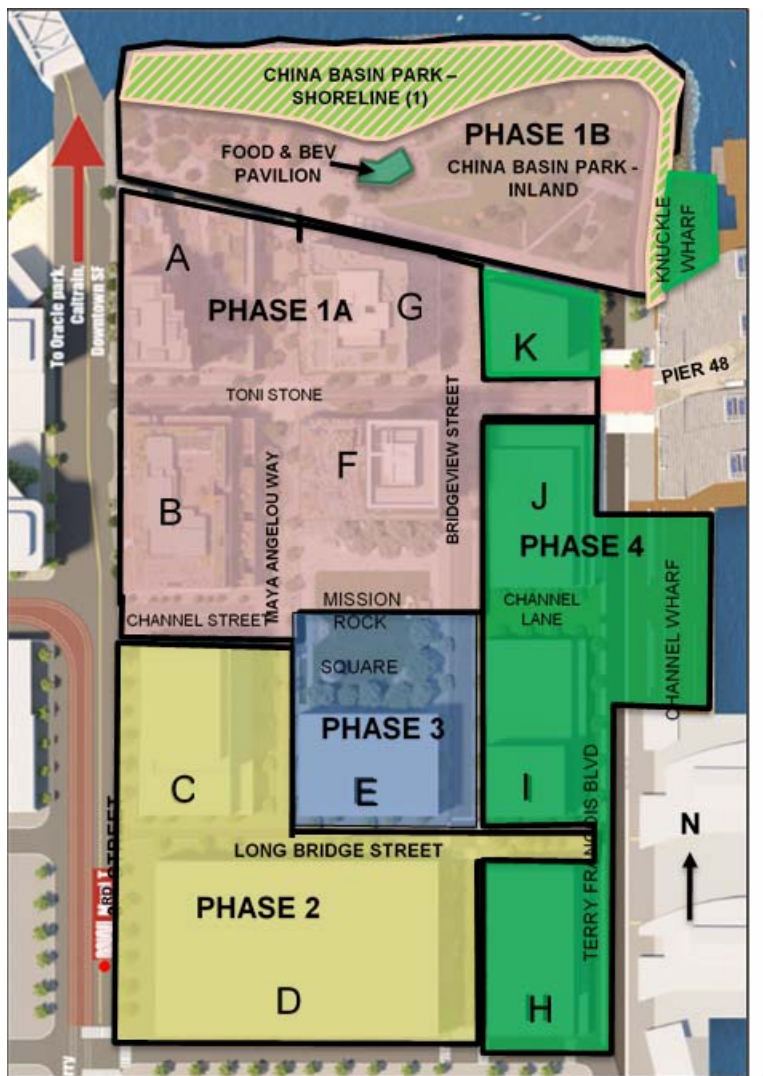
Source: Master Developer

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



## Project Phasing and Mapping Process

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



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

**Subdivision Mapping Process.** The Master Developer began to process various subdivision maps in order to establish development parcels. The Master Developer, through its affiliate Phase I Sub, received approval of the Mission Rock Tentative Subdivision Map (“TSM”) in December 2019. The

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

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

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

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

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

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

Description	Estimated Public Improvement Costs <small>(1)</small>	Spent To Date	Percent Complete
Phase 1A <sup>(4)(3)</sup>			
Entitlement Phase	\$ 29,330,000	<del>\$29,330,001</del> <u>29,330,000</u>	100%
Hard Costs <sup>(24)</sup>	<del>62,348,350</del> <u>74,678</u>	<del>19,463,394</del> <u>33,14</u>	
Mission Rock Utilities Systems <sup>(35)</sup>	35,928,038	<del>-1,722,170</del> <u>15,39</u>	<del>-5</del> <u>66</u>
A&E & Testing	<del>15,733,607</del> <u>23,277</u>	<del>13,928,935</del> <u>15,39</u>	<del>89</del> <u>66</u>
Fees/Bonds/Permits/City	<del>7,193,694</del> <u>13,570.0</u>	<del>2,807,762</del> <u>3,522.5</u>	<del>39</del> <u>26</u>
Developer Reimbursables	<del>13,461,848</del> <u>18,903</u>	<del>8,967,648</del> <u>10,620</u>	<del>67</del> <u>56</u>
Other Soft Costs <sup>(46)</sup>	<del>19,292,491</del> <u>20,272</u>	<del>12,033,282</del> <u>13,639,746</u>	<del>62</del> <u>67</u>
<b>Totals Phase 1A</b>	<del>\$183,288,028</del> <u>215,959,878</u>	<del>\$86,531,922</del> <u>107,376,370</u>	<del>47</del> <u>50%</u>
Phase 1B through Phase 4 <sup>(57)</sup>			
<u>Phase 1B China Basin Park Hard Costs</u>	<u>\$ 33,395,980</u>	-	-
	<del>57,472,884</del> <u>110,40</u>		
<u>Phase 2 – 4 Hard Costs<sup>(24)(8)</sup></u>	<u>0,000</u>	-	-
Hard Costs Outside of GMP <sup>(68)</sup>	<del>25,016,967</del> <u>42,000</u>	-	-
<del>Mission Rock Utilities Systems<sup>(3)</sup></del>	<del>35,928,038</del>	-	-
<del>China Basin Park</del>	<del>27,397,300</del>	-	-
Soft Costs <sup>(79)</sup>	<del>20,202,142</del> <u>33,600</u>	-	-
	<u>000</u>	-	-
<b>Totals Phase 1B through Phase 4</b>	<del>\$166,017,331</del> <u>219,395,980</u>	-	-
<b>Totals for Mission Rock Project</b>	<del>\$349,305,359</del> <u>435,355,857</u>	<del>\$86,531,922</del> <u>107,376,370</u>	<del>25</del> <u>25%</u>

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

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

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

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

<sup>(5)</sup> The Mission Rock Utilities Systems will initially be financed by sources other than the Master Developer. However, the Master Developer has entered into a note payment agreement to guaranty the repayment of the principal

on the bond anticipation notes issued to initially finance [a portion of](#) the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein.

<sup>(46)</sup> Other Soft Costs includes insurance, tax, accounting, legal, general conditions, ~~and~~ contingency [and estimated debt service on 2021A Bonds and the 2021B/C Bonds prior to tax levy on Vertical Parcels classified as “Developed Property” as defined in the Rate and Method.](#)

<sup>(57)</sup> Horizontal improvements in Phases ~~1B and~~ 2-4 have not been finally designed or permitted, so estimated costs are preliminary.

<sup>(68)</sup> Hard Costs Outside [Guaranteed Maximum Price \(GMP\)](#) includes additional items, general conditions and requirements, indirect costs, and contingency.

<sup>(79)</sup> Soft Costs includes architecture, engineering, fees, bonds, City permits, developer reimbursables, insurance, tax, accounting, and legal.

*Source: Master Developer*

**Horizontal Financing Plan.** The Master Developer, through the Phase I Sub, estimates the costs to complete horizontal infrastructure required to support the planned development within Mission Rock Project as of ~~February~~August 1, 2021 to be approximately \$~~349.3~~435.4 million in total, of which, approximately \$~~183.2~~216.0 million is attributable to Phase 1A. Approximately \$~~86.5~~107.4 million has been spent, including entitlement costs. Remaining costs total approximately \$~~262.8~~328.0 million, ~~of~~ of which approximately \$~~96.8~~108.6 million is attributable to Phase 1A.

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

A summary of the expected sources and uses for the Mission Rock Project is set forth in ~~table~~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 <del>28/1/21</del> <sup>(1)</sup>	Projected Through 12/31/21	Projected After 1/1/22	Totals
<b>Sources Phase 1A</b>				
DRP Advances <sup>(2)</sup>	\$ 42,247,500	\$ =	\$ -	\$ 42,247,500
CFD Proceeds <sup>(3)</sup>	<del>-43,356,139</del>	<del>70,000,000</del> <u>55,659,549</u>	<del>96,000,000</del> <u>44,700,000</u>	<del>166,000,000</del> <u>143,715,688</u>
Mission Rock Utilities Bonds <sup>(4)</sup>	25,000,000	<del>10,928,038</del>	<del>-10,928,038</del>	35,928,038
Developer Equity <sup>(5)</sup>	<del>57,201,970</del> <u>76,324,201</u>	<del>34,818,847</del> <u>16,411,847</u>	<del>26,009,173</del> <u>57,965,792</u>	<del>118,029,990</del> <u>150,701,840</u>
<b>TOTAL SOURCES PHASE 1A</b>	<b><del>\$124,449,470</del><u>186,927,840</u></b>	<b><del>\$115,746,885</del><u>72,071,396</u></b>	<b><del>\$122,009,173</del><u>113,593,830</u></b>	<b><del>\$362,205,528</del><u>372,593,066</u></b>
<b>Uses Phase 1A</b>				
Entitlement Costs <sup>(6)</sup>	\$ 29,330,000	\$ -	\$ -	\$ 29,330,000
Mission Rock Utilities Systems <sup>(4)</sup>	<del>-1,722,170</del>	<del>35,928,038</del> <u>2,124,701</u>	<del>-32,081,167</del>	35,928,038
Phase 1A Infrastructure <sup>(67)</sup>	<del>57,201,970</del> <u>76,324,201</u>	<del>34,818,847</del> <u>16,411,847</u>	<del>26,009,173</del> <u>57,965,792</u>	<del>118,029,990</del> <u>150,701,840</u>
<b>TOTAL USES PHASE 1A</b>	<b><del>\$ 86,531,970</del><u>107,376,371</u></b>	<b><del>\$70,746,885</del><u>18,536,548</u></b>	<b><del>\$ -26,009,173</del><u>90,046,959</u></b>	<b><del>\$183,288,028</del><u>215,959,878</u></b>
<b>NET CASH FLOW PHASE 1A</b>	<b><del>\$ -37,917,500</del><u>79,551,469</u></b>	<b><del>\$45,000,000</del><u>53,534,848</u></b>	<b><del>\$96,000,000</del><u>23,546,871</u></b>	<b><del>\$178,917,500</del><u>156,633,188</u></b>
<b>Sources Phase 1B - 4</b>				
DRP Advances <sup>(2)</sup>	\$ -	\$ -	\$ <del>22,597,500</del> <u>39,300,000</u>	\$ <del>22,597,500</del> <u>39,300,000</u>
CFD Proceeds <sup>(3)</sup>	-	-	<del>94,000,000</del> <u>177,107,565</u>	<del>94,000,000</del> <u>177,107,565</u>
Developer Equity	-	<del>3,561,649</del>	<del>126,527,644</del> <u>219,395,980</u>	<del>130,089,293</del> <u>219,395,980</u>
<b>TOTAL SOURCES PHASE 1B - 4</b>	<b>\$ -</b>	<b><del>\$ 3,561,649</del><u>-</u></b>	<b><del>\$243,516,178</del><u>435,803,545</u></b>	<b><del>\$247,077,827</del><u>435,803,545</u></b>
<b>Uses Phase 1B - 4</b>				
Phases Phase 1B-4 Infrastructure	\$ -	<del>3,561,649</del> <u>-</u>	<del>126,527,644</del> <u>219,395,980</u>	<del>130,089,293</del> <u>219,395,980</u>
<b>TOTAL USES PHASE 1B - 4</b>	<b>\$ -</b>	<b><del>\$ 3,561,649</del><u>-</u></b>	<b><del>\$243,125,144</del><u>219,395,980</u></b>	<b><del>\$246,686,793</del><u>219,395,980</u></b>
<b>NET CASH FLOW PHASE 1B - 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b><del>\$116,597,500</del><u>216,407,565</u></b>	<b><del>\$116,597,500</del><u>216,407,565</u></b>

NET CASH  
FLOW

\$ ~~37,917,500~~79,551,469    \$~~45,000,000~~53,534,848    \$~~212,597,500~~239,954,436    \$~~295,515,000~~373,040,753

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

(2) 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.

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

(4) The Master Developer has entered into a note payment agreement to guaranty the repayment of the principal on the bond anticipation notes, issued in November 2020 and maturing in November 2023, to initially finance a portion of the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein. Additional future financing is anticipated in ~~2021-2022-2023.~~

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

(6) 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.

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

Source: Master Developer

**Horizontal Infrastructure Status.** Construction of Phase 1A horizontal improvements commenced through early works permits in January 2020 and are scheduled to be completed in the second half of 2022. Phase 1B horizontal improvements are in the process of being ~~designed~~permitted, and are currently expected to commence in ~~late-2021~~early 2022 for completion in early 2023. Depending on market conditions, Phase 2 horizontal construction is currently expected to commence ~~mid- to late-~~2022 for completion in late 2023, and horizontal construction for Phases 3 and 4 is currently expected to commence in ~~2022~~2023 and 2024, respectively.

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

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

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

***Utilities.***

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

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

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

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

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

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

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

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

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

California nonprofit mutual benefit corporation, of which each of the holders of leasehold interest in the

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

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

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

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

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

Mitigation Plan dated November 15, 2019 and prepared by Ramboll US Corporation (“Mission Rock ADMP”) has also been prepared in accordance with Bay Area Air Quality Management District requirements to minimize site users’ exposure to site contaminants.

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

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

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

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

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

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

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

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

As contemplated by the DDA, and as set forth in separate Vertical Cooperation Agreements (“VCAs”) that have been executed among the Master Developer, the Phase I Sub, ~~and~~ the Parcel A Owner-



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

~~{Remainder of page intentionally left blank.}~~

Phase 1A vertical improvements began in December 2020 and are expected to be completed by the ~~second~~first quarter of 2023. Phase 2 vertical construction is currently expected to commence in early ~~2022~~2023 with a ~~2024~~2026 completion date. Vertical construction for Phases 3 and 4 is currently expected to commence in 2023 and 2024 respectively. The expected development and the anticipated construction schedule in Phase 1A is summarized in the tables below as of ~~February~~August 1, 2021:

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

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	Mission Rock Parcel G Owner, L.L.C. Office
Rentable Office Square Feet <sup>(1)</sup>	58,136	274,005	-	302,920
Rentable Retail Square Feet <sup>(1)</sup>	20,931	20,101	44,197	18,435
Rentable Residential Square Feet <sup>(1)</sup>	214,135	-	175,964	-
<u>Rental</u> Residential Units	283	-	254	-
Date of Parcel Lease Execution	October 2020	October 2020	October 2020	June 2020
<del>Estimated</del> First Fiscal Year as Developed Property under the Rate and Method	2023-2024	2023-2024	2023-2024	2022-2023
Ground Breaking	1/2021	<del>5</del> <u>6</u> /2021	<del>7</del> <u>4</u> / <del>2021</del> <u>2022</u>	12/2020
Core/Shell Completion	1/2023	<del>6</del> <u>9</u> /2022	<del>5</del> <u>2</u> / <del>2023</del> <u>2024</u>	1/2022
Lease Up Commencement	7/2023	<del>1</del> <u>1</u> <del>9</del> <u>9</u> /2022	<del>1</del> <u>1</u> <del>7</del> <u>7</u> / <del>2023</del> <u>202</u>	9/2022
Stabilization	5/2024 <sup>(2)</sup>	<del>8</del> <u>8</u> / <del>9</del> <u>9</u> /2023 <sup>(3)</sup>	<del>8</del> <u>8</u> / <del>2024</del> <u>4</u> / <del>2025</del> <u>2025</u> <sup>(4)</sup>	7/2023 <sup>(5)</sup>

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

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

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

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

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

Source: Master Developer

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

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

As of ~~February~~August 1, 2021, the Parcel A Vertical Developer has expended approximately ~~\$55.677.9~~ million on pre-development, pre-paid ground lease costs, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional ~~\$223.1~~278.5 million will be required to be expended on such costs to complete the building on Parcel A. The Parcel A Vertical Developer secured a total construction loan commitment of ~~\$141.3~~141.95 million (the “Parcel A Loan”) from a bank in November 2020. The Parcel A Loan is secured by the leasehold interest in Parcel A. The Vertical Developer expects the remaining costs to be funded with ~~equity~~\$77.7 million in Jobs/Housing Equivalency Fee subsidy and equity. See Table 8 below. The Parcel A Vertical Developer poured the concrete foundation slab in late August 2021. The foundation was then inspected and approved by a member of the Port engineering staff, satisfying the requirement to access the Jobs/Housing Equivalency subsidy. The Parcel A Vertical Developer will draw on the Jobs/Housing Equivalency Fee proceeds on a monthly basis to cover construction costs, until the full Jobs/Housing Equivalency Fee subsidy is utilized.

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

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

As of February 1, 2021, the Parcel B total development costs increased \$34 million as of August 1, 2021 in order to accommodate life science uses and, to a lesser degree, construction cost increases. The primary increase drivers are estimated tenant improvement costs for a life science tenant, and design revisions to: (i) increase loading capacity and reduce vibration, (ii) increase HVAC and exhaust shaft capacity, and (iii) optimize loading dock efficiencies and ground floor layout for hazardous chemical handling. The Parcel B Vertical Developer has incurred approximately ~~\$19.3~~127.3 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional ~~\$313.5~~239.5 million will be required to be expended on such costs to complete the building on Parcel B. Costs incurred to date on Parcel B include approximately \$95 million in Jobs/Housing Equivalency subsidy (approximately \$90.2 million) and permit fees (approximately \$4.8 million) that have been paid. The Parcel B Vertical Developer will finance the remaining costs to complete Parcel B through equity.

The site permit ~~has been filed and it is expected that the site permit will be issued in mid-2021 in advance of groundbreaking. The~~ and first addendum to the site permit that allows for vertical construction ~~is anticipated to be issued at the same time. The Parcel B Vertical Developer continues to make reasonable efforts to market Parcel B to prospective tenants. The Parcel B Vertical Developer anticipates commencing construction according to the schedule above, and does not expect construction commencement to be contingent on securing tenants for the building.~~ were issued in June 2021. Vertical construction commenced in June 2021. Pile driving was completed in mid-August 2021. As of September 2021, excavation and foundation work are ongoing and construction remains on schedule.

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

Designed by world-famous Studio Gang Architects, the building plan for Parcel F will feature ~~beautifully~~ 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 ~~February~~ August 1, 2021, the Parcel F Vertical Developer has incurred approximately ~~\$41.342.3~~ million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional ~~\$153.5256.1~~ million will be required to be expended on such costs to complete the building on Parcel F. The Parcel F Vertical Developer plans to finance a portion of the costs to complete Parcel F through approximately \$97.4 million in loan proceeds (50% LTC). The Vertical Developer expects to secure construction financing in ~~2021~~ early 2022 in advance of construction commencement. The Vertical Developer expects the remaining costs to be financed from equity and Jobs/Housing Equivalency Fee subsidy of \$103.6 million. The site permit has been filed and approved. The Master Developer expects the permit will be pulled ~~in mid-2021~~ by early 2022 in advance of groundbreaking. estimated to occur in April 2022. The first addendum to the site permit that allows for vertical construction is anticipated to be issued at approximately the same time.

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

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

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

- Tenant: Visa, Inc.
- 302,290 rentable square feet (100% of the building’s office space)

- 15 year initial term; first renewal term of ten (10) years and second renewal term of nine (9) years, six (6) months (total aggregate initial term and renewal terms may not exceed thirty-four (34) years, six (6) months)
- Lease commencement nine (9) months after initial tranche delivery (expected lease commencement date in July 2023).

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

As of ~~February~~August 1, 2021, the Parcel G Vertical Developer has incurred approximately ~~\$224.5~~260.3 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional ~~\$240~~174.2 million will be required to be expended on such costs to complete the building on Parcel G. Costs incurred to date on Parcel G include approximately \$100 million in ~~impact~~Jobs/Housing Equivalency subsidy (approximately \$91.1 million) and permit fees (approximately \$8.9 million) that have been paid. The Parcel G Vertical Developer secured a total construction loan commitment of \$285 million (the “Parcel G Loan”) from a syndicate of lenders led by Bank of America, N.A. (“BofA”) in October 2020 for a three-year term maturing October 29, 2023. The syndicate of lenders will be responsible for each making their pro rata share of the Parcel G Loan, with BofA also acting as the administrative agent for the Parcel G Loan. The Parcel G Loan is secured by the leasehold interest in Parcel G. The Vertical Developer expects the remaining costs to be funded with equity.

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

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

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

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

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

Source: Master Developer

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

Parcel	% Equity	% Debt	Total Capitalization (\$ in millions) JHEF <sup>(2)</sup>	Total Debt (\$ in millions)	Total Equity (\$ in millions)	Financing	% Equity	% Debt	Spent to Date	Remaining	Financing Status
						\$137.4					
Parcel A	50%	50%	\$27.7	\$77.7	\$141.3	141.8	50%	50%	77.9	\$278.5	Construction loan closed
Parcel B	100	-	3.3	=	-	332	100	=	127.3	239.5	N/A
Parcel F	50	50	4.1	103.6	97.4	97.4	50	50	42.3	256.1	Marketing planned later in 2021
Parcel G	35	65	4	=	285.0	149.5	35	65	260.3	174.2	Construction loan closed with BofA and syndicate

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

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

Source: Master Developer

### Assessment Appeals

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

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

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

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The amounts set forth in Table 8 are estimates as of February 1, 2021 and are subject to change.

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

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

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

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

Planning Parcel <sup>(1)</sup>	Expected Land Uses <sup>(2)</sup>	Expected Square Footage	Expected Maximum Development Special Tax Revenues (FY <del>2020</del> <u>2021-2122</u> ) <sup>(3)</sup>	Expected Maximum Office Special Tax Revenues (FY <del>2020</del> <u>2021-2122</u> ) <sup>(3)</sup>	Expected Maximum Shoreline Special Tax Revenues (FY <del>2020</del> <u>2021-2122</u> ) <sup>(3)</sup>
<b>TAX ZONE 1</b>					
A	Market-Rate Residential	140,659	<del>\$1,230,991</del> <u>\$1,255,611</u>	\$ 0	\$ 0
	Office	49,000	<del>324,870</del> <u>331,367</u>	<del>95,962</del> <u>97,881</u>	<del>90,964</del> <u>92,783</u>
B	Office	255,008	<del>1,690,703</del> <u>1,724,517</u>	<del>499,408</del> <u>509,396</u>	<del>473,397</del> <u>482,865</u>
G	Office	283,323	<del>1,878,431</del> <u>1,916,000</u>	<del>554,860</del> <u>565,957</u>	<del>525,961</del> <u>536,480</u>
F	Market-Rate Residential	110,548	<del>967,472</del> <u>986,821</u>	0	0
<b>TAX ZONE 2</b>					
C	Office	<del>355,000</del> <u>324,548</u>	<del>2,353,650</del> <u>2,194,788</u>	<del>582,981</del> <u>543,632</u>	<del>659,022</del> <u>614,541</u>
D <del>+</del>	Market-Rate Residential	<del>76,800</del> <u>104,650</u>	<del>672,123</del> <u>934,172</u>	0	0
E	Office	<del>141,000</del> <u>125,275</u>	<del>934,830</del> <u>847,185</u>	<del>231,550</del> <u>209,841</u>	<del>261,752</del> <u>237,212</u>
H	Market-Rate Residential	<del>96,000</del> <u>54,079</u>	<del>840,154</del> <u>482,743</u>	0	0
	Office	49,999	<del>331,493</del> <u>338,123</u>	<del>82,108</del> <u>83,751</u>	<del>92,818</del> <u>94,675</u>
I	Office	<del>152,000</del> <u>129,733</u>	<del>1,007,760</del> <u>877,332</u>	<del>249,614</del> <u>217,308</u>	<del>282,173</del> <u>245,653</u>
J	Office	<del>152,000</del> <u>129,458</u>	<del>1,007,760</del> <u>875,473</u>	<del>249,614</del> <u>216,848</u>	<del>282,173</del> <u>245,132</u>
K	Market-Rate Residential	<del>62,400</del> <u>62,828</u>	<del>546,100</del> <u>560,842</u>	0	0
	Office	<del>49,999</del> <u>0</u>	<del>331,493</del> <u>0</u>	<del>82,108</del> <u>0</u>	<del>92,818</del> <u>0</u>
<b>TOTAL</b>			<del>\$14,117,831</del> <u>\$13,324,976</u>	<del>\$2,628,206</del> <u>\$2,444,614</u>	<del>\$2,761,078</del> <u>\$2,549,340</u>

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

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

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

Source: ~~Master Developer~~Goodwin Consulting Group, Inc.

Table 10 below sets forth the expected Maximum Development Special Tax Revenues for Fiscal Year ~~2020-21~~2021-2122 and the actual and projected Development Special Tax levy for Fiscal Years ~~2020-21 through 2022-23~~and Fiscal Year 2023-24 based on the Parcel Lease execution dates for each of the parcels in Phase 1A. ~~The 2021B Bonds have been sized to provide at least 110% debt service coverage from the net available Development Special Tax Revenues anticipated from the levy on Parcels A, B, F and G alone upon such parcels being categorized as Developed Property under the Rate and Method (generally, the fiscal year following the 24 month anniversary of VDDA execution). Based upon the dates upon which each respective VDDA for Phase 1A parcels were signed, Parcel G will become Developed Property in Fiscal Year 2022-23 and Parcels A, B and F will become Developed Property in Fiscal Year 2023-24. In the meantime, the Development Special Taxes have been and will continue to be~~

~~levied on Undeveloped Property in the District. Additionally, to the extent that Parity Bonds are issued, the 2021B Bonds could continue to be reliant on Development Special Taxes levied on Undeveloped Property after Fiscal Year 2022-23.~~

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

Planning Parcel	Phase	Market-Rate Residential Square Footage <sup>(1)</sup>	Office Square Footage <sup>(1)</sup>	Total Expected Square Footage <sup>(1)</sup>	FY	FY	FY	FY 2022-23 Projected Development Special Tax Levy <sup>(4)</sup>	FY 2023-24 Projected Development Special Tax Levy <sup>(5)</sup>
					<del>2020-21</del> 2021-22	2020-21 <u>Actual</u> 2021-22	2021-22 <u>Projected</u> 2022-23		
					Expected Maximum Development Special Tax Revenues	Development Special Tax Levied <sup>(2)</sup> Levy	Development Special Tax Levy <sup>(3)</sup>		
					\$	\$	\$	\$ 34,790	
A	1	<del>146,000</del> <u>140,659</u>	49,000	189,659	<del>1,555,861.5</del> <u>86,979</u>	<del>202,448</del> <u>200.0</u>	<del>240,799</del> <u>401.86</u>		\$ 1,651,092
B	1	0	255,008	255,008	<del>1,690,703.7</del> <u>24,517</u>	<del>219,994</del> <u>217.3</u>	<del>261,668</del> <u>436.69</u>	37,805	1,794,188
F	1	110,548	0	110,548	<del>967,472</del> <u>986.8</u>	<del>125,887</del> <u>124.3</u>	<del>149,734</del> <u>249.89</u>	21,633	1,026,689
G	1	0	283,323	283,323	<del>1,878,431.9</del> <u>16,000</u>	<del>244,421</del> <u>241.5</u>	<del>290,723</del> <u>1,954.320</u>	1,954,320	1,993,407
		<b>251,207</b>	<b>587,331</b>			\$	\$	<del>\$ 2,048,548</del>	\$ 6,465,375
<b>Subtotal</b>				<b>838,538</b>	<del>6,092,468</del> <u>14,317</u>	<del>792,751</del> <u>783.2</u>	<del>942,924</del> <u>3,042.772</u>		
					\$	\$	\$	<del>\$ 52,629</del>	\$ 0
C	2	0	<del>355,000</del> <u>324.54</u>	<del>355,000</del> <u>32</u>	<del>2,353,650</del> <u>2.1</u>	<del>306,257</del> <u>276.644</u>	<del>364,272</del> <u>555.780</u>		
D	2	<del>76,800</del> <u>104.650</u>	0	<del>76,800</del> <u>104.650</u>	<del>672,123</del> <u>934.1</u>	<del>87,457</del> <u>117.74</u>	<del>104,024</del> <u>236.55</u>	15,029	0
E	3	0	<del>141,000</del> <u>125.27</u>	<del>141,000</del> <u>12</u>	<del>934,830</del> <u>847.1</u>	<del>121,640</del> <u>106.7</u>	<del>144,683</del> <u>214.53</u>	20,903	0
H	4	<del>96,000</del> <u>54,079</u>	49,999	<del>145,999</del> <u>10</u>	<del>1,171,647</del> <u>820</u>	<del>152,455</del> <u>103.4</u>	<del>181,334</del> <u>207.86</u>	26,199	0
I	4	0	<del>152,000</del> <u>129.73</u>	<del>152,000</del> <u>12</u>	<del>1,007,760</del> <u>877</u>	<del>131,130</del> <u>110.5</u>	<del>155,970</del> <u>222.16</u>	22,534	0
J	4	0	<del>152,000</del> <u>129.45</u>	<del>152,000</del> <u>12</u>	<del>1,007,760</del> <u>875</u>	<del>131,130</del> <u>110.3</u>	<del>155,970</del> <u>221.69</u>	22,534	0
K	4	<del>62,400</del> <u>62.828</u>	<del>49,999</del> <u>0</u>	<del>112,399</del> <u>62</u>	<del>877,593</del> <u>560.8</u>	<del>114,192</del> <u>70.69</u>	<del>135,824</del> <u>142.02</u>	19,623	0
<b>Subtotal</b>		<b>235,200</b> <u>221.55</u>	<b>899,998</b> <u>759.01</u>	<b>1,135,198</b> <u>980.570</u>	\$	\$	\$	<del>\$ 179,452</del>	\$ 0

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				<u>10,659</u>	<u>1,044,259,896.</u>	<u>1,242,076,180</u>		
					<u>270</u>	<u>0,613</u>		
						\$		
							<u>\$ -2,228,000</u>	
<b>Total</b>	<u>486,407,472.76</u>	<u>1,487,329,134</u>	<u>1,973,736</u>	<u>\$14,117,831</u>	<u>\$-1,837,010</u>	<u>2,185,000,84</u>		<b>\$ 6,465,375</b>
	<u>4</u>	<u>6,344</u>	<u>1,819,108</u>	<u>3,324,976</u>	<u>1,679,560</u>	<u>3,385</u>		

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

<sup>(4)</sup> ~~Based on the expected land uses at buildout as of February 1, 2021, per the Master Developer.~~

<sup>(2)</sup> ~~The fiscal year 2020-21 Development Special Tax levy is based on special tax revenues needed for estimated interest payments for the 2021B Bonds as provided by the Port. Reflects all parcels in the District are Undeveloped Property.~~

<sup>(3)</sup> ~~The fiscal year 2021-22 Development Special Tax levy is based on projected debt service for the 2021B Bonds. Assumes all parcels in the District are Undeveloped Property.~~

<sup>(4)</sup> Per the Rate and Method, Developed Property means all taxable parcels for which the 24-month anniversary of the Parcel Lease Execution Date has occurred in the preceding fiscal year. The Parcel Lease Execution Date for Parcel G was June 25, 2020, therefore the parcel will become Developed Property in fiscal year 2022-23. The fiscal year 2022-23 Development Special Tax levy is based on ~~projected~~ debt service for the 2021 ~~BA~~ Bonds, as well as the 2021B/C Bonds.

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

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



## Property Values

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

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

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

**The Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 178165 thereof. See Appendix G.**

{The Appraisal Report of the leasehold interests (by ownership) in all Taxable Parcels within the District dated \_\_\_\_\_, 2021, was prepared by the Appraiser in connection with the issuance of the 2021B/C Bonds. In the Appraisal Report, the Appraiser concluded that the aggregate market value (by ownership) of the leasehold interest in the appraised properties as of February/August 1, 2021 was \$324,890,000,394,470,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report. For purposes of the Appraisal Report, the inspection of the Taxable Parcels in the District occurred on January 14, August 2, 2021.

The Appraisal Report provided a market value of the leasehold interests (by ownership) in the appraised property, subject to hypothetical conditions, including the condition that proceeds from the 2021B/C Bonds are available for public improvements, as of February/August 1, 2021. ~~The ongoing COVID-19 pandemic has disrupted commercial and residential real estate nationally, and has affected real estate values geographically, with single-family residential real estate in many inland California markets achieving significant demand, causing rising home prices and increased sales rates, while historically (and currently) higher priced coastal markets are experiencing tempered sales rates and prices. Similarly, multifamily rental rates in many of the highest priced coastal markets are experiencing declines in rental rates precipitated by departures of many professionals now able to work remotely; whereas, in inland areas multifamily rental rates have remained relatively strong and continue to see rental rate appreciation as users move inland from the higher priced coastal markets. The office market has also experienced a disruption as many organizations encourage remote, or telecommute, working to comply with public health orders associated with the COVID-19 pandemic.~~

In its multi-family market analysis, the Appraisal Report observes that market conditions ~~have begun to decline~~declined significantly following the COVID-19/coronavirus outbreak and containment mandates, and, although improvement is beginning, activity remains subdued. San Francisco's average

apartment vacancy experienced a significant increase to ~~11.7~~10.7% in 2020. The rate had ranged from ~~4.0~~3.9% to ~~5.2~~5.0% during 2017 through 2019, but began increasing in the first quarter of 2020, with a reported rate of ~~6.0~~5.8%. As of the ~~fourth~~second quarter of ~~2020~~2021, the overall average vacancy was reported at ~~11.7~~8.0%, a ~~0.80% increase~~1.4% decrease over the ~~third~~first quarter ~~2020~~2021 and a ~~6.60% increase~~0.20% decrease year-over-year. The rate remained stable into the third quarter of 2021, with an average rate of 8.0% reported as of mid-August 2021. The Appraisal Report cites a source indicating that the average asking monthly rental rate in the San Francisco market area as of the ~~fourth~~second quarter ~~2020 was \$2,643 a decrease~~2021 increased from ~~\$2,673 in the third~~first quarter, ~~and 2021, but showed a decrease of 12.5%~~ year-over-year. Rental rate growth had been moderating over the past four years and ~~has~~ declined significantly following the COVID-19 stay at home orders. Luxury apartments have been most heavily impacted and have offered the greatest discounts, as they face a slow leasing environment as well as additional competition from newly constructed projects. Rental rates began improving in the first quarter 2021 after five quarters of decline. The Appraisal Report concluded that the near-term outlook remains uncertain as the number of multi-family residential renters re-entering the market will be dependent on how long and to what extent employers adopt work from home policies and how quickly the amenities that draw residents to city life are restored. The Appraisal Report indicates that guarded reliance should be placed on average asking rates given the number of variables impacting such figures.

The Appraisal Report observes that San Francisco market office vacancy, which had been on a downward trend since late 2017, increased each quarter in 2020. ~~The second quarter 2020 reflected the effects of a full quarter of the restrictions enacted in response to the COVID-19 outbreak. Overall vacancy in the second quarter 2020 increased significantly to 9.9%, which was 3.20% higher than the first quarter. The third quarter 2020 recorded an average vacancy rate of 14.1%, which is 4.20% higher than~~In 2021, the average vacancy rate was 20.1% in the second quarter, 2.3% higher than first quarter 2021 and 8.80~~10.2% higher than a year ago, and the fourth quarter had an average vacancy of 16.7%, 2.60% greater than the third quarter and 11.3% higher than the year prior.~~ Sublease space continues to be ~~the major~~a significant source of ~~new vacancy and accounts, accounting for 52~~45.4% of all vacancy in the market. ~~However, in the second quarter 2021, direct vacant space increased at a greater pace than sublease space. Net absorption has been~~was negative each quarter in ~~2020. The first quarter of 2020 posted~~2020, rising from 477,857 square feet ~~of negative net absorption and this declined in the first quarter,~~ to negative 2,766,026 square feet in the second quarter, ~~reflecting the effects of the shelter in place. The third quarter had negative net absorption of~~and 3,626,504 square feet, ~~and the fourth quarter had negative~~2,486,054 in the third quarter, dropping to 2,486,054 square feet in the fourth quarter. As restrictions continued to ease in the economy, leasing activity has been improving, according to the sources cited in the Appraisal Report. The first quarter of 2021 posted negative net absorption of 1,531,996 square feet, an improvement over the previous three quarters, and the second quarter of 2021 closed out with negative net absorption of 2,006,244 square feet. According to market research reports cited in the Appraisal Report, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and, until more recently, had been flat to slightly increasing. As of the ~~fourth~~second quarter of ~~2020~~2021, the region's average asking rate was ~~\$6.26~~6.10 per square foot/month (full service), down from ~~\$6.54~~6.15 per square foot/month in the ~~third~~first quarter and from ~~\$6.87~~6.93 per square foot/month the previous year. The Appraisal Report indicates that guarded reliance should be placed on average asking rates given the number of variables impacting such figures.

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

either a life science or general office tenant's needs will have an advantage in the current market over traditional general office space.

~~As part of the Appraisal Report, the Appraiser considered the impacts of the current COVID-19 environment on the leasehold interests' underlying land. Multifamily rental rates in the related market area have declined 20% to 30%, and office vacancy rates have increased across most San Francisco submarkets, with additional space available for sublease. The Appraisal Report notes that there is also evidence suggesting a decline in office rental rates in various San Francisco submarkets; though, very few new leases are transacting at this time. The Appraisal Report (beginning on page 37 thereof) describes the Appraiser's assessment of the impacts of the COVID-19 pandemic on its valuations.~~

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

**Valuation Method.** The Appraisal Report's analysis begins with income capitalization approaches to determine the market value of the subject blocks as if development was complete and stabilized. The income capitalization approach reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate.

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

Finally, the subdivision development method is used to estimate the market value of the Taxable Parcels in the District. The subdivision development method is a form of discounted cash flow analysis in which the expected revenue, absorption period, expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered. The results of the subdivision development method is a conclusion of value, in bulk, for the subject property.

**Value Estimate.** Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of ~~February~~August 1, 2021, the aggregate market value (by ownership) of the leasehold interests in the Taxable Parcels within the District was ~~\$24,890,000~~394,470,000. The Appraisal Report displays the value among leaseholds as set forth in the following table:

Ownership	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	\$ <del>28,770,000</del> <u>76,670,000</u>
Mission Rock Parcel B Owner L.L.C.	<del>56,840,000</del> <u>90,570,000</u>
Mission Rock Parcel F Owner L.L.C.	<del>30,390,000</del> <u>47,150,000</u>
Mission Rock Parcel G Owner L.L.C.	<del>185,020,000</del> <u>173,840,000</u>
Seawall Lot 337 Associates, LLC	<del>23,870,000</del> <u>6,240,000</u>
Total Aggregate, or Cumulative, Value	<del>\$324,890,000</del> <u>394,470,000</u>

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

**Prior Appraisals.** ~~The Appraisal Report considered the market value as of a February 1, 2021 date of value. The City had previously commissioned the Appraiser to appraise the property at several points over the past year; those prior reports indicated lower values as of their respective earlier dates of value. A prior report concluded that the market value in bulk of the leasehold interest in the appraised properties as of April 22, 2020 was \$150,400,000, subject to certain assumptions and limiting conditions set forth in that report. A later report concluded that the market value in bulk of the leasehold interest in the appraised properties as of October 28, 2020 was \$130,000,000, subject to certain assumptions and limiting conditions set forth in such report; a subsequent bring forward letter by the Appraiser concluded the market value in bulk of the leasehold interest in the appraised properties, as of January 14, 2021, was not less than \$130,000,000, similarly, subject to certain assumptions and limiting conditions. In connection with the previously-issued 2021A Bonds, the City commissioned the Appraiser to appraise the leasehold interest in District property at a few points in time. The most recent of those previous valuations, with a valuation date of April 21, 2021 (at an earlier stage of development in the District), concluded that the aggregate, or cumulative, value (by ownership) of the leasehold interest in the appraised properties was not less than \$324,890,000, subject to certain assumptions and limiting conditions. Since that time, infrastructure improvements have continued to be installed, additional impact~~

fees have been paid and vertical construction is well under way on Parcel G and Parcel A and begun on Parcel B, all of which has contributed to an aggregate increase in District value as of the current Appraisal date of value. More specifically, the appraised values of Parcels A, B and F have increased while those of Parcel G and the parcels assigned to Phases 2-4 have decreased.

~~A variety of factors resulted in the net increased value reflected in the Appraisal Report, including most significantly (i) the transfer of Phase 1A blocks from the Master Developer to Vertical Developers and thus being valued as separate properties and not included in the Master Developer held property in the Appraisal Report's discounted cash flow analysis, (ii) substantial investment into the horizontal development since the value dates in prior reports, (iii) division of Phase 1 into Phase 1A and Phase 1B, with China Basin Park (completion of which is not required for a temporary certificate of occupancy) apportioned to Phase 1B and (iv) substantial payment of Vertical Developer impact fees for Parcel G, enhancing its appraised value~~

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

**Projected Development Special Tax Levy, ~~Assessed~~Appraised Values and Value ~~to~~ Lien Ratios**

The following table 11 sets forth the projected Development Special Tax Levy, maximum Development Special Tax Revenue and a summary of value-to-lien ratios based on fiscal year 2023-24 projected Development Special Tax levy and based on fiscal year ~~2020-21~~2021-22 expected maximum Development Special Tax Revenues. See “SECURITY FOR THE BONDS – Parity Bonds” and “ – Future Indebtedness” herein. Pursuant to the Act and the Rate and Method, the principal amount of the ~~2021B~~ 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 ~~assessed~~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.

[Remainder of page intentionally left blank.]

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

**Maximum Development Special Tax Revenues, Fiscal Year 2023-24 Projected Development Special Tax Levy, and Summary of Value-to-Lien Ratios**  
**(Development Status as ~~November 1, 2020~~ June 30, 2021)**

Planning Parcel	Phase	Market Rate-Residential-Square-Footage <sup>(+)</sup>	Office-Square-Footage <sup>(+)</sup>	Total-Expected-Square-Footage <sup>(+)</sup>	Appraised Value	Projected Development Special Tax Levy			Maximum Development Special Tax Revenues		
						FY 2023-24 Projected Special Tax Levy	Allocated Bond Debt <sup>±(1)(2)</sup>	Average Value-to-Lien <sup>*</sup>	FY <del>2020</del> 2021-2122 Expected Maximum Development Special Tax Revenues	Allocated Bond Debt <sup>±(1)(3)</sup>	Average Value-to-Lien <sup>*</sup>
A	1	140,659	49,000	189,659	\$ 32,740,000	\$ 1,651,092	\$ <del>28,423,189</del> 27,128,440	1.152.8	\$ 1,555,861	\$ <del>12,265,862</del> 12,651,785	2.676.06
B	1	0	255,008	255,008	58,330,000	1,794,188	30,886,540	1.893.0	1,690,703	13,328,907	4.386.59
F	1	110,548	0	110,548	30,860,000	1,026,689	17,674,221	1.752.8	967,472	7,627,207	4.055.99
G	1	0	283,323	283,323	\$188,400,000	1,993,407	34,316,050	5.495.3	1,878,431	14,808,892	12.721.1
<b>Subtotal</b>		<b>251,207</b>	<b>587,331</b>	<b>838,538</b>	<b>\$310,330,000</b>	<b>\$ 6,465,375</b>	<b>\$ <del>111,300,000</del> 106,230,000</b>	<b>2.793.6</b>	<b>\$ 6,092,468</b>	<b>\$ <del>48,030,867</del> 49,542,070</b>	<b>6.467.84</b>
C	2	0	355,000	355,000	\$ 7,327,780	\$ 0	\$ 0	0.00	\$ 2,353,650	\$ <del>18,555,347</del> 17,497,394	0.390.11
D	2	76,800	0	76,800	\$2,055,147	0	0	0.00	672,123	5,298,780	0.390.09
E	3	0	141,000	141,000	\$2,931,112	0	0	0.00	934,830	7,369,870	0.400.11
H	4	96,000	49,999	145,999	\$3,394,362	0	0	0.00	1,171,647	9,236,852	0.370.14
I	4	0	152,000	152,000	\$2,863,730	0	0	0.00	1,007,760	7,944,825	0.360.10
J	4	0	152,000	152,000	\$2,838,462	0	0	0.00	1,007,760	7,944,825	0.360.10



K	4	<u>62,400</u>	<u>49,999</u>	<u>112,399</u>	<u>\$2,299,407</u> <u>615,452</u>	0	0	0.00	<u>877,593</u> <u>560,842</u>	<u>6,918,635</u> <u>4,471,174</u>	<u>0.33</u> <u>0.14</u>
Subtotal		<u>235,200</u>	<u>899,998</u>	<u>1,135,198</u>	<u>\$ 23,710,000</u> <u>6,240,000</u>	\$ 0	\$ 0	0.00	<u>8,025,363</u> <u>7,110,659</u>	<u>\$ -63,269,133</u> <u>56,687,930</u>	<u>0.37</u> <u>0.11</u>
Total		<u>486,407</u>	<u>1,487,329</u>	<u>1,973,736</u>	<u>\$ 334,040,000</u> <u>394,470,000</u>	<u>\$ 6,465,375</u>	<u>\$ -111,300,000</u> <u>106,230,000</u>	<u>3.00</u> <u>3.71</u>	<u>\$ 14,117,831</u> <u>13,324,976</u>	<u>\$ -111,300,000</u> <u>106,230,000</u>	<u>3.00</u> <u>3.71</u>

<sup>±</sup> Preliminary, subject to change

(1) ~~Based on the expected land uses at buildout as of February 1, 2021, per the Master Developer.~~ Represents the debt lien of \$41,950,000 in 2021A Bonds and \$64,280,000 for the 2021B/C Bonds.

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

(3) Allocated based on the fiscal year ~~2020~~2021-2122 maximum Development Special Tax revenues. Revenues.

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

## Delinquency History

Under the provisions of the Special Tax Financing Law, the Development Special Taxes, from which funds necessary for the payment of principal of, and interest on, the ~~2021B~~ Bonds derived, will be billed to holders of Leasehold Interests on their regular property tax bills. Such Development Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Development Special Tax installment payments cannot generally be made separately from property tax payments. Therefore, the unwillingness or inability of a holder of a Leasehold Interest to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make Development Special Tax installment payments in the future. See the caption “SPECIAL RISK FACTORS – Tax Delinquencies.”

Development Special Taxes were levied for the first time in Fiscal Year 2020-21, thus offering no historical information regarding payment delinquencies before that fiscal year. ~~The first installment~~ [Both installments](#) of the Development Special Tax levy in Fiscal Year 2020-21, an amount equal to ~~\$1,094,463, was~~ [1,837,010, were](#) paid in full and no such payments are currently delinquent. Because the County’s Teeter Plan is not available for the Development Special Taxes, collections of the Development Special Taxes will reflect actual deficiencies. Neither the City, the Port, the Underwriter nor the District can predict the willingness or ability of the holders of Leasehold Interests to pay the Development Special Taxes.

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

~~[Remainder of page intentionally left blank.]~~

## Direct and Overlapping Debt

The following table details the direct and overlapping debt currently encumbering ~~certain~~ property within the District. ~~The Master Developer has applied for revised assessor parcel numbers for property within the District that, collectively, align with the District's footprint. However, that application has not yet been processed. For that reason, the table below is based on the assessor's parcel number corresponding to property that is primarily within the District and that covers the largest portion of the District compared to the properties represented by other existing assessor's parcel numbers~~ See "Property Values - Assessed Value" above.

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

~~2020~~2021-2122 Assessed Valuation: \$~~29,354,677~~11,950,424 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	% Applicable	Debt <u>10/1/21</u>
Bay Area Rapid Transit District General Obligation Bonds	<del>0.003%</del>	<del>\$64,153</del>
	<u>0.001%</u>	<u>\$ 24,643</u>
San Francisco City and County General Obligation Bonds	<del>0.010%</del>	<del>245,894</del>
	<u>0.004</u>	<u>115,514</u>
San Francisco Unified School District General Obligation Bonds	<del>0.010%</del>	<del>103,747</del>
	<u>0.004</u>	<u>37,494</u>
San Francisco Community College District General Obligation Bonds	<del>0.010%</del>	<del>48,362</del>
	<u>0.004</u>	<u>18,327</u>
<b>City of San Francisco Community Facilities District No. 2020-1</b>	<b><del>100</del></b>	<b><del>0-100</del></b>
	<b><u>41,950,000</u></b>	<b><u>(1)</u></b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b><del>\$462,156</del></b>	<b><u>42,145,978</u></b>

~~OVERLAPPING GENERAL FUND DEBT:~~

San Francisco City and County General Fund Obligations	<del>0.010%</del>	<del>\$148,289</del>
<del>TOTAL OVERLAPPING GENERAL FUND DEBT</del>		<del>\$148,289</del>

~~COMBINED TOTAL DEBT~~

~~\$610,445~~ ~~(2)(1)~~

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

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

Ratios to ~~2020~~2021-2122 Assessed Valuation:

Direct Debt ( <del>\$0</del> )	<del>0.00</del> <u>41,950,000</u>	<del>351.03%</del>
Total Direct and Overlapping Tax and Assessment Debt	<del>1.57%</del> <del>Combined Total Debt</del>	<del>2.08</del> <u>352.67%</u>

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

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

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

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

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

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

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

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

Concentration of Ownership of Leasehold Interests. Failure of any significant holder of Leasehold Interests in Taxable Parcels in the District to pay the annual Development Special Taxes when due could result in the rapid, total depletion of the 2021A Reserve Fund and the 2021B Reserve Fund prior to replenishment from the resale of the Leasehold Interest upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2021B/C Bonds.

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

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

***Failure to Develop Properties.*** Phase 1A Horizontal Improvements commenced in January 2020-~~and vertical improvements began in December 2020. Construction;~~ vertical improvements on Parcel G began in December 2020, vertical improvements on Parcel A began in January 2021 and vertical improvements on Parcel B began in June 2021. Vertical improvements on Parcel F and construction of Phases 1B, 2, 3 and 4 has not yet commenced. See "THE MISSION ROCK PROJECT - Overview of the Mission Rock Project" herein. Unimproved or partially improved ~~property~~land is inherently less valuable than ~~property~~land with improvements on it, especially if there are restrictions on development, and provides less security to the Bondowners ~~in the event the City, on behalf of the District, forecloses on~~

should it be necessary for the City to foreclose on Leasehold Interest due to the nonpayment of Development Special Taxes. See “SECURITY FOR THE BONDS – Future Indebtedness” and “THE MISSION ROCK PROJECT - Projected Development Special Tax Levy, Appraised Values and Value-to-Lien Ratios” herein. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the holders of Leasehold Interests in property within the District to pay the Development Special Taxes when due.

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

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

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

~~The Vertical Developers may need continued~~ 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 ~~what the Vertical Builders have 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.

~~Concentration of Ownership of Leasehold Interests. — Failure of any significant holder of Leasehold Interests in Taxable Parcels in the District to pay the annual Development Special Taxes when due could result in the rapid, total depletion of the 2021B Reserve Fund prior to replenishment from the resale of the Leasehold Interest upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2021B Bonds.~~

~~The Development Special Taxes are not a personal obligation of the owners of the Leasehold Interests on which such Development Special Taxes are levied, and no assurances can be given that the holder of the Leasehold Interest in property within the District will be financially able to pay the Development Special Taxes levied on such Leasehold Interest or that they will choose to pay even if financially able to do so. Such risk is greater and its consequence more severe when ownership of~~



~~Leasehold Interests is concentrated and may be expected to decrease when ownership of the Leasehold Interests is diversified. At present, all of the Leasehold Interests in the District are owned by either the Master Developer or one of four Vertical Developers, each of which is affiliated with the Master Developer.~~

~~In addition, as contemplated by the DDA, and under the VCAs with the Parcel A Owner and the Parcel G Owner, and in the VCAs expected for the Parcel B 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 Fiscal Year in which the VDDA was executed). Accordingly, 100% of the debt service on the 2021B Bonds will be paid by the Master Developer until at least Fiscal Year 2022-2023 (the date that Parcel G is expected to become Developed Property).~~

**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>.

~~The significance of the Annual Limit Program to the District is that it could delay or limit the All planned development in Phase 1A has received an allocation. All future development of properties without entitlements for office uses. All planned development for Phase 1A has received an allocation under the Annual Limit Program 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.~~

## **COVID-19 Pandemic**

### **Public Health Emergencies**

~~In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of a new disease (“COVID-19”) caused by a strain of novel coronavirus-19), an upper respiratory tract illness which caused by infection by a transmissible, novel coronavirus. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. The WHO has declared the~~

COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

~~As of [March 1], 2021, there were over [34,200] confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to continue to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. On June 8, 2020 the National Bureau of Economic Research announced that the U.S. officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile at times~~

From time to time since the onset of the pandemic-

~~From time to time, all counties in the Bay Area (including the City) have implemented and revised shelter in place (“Shelter in Place”) emergency orders, which direct individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter in Place order. The Governor of the State announced similar Shelter in Place emergency orders effective for the entire State. The State and various counties, including the City have allowed limited reopening based on local performance against public health indicators.~~

~~On August 28, 2020, the State adopted a color-coded, four-tiered framework to guide reopening statewide. Counties can be more restrictive than this State framework. As discussed below, San Francisco is currently designated to the red tier (the second most restrictive tier).~~

~~In addition to the four-tier classification system, on December 3, 2020 the State announced a Regional Stay at Home Order, under which a county must enforce even stricter rules if hospital intensive care unit capacity drops below 15%. The City was, for a time, subject to those stricter rules. As of December 16, 2020 the Bay Area’s ICU capacity had fallen below 15% and triggered the State of California’s Regional Stay Home order. On December 17, 2020 the City announced a public health order placing a mandatory quarantine of 10 days on anyone traveling, moving, or returning to San Francisco from outside the Bay Area. Limited exceptions applied to people traveling for certain critical activities. The order also strongly discouraged any non-essential travel within the 10-county Bay Area region. On January 25, 2021, the City announced plans to reopen certain businesses and activities in response to the State lifting the Bay Area Regional Stay at Home Order. On February 23, 2021, as a result of the City’s progress in managing COVID-19, the City lifted the 10-day quarantine order but still urged against non-essential travel outside of the Bay Area. On March 3, 2021, the City announced the reopening of most business and activities permitted by the State, following the City’s assignment to the State’s Red Tier based on COVID-19 cases and hospitalization rates. Future updates to the Order are uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.~~

~~Beginning December 15, 2020, the City began administering the first vaccines to frontline healthcare workers. On February 24, 2021, the City moved to Phase 1B, Tier 1 of the State’s population prioritization plan and began vaccinating people who work in education and childcare, emergency services, and the food and agriculture sectors, while continuing to vaccinate healthcare workers and people age 65 and older. As of March 3, 2021, more than 20% of San Francisco’s population has received the first dose of vaccine, as have almost 65% of the City’s residents over 65 years. Between January 22, 2021 and February 16, 2021, the City launched three high-volume vaccination sites at Mosecone Center, City College of San Francisco, and SF Market in the Bayview to serve anyone who meets the eligibility requirements regardless of health coverage, by appointment only. The high-volume sites are part of San~~

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

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

~~The impact of COVID-19 and public health orders is likely to evolve over time, which could adversely impact COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the operations and finances of the City, the District, the Master Developer or the Vertical Developers and the real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City, the District, Master Developer or the Vertical Developers. Adverse impacts to the development within the District and the Mission Rock Project as a whole, including, but not limited to, could include, without limitation, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction where one or more members of the workforce contracts COVID-19; (iv) extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession and (vii, (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 the economic impact impacts of the pandemic-public health emergency.~~

~~The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Also uncertain are the actions that may be taken by Federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the operations and finances of the City, the District, the Master Developer or the Vertical Developers is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City, the District, the Master Developer or the Vertical Developers.]2021B/C Bonds are limited obligations of the City, secured by and payable solely from the Development Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 or other public health emergencies on the City's finances does not suggest that the City has an~~

[obligation to pay debt service on the 2021B/C Bonds from any other sources of funds. See “SECURITY FOR THE BONDS – Limited Obligation” herein.](#)

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

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

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

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

Further, the value-to-lien ~~ratio of individual parcels in a district~~ ratios may vary widely [from parcel to parcel](#). Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a Leasehold Interest with delinquent Development Special Taxes be foreclosed upon and sold, any bid ~~will~~[would](#) be received for such Leasehold Interest or, if a bid ~~is~~[were](#) received, that such bid ~~will~~[would](#) be sufficient to pay all delinquent Development Special Taxes. Like the Vertical Developers, potential bidders on Leasehold Interests would not have the right to construct the Horizontal Improvements required to obtain regulatory approvals to occupy the buildings to be constructed in the District, which may dissuade potential bidders from bidding on Leasehold Interests foreclosed upon prior to completion of the Horizontal Improvements. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances.

Additional debt issued for the District and debt issuance by another entity could dilute value to lien ratios and reduce the ability or willingness of property owners in the District to pay their Development Special Taxes when due. The cost of any additional improvements may well increase the public and private debt for which the Leasehold Interests in the District provides security, and such increased debt could reduce the ability or desire of holders of Leasehold Interests to pay the Development Special Taxes levied against the Leasehold Interests in the District. The City has the authority, on behalf of the District, to issue additional bonded indebtedness and other debt from the other special taxes that may be levied under the Rate and Method (i.e., the Shoreline Special Tax, Office Special Tax and Contingent Services Special Tax); these special taxes have a lien on a parity with the lien of the

Development Special Taxes. In addition, while the Development Special Taxes have priority over all existing and future private liens imposed on the Leasehold Interests, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Development Special Taxes. The City is authorized to issue on behalf of the District bonded indebtedness and other debt, including the 2021~~B~~A Bonds, the 2021B/C Bonds, future Parity Bonds and bonds payable from other special taxes levied under the Rate and Method in an aggregate amount not to exceed \$3.7 billion.

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

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

### **Billing of Development Special Taxes**

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

Under provisions of the Act, the Development Special Taxes are levied on Leasehold Interests in Taxable Parcels within the District ~~that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year.~~ Such Development Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Development Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of the holder of a Leasehold Interest to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make installment payments of Development Special Taxes in the future. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Development Special Taxes.

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

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



the ~~2021B~~-Bonds. See “SECURITY FOR THE BONDS –Development Special Tax Account” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

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

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

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

*If a substantial portion of Leasehold Interests within the District became exempt from the Development Special Tax, the maximum Development Special Tax which could be levied upon the remaining Leasehold Interests might not be sufficient to pay principal of and interest on the ~~2021B~~ Bonds when due and a default could occur with respect to the payment of such principal and interest. Only Leasehold Interests may be subject to the Development Special Tax. The fee interest of the City in the property within in the District is not subject to the Development Special Tax.*

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

Under provisions of the Act, the Development Special Taxes, from which funds necessary for the payment of principal of, and interest on, the ~~2021B~~ Bonds are derived, will be billed to the holders of Leasehold Interests within the District on the regular property tax bills sent to holders of Leasehold Interest in such properties. Such Development Special Tax installments are due and payable consistent with, and bear the same penalties and interest for non-payment, as do regular property tax installments. Development Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a holder of a Leasehold Interest in property to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Development Special Tax installment payments in the future.

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

The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against Leasehold Interests with delinquent Development Special Taxes to obtain funds to pay debt service on the ~~2021B~~ Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Development Special Taxes to protect its security interest. If such foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the ~~2021B~~ Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the Leasehold Interest subject to foreclosure and sale at a judicial foreclosure sale would be sold or, if sold, that the proceeds of such sale would be sufficient to pay any delinquent Development Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the City is not required to purchase or otherwise acquire any Leasehold Interest sold at the foreclosure sale if there is no other purchaser at such sale. See ~~“SECURITY FOR THE BONDS – 2021B Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,”~~ for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Development Special Tax installments.”

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

#### **Disclosure to Future Lessees**

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

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

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

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

Such payments will result in a mandatory redemption of 2021B/C Bonds from Development Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of such Development Special Tax Prepayment. The resulting redemption of 2021B/C Bonds purchased at a price greater than par could reduce the otherwise



expected yield on such 2021B/C Bonds. See “THE 2021B/C BONDS – Redemption – Redemption from Development Special Tax Prepayments” herein.

## Seismic Risks

**General.** The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Seismic events may cause damage, or temporary or permanent loss of occupancy to buildings in the District, as well as to transportation infrastructure that serves the District. These faults include the San Andreas Fault, which passes within about three miles ~~to the southeast~~ of the City’s border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. ~~Historical~~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 ~~Survey~~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 ~~2042.~~ ~~Such earthquakes may~~2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to buildings subject to the Development Special Tax, due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City’s economy, tax receipts, infrastructure and residential and business real property values, including in the District.

**Earthquake Safety Implementation Plan (“ESIP”).** ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (“CAPSS”), a 10-year-long study evaluating the seismic vulnerabilities San Francisco faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco’s buildings and recommended a 30-year plan for action. As a result of this plan, San Francisco has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September ~~2020.~~2021. This deadline was extended from the original deadline of September 2020 in light of the COVID-19 pandemic. As of July 6, 2021, improvements have been permitted or completed on approximately 88% of the buildings; however, the City currently does not expect full compliance by the September 2021 completion deadline due to the timing of construction on the various improvements. Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

~~**Risk of Tsunami.** The California Geological Survey (“CGS”), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern~~

~~California, has produced statewide tsunami inundation maps. CGS has identified most of the District as being located in the San Francisco Tsunami Inundation Zone.~~

### Climate Change: Risk of Sea Level ~~Changes~~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 ~~will~~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 ~~is~~in moving several initiatives forward. This ~~includes~~included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the ~~city~~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 ~~Resource~~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 ~~adaption~~adaptation plans in the conditions of approval for certain large waterfront development projects, ~~such including the Mission Rock Project, as well as the Candlestick/Hunters Point Shipyard, Treasure Island, and Pier 70 and Mission Rock projects.~~ Also, the City ~~has started~~is in the process of planning to fortify the Port’s ~~Seawall from sea level rise, including an initial investment of about \$8 million during fiscal year 2017-18 and consideration of financing options.~~ Bay shoreline against earthquakes, flooding, and sea level rise. The City expects short-term upgrades to cost over \$500 million and long-term upgrades to cost more than \$5 billion. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to \$425 million in general obligation bonds for ~~repair and improvement projects on the Seawall~~seismic safety and disaster response improvements along the Seawall. In June 2020, the City issued about \$49.7 million in bonds to support the planning and preliminary design phases of the Seawall program. The City has expended \$16.2 million through fiscal year 2020-21. An August 2020 multi-hazard seismic and flood risk assessment of the Port Commission and the City infrastructure along the Embarcadero Seawall is being used as a guide to inform project planning. The Port Commission and the United States Army Corps of Engineers have also partnered to study and develop coastal flood defenses to address the flooding and sea level rise along the Port’s Bay waterfront which will yield a recommendation to Congress as to the federal interest in funding coastal flood defenses.

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

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City’s control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king

tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the [2021B/C Bonds](#). While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

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

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

### Other Natural Disasters and Other Events

In addition to earthquake and sea-level rise (discussed above), other natural or man-made disasters, such as flood, wildfire, tsunamis, toxic dumping, [civil unrest](#) or acts of terrorism, could also ~~cause a reduction in the assessed value of taxable~~[adversely impact persons or](#) property within the City generally and/or specifically in the District. ~~Such events could also, damage critical City and District infrastructure and facilities in the District. For example, in~~[adversely impact the City's ability to provide municipal services.](#)

[In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres \(the "Rim Fire"\), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams \(including O'Shaughnessy Dam\), reservoirs \(including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water\), hydroelectric ~~generator~~\[generation\]\(#\) 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. ~~In September 2010, a Pacific Gas and Electric Company \("PG&E"\) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the~~](#)

project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting in numerous deaths and over \$16 billion in property damage) and Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres). Spurred by findings that these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shut offs during periods of extreme fire danger (i.e., high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In recent years, parts of the City experienced black out days as a result of PG&E's wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

~~In addition, economic and market forces, such as a downturn in the Bay Area's economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets.~~ recent years, California experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

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

As a result of the occurrence of events like those described above, a substantial portion of the Leasehold Interest owners in the District may be unable or unwilling to pay the Development Special Taxes when due, and the 2021 ~~BA~~ Reserve Fund ~~for~~ and the 2021B ~~Bonds~~ 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 ~~is~~ would be the discovery of a hazardous substance. In general, the owners and operators of a parcel within the District may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a Leasehold Interest within the District that is realizable upon a delinquency.

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

### **Bankruptcy and Foreclosure**

The payment of taxes by the holders of Leasehold Interests and the ability of the District to foreclose the lien of a delinquent unpaid Development Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally



affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2021B/C Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of the holder of a Leasehold Interest (or such lessee's partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2021B/C Bonds and the possibility of delinquent tax installments not being paid in full.

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

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

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

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

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Development Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Development Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The [District City](#) has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the Leasehold Interests subject to the Development Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021B/C Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real



property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice ~~and~~ and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

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

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a Leasehold Interest in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a Leasehold Interest at a foreclosure sale. Owners of the 2021B/C Bonds should assume that the City will be unable to foreclose on any Leasehold Interest in which the FDIC has an interest. Such an outcome would cause a draw on the 2021A Reserve Fund and the 2021B Reserve Fund and perhaps, ultimately, a default in payment of the 2021B/C Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the Leasehold Interests in the District that are subject to the Development Special Tax, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021B/C Bonds are outstanding.

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

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the City to levy and collect within the District both existing and future taxes, assessments, fees and charges. According to the "Official Title and

Summary” of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the “authority of local governments to impose taxes and property-related assessments, fees and charges.” On July 1, 1997 California State Senate Bill 919 (“SB 919”) was signed into law. SB 919 enacted the “Proposition 218 Omnibus Implementation Act,” which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIII C and XIII D.

Article XIII D of the State Constitution reaffirms that the proceedings for the levy of any Development Special Taxes by the City within the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The City has completed its proceedings for the levy of Development Special Taxes in accordance with the provisions of Section 4 of Article XIII A. Under ~~the Act~~ [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 XIII C 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 XIII C to reduce or terminate the Development Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Development Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2021B/C Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Development Special Taxes in a manner which does not interfere with the timely repayment of the 2021B/C Bonds, but which does reduce the maximum amount of Development Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Development Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2021B/C Bonds.

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

### **Validity of Landowner Elections**

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities

District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under San Diego’s charter and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

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

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

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego’s argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State’s constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the Development Special Tax within the District, and the City, as the owner of the property in the District, was the qualified elector for the District.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for the District pursuant to the requirements of the Act on April 27, 2020. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

## **Ballot Initiatives and Legislative Measures**

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From

time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

### **No Acceleration**

The ~~2021B~~ Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the ~~2021B~~ Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the ~~2021B~~ Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Development Special Taxes in the event of a payment default by a holder of a Leasehold Interest within the District. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto.

### **Limitations on Remedies**

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2021B/C Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2021B/C Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2021B/C Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the City on behalf of the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the applicable limitations on remedies against public agencies in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure.”

### **Limited Secondary Market**

As stated herein, investment in the 2021B/C Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand and appreciate the risk of such investments should consider investment in the 2021B/C Bonds. The 2021B/C Bonds have not been rated by any national rating agency, and the City has not undertaken to obtain a rating. See “NO RATING” herein. There can be no guarantee that there will be a secondary market for purchase or sale of the 2021B/C Bonds or, if a secondary market exists, that the 2021B/C Bonds can or could be sold for any particular price.

## Cybersecurity

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

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

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

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

## CONTINUING DISCLOSURE

### The City

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2021B/C Bonds (the “City Disclosure Certificate”), the City has covenanted for the benefit of owners of the 2021B/C Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. Each



Annual Report is to be filed not later than nine months after the end of the City's fiscal year (which date shall be June 30 of each year), commencing with the report for the 2020-21 Fiscal Year (which is due not later than March 31, 2022). The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E-1 – "FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made by the City in order to assist the Underwriter in complying with the Rule.

The City has conducted a review of the compliance of the City, with their respective previous continuing disclosure undertakings pursuant to Rule 15c2-12. On March 6, 2018, Moody's Investors Service, Inc. ("Moody's") upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to "Aa1" from "Aa2." The City timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

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

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

### **Master Developer**

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

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

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

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



## TAX MATTERS

***Federal Tax Status – 2021C Bonds.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2021BC Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Tax Code”) that must be satisfied subsequent to the issuance of the 2021BC 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 2021BC Bonds.

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

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 2021BC 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 2021BC Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2021BC Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2021BC 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 2021BC Bonds.

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

**California Tax Status – 2021B/C Bonds.** In the further opinion of Bond Counsel, interest on the 2021B/C Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2021B/C Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2021B/C Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2021B/C Bonds, or as to the consequences of owning or receiving interest on the 2021B/C Bonds, as of any future date. Prospective purchasers of the 2021B/C Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2021B/C Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2021B/C Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2021B/C Bonds, the ownership, sale or disposition of the 2021B/C Bonds, or the amount, accrual or receipt of interest on the 2021B/C Bonds.

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

## UNDERWRITING

Stifel, Nicolaus & Company Incorporated (the “Underwriter”) purchased the 2021B Bonds at a purchase price of \$ ~~\_\_\_\_\_~~, 53,616,799.67, representing the principal amount of the 2021B Bonds less an Underwriter’s discount of \$ ~~\_\_\_\_\_~~ and ~~[plus/minus] a [net] original issue [663,200.33 and the 2021C Bonds at a purchase price of \$10,944,218.65, representing the principal amount of the 2021C Bonds, plus an original issue premium of \$1,066,400.00 and less an Underwriter’s discount]~~ of \$ ~~\_\_\_\_\_~~, 122,181.35. The Underwriter intends to offer the 2021B/C Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the 2021B/C Bonds to the public. The Underwriter may offer and sell the 2021B/C Bonds to certain dealers (including dealers depositing 2021B/C Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may ~~re-allow~~ reallow any such discounts on sales to other dealers.

## LEGAL OPINION AND OTHER LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2021B/C Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2021B/C Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2021B/C Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2021B/C Bonds. Bond Counsel's opinion will speak only as of its date, and subsequent distributions of the opinion by recirculation of this Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. Bond Counsel assumes no obligation to revise or supplement the opinion to reflect any facts or circumstances that may come to their attention after the date of original delivery of the Bonds, or any changes in law that may occur after the date of original delivery of the 2021B/C Bonds. In rendering the opinion, Bond Counsel will rely upon certain certifications and opinions, which Bond Counsel will not have independently verified. The opinions contained in the opinion are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, the opinions contained in the opinion represent the legal judgment of Bond Counsel based upon their review of existing law that they deem relevant to such opinions and in reliance upon the certifications and opinions referenced above.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, Norton Rose Fulbright US LLP, as Disclosure Counsel, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's counsel, is contingent on the issuance and delivery of the 2021B/C Bonds.

Norton Rose Fulbright US LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Upon issuance and delivery of the 2021B/C Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriter to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein (including without limitation exclusion of any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included herein, and information in Appendices B and F hereof, as to all of which Disclosure Counsel will express no view), no facts have come to the attention of the personnel with Norton Rose Fulbright US LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2021B/C Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder or other person or party, other than the addressee of the letter, will be entitled to or may rely on such letter of Disclosure Counsel.

## TRANSFER RESTRICTIONS

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

Neither the Underwriter nor any Holder or Beneficial Owner of the 2021B/C Bonds shall deposit the 2021B/C Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Underwriter nor any Holder or Beneficial Owner shall deposit the 2021B/C Bonds in any trust or account under its control the majority of the assets of which constitute the 2021B/C Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers; provided that none of the Underwriter, Holders or Beneficial Owners shall have an obligation to independently establish or confirm that any transferee of a 2021B/C Bond is Qualified Purchaser, however any actual transfer of a 2021B/C Bond to any entity that is not a Qualified Purchaser shall be deemed null and void as provided in the Fiscal Agent Agreement.

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

1. That the 2021B/C Bonds are payable solely from Revenues, and from certain funds and accounts established and maintained pursuant to the Fiscal Agent Agreement;

2. That it is a Qualified Purchaser and that it is purchasing the 2021B/C Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933 or other applicable securities laws;

3. That such purchaser acknowledges that the 2021B/C Bonds and beneficial ownership interests therein may only be transferred to Qualified Purchasers;

4. That the City, the Fiscal Agent, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements; and

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

## **NO LITIGATION**

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

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

## The Master Developer and Certain Affiliates

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any ~~judicial or administrative court or governmental~~ court, regulatory agency, public board or body, ~~state, federal or other, pending or, to the best knowledge of the Master Developer~~ 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, ~~affecting the existence of the Master Developer involving the Mission Rock Project or seeking to restrain or enjoin the issuance, sale, execution or delivery of the DDA, the Master Lease, the Parcel Leases, the Assignment, the VCAs, or the PIA or the financing of the Mission Rock Project, or in any way contesting or affecting the Master Developer, or the execution and delivery of any of the foregoing documents, or the application of any moneys or security, including the levy of the Development Special Tax, for the payment of the 2021B Bonds or otherwise affecting the development of the property as described in this 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 ~~the payment of to pay~~ the Development Special Taxes (to the extent the responsibility of the Master Developer or its Affiliates) prior to delinquency.

### **Ongoing Investigations**

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

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

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



son's girlfriend. The Mayor placed the Director of Building Inspection on administrative leave, and he resigned shortly thereafter.

On June 29, 2020, the Controller released its preliminary assessment of Citywide procurement practices, with an emphasis on the Public Works Department. The report is subject to public comment and review and could be revised in the future. The preliminary assessment focused on City laws, practices and policies and made recommendations to make improvements on such City laws and policies to improve transparency, reduce the risk of loss and abuse in City contracting in the future. The Controller expects to issue additional reports in the future. Reviews of the City internal controls will be released in a subsequent report. Finally, the City Attorney investigation continues with respect to the review certain contracts and payments made to outside vendors. To date, the City Attorney's investigation has led to the release of four city employees (including the Director of Public Works and the Director of Building Inspections, as described above) or officials from their City positions.

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

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

Mr. Kelly resigned on December 1, 2020 and the PUC's Commission acted on his resignation on December 8, 2020. ~~Until the PUC's Commission nominates and the Mayor appoints a new General Manager, Michael Carlin (PUC Deputy General Manager) is serving as the Acting~~Dennis J. Herrera (the current City Attorney) was nominated by the Mayor to be the General Manager of the PUC and his nomination was confirmed by the PUC on September 28, 2021. Mr. Herrera is expected to assume office as General Manager for the of PUC, on November 1, 2021.

~~In addition to the joint investigation by the City Attorney's Office and the Controller's Office, the City's Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee will also consider the Controller's periodic reports. The full Board of Supervisors is considering retaining additional independent services relating to the matters that were the subject of the federal indictment. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be.~~

On March 4, 2021, the City Attorney announced an approximately \$100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection.



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

In addition to the ongoing joint investigation by the City Attorney’s Office and the Controller’s Office into City contracting policies and procedures, the City’s Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee will also consider the Controller’s periodic reports. The full Board of Supervisors is considering retaining additional independent services relating to the matters that were the subject of the federal indictment. The City can give no assurance regarding when the City’s investigation will be completed or what the outcome will be. The criminal investigation by the Federal Bureau of Investigation and the United States Attorney’s office is ongoing. ~~The City Attorney, together with the City’s Controller, continues to undertake an internal investigation of City contracting and policies and procedures arising from the federal charges.~~

## NO RATING

The City has not made, and does not intend to make, any application to any rating agency for the assignment of a rating on the 2021B/C Bonds. Ratings are obtained as a matter of convenience for prospective investors, and the assignment of a rating is based upon the independent investigations, studies, and assumptions of rating agencies. The determination by the City not to obtain a rating does not, directly or indirectly, express any view by the City of the credit quality of the 2021B/C Bonds. The lack of a bond rating could impact the market price or liquidity for the 2021B/C Bonds in the secondary market. See “SPECIAL RISK FACTORS - Limited Secondary Market.”

## MUNICIPAL ~~ADVISOR~~ADVISORS

The City has retained ~~Public~~PFM Financial ~~Management, Inc.,~~Advisors LLC and CSG Advisors ~~Incorporated~~ as Municipal ~~Advisor~~Advisors in connection with the issuance of the 2021B/C Bonds. The Municipal ~~Advisor has~~Advisors ~~have~~ assisted in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2021B/C Bonds. The Municipal ~~Advisor is~~Advisors ~~are~~ not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal ~~Advisor is an~~Advisors ~~are~~ independent financial advisory ~~firm~~firms and are not engaged in the business of underwriting, trading or distributing the 2021B/C Bonds.

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

### MISCELLANEOUS

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

This Official Statement does not constitute a contract with the purchasers of the 2021B/C Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

CITY AND COUNTY OF SAN FRANCISCO

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

## APPENDIX A

### 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 2021B/C Bonds, and the City has not undertaken in its Continuing Disclosure Certificate to update this information. The 2021B/C Bonds are limited obligations of the City, secured by and payable solely from the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021B/C Bonds are not payable from any other source of funds other than Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the ~~San Francisco Port Commission (the "Port")~~ are liable for the payment of the principal of or interest on the 2021B/C Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2021B/C Bonds.*

**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES**

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX D**  
**FORM 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)

~~DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021B~~

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

DEVELOPMENT SPECIAL TAX BONDS,  
SERIES 2021C

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) in connection with the issuance of the above captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by the Mayor on May 18, 2020, as supplemented by Resolution No. ~~565-20224-21, which was~~ adopted by the Board of Supervisors on ~~December 8, 2020~~May 11, 2021, and approved by ~~the Mayor London N. Breed on December 12, 2020~~on May 21, 2021 (collectively, the “Resolution”) and a Fiscal Agent Agreement, dated as of May 1, 2021, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of ~~June~~November 1, 2021 (together, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California). The City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter or purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

### **SECTION 3. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which date shall be June 30 of each year), commencing with the report for the 2020-21 Fiscal Year (which is due not later than March 31, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB as required by Section 5(c).

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

**SECTION 4. Content of Annual Reports.** The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

The City's annual financial statement is provided solely to comply with the Securities Exchange Commission staff's interpretation of Rule 15c2-12. The bonds are limited obligations of the City, secured by and payable solely from the Development Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The Bonds are not payable from any other source of funds other than Development Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

(b) ~~(1) the principal amount and total debt service of the outstanding Bonds, as of each June 30 preceding the date of the Annual Report~~ as of September 2 preceding the date of the Annual Report and total debt service of the outstanding Bonds that was due in the Bond Year preceding the date of the Annual Report, and (2) the debt service of the outstanding Bonds by series and in total that was due or is scheduled to be due in the then-current Bond Year, and in each Bond Year thereafter through the final maturity date of the outstanding Bonds.

(c) the balance in the Improvement Fund as of June 30 preceding the date of the Annual Report (until such fund has been closed).

(d) (1) the balance in the 2021A Reserve Fund and any reserve for any 2021A Related Parity Bonds and the then-current reserve requirement amount for the Bonds and any 2021A Related Parity Bonds as of June 30 preceding the date of the Annual Report and (2) the balance in the 2021B Reserve Fund and any reserve for any 2021B Related Parity Bonds and the then-current reserve requirement amount for the Bonds and any 2021B Related Parity Bonds as of June 30 preceding the date of the Annual Report.

(e) the balance in the IFD Payment Account Fund as of June 30 preceding the date of the Annual Report.

(f) for the fiscal year for which the Annual Report is being issued, identify planning parcels for which a Parcel Lease was fully executed and will be subject to special taxes.

(g) a completed table for the then current fiscal year, as follows, and footnote any parcel which has met the definition of "Assessed Parcel" under the Rate and Method:

<u>Planning Parcel</u>	<u>Market Rate Residential Square Footage</u>	<u>Office Square Footage</u>	<u>Assessed Value</u>	<u>Current FY Development Special Tax Levy</u>	<u>Tax Increment Applied to Reduce Special Tax Levy<sup>(1)</sup></u>	<u>Current FY Maximum Development Special Tax Revenue</u>	<u>Allocated Bond Debt</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.

(h) for the most recently concluded fiscal year, provide:

- the Development Special Tax levied,
- the Development Special Tax collections,
- the number of parcels delinquent in payment of the Development Special Tax, and
- the amount of total delinquency and delinquency as a percentage of total Development Special Tax.

(i) for any delinquent parcels, provide the status of the City’s actions to pursue foreclosure proceedings upon delinquent properties pursuant to the Fiscal 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)-(h), annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

**SECTION 5. Reporting of Significant Events.**

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the City; or
10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 11-18 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bond holders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee;

or

18. Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights or similar terms of Financial Obligation of the City, any of which affect security holders.

(c) The City shall give, or cause to be given, in a timely manner, notice (substantially in the form of Exhibit A) of a failure to provide the annual financial information on or before the date specified in Section 3.

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

**SECTION 6. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

**SECTION 7. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial

statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Remedies.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

[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 Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: ~~\_\_\_\_\_~~, November 10, 2021

CITY AND COUNTY OF SAN FRANCISCO

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Anna Van Degna  
Director of the Office of Public Finance

Approved as to form:

~~DENNIS J. HERRERA~~ DAVID CHIU  
CITY ATTORNEY

By: \_\_\_\_\_  
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A**

**FORM OF NOTICE TO THE  
MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Development Special Tax Bonds, Series 2021B, [\(Federally Taxable\)](#)

[City and County of San Francisco Special Tax District No. 2020-1 \(Mission Rock Facilities And Services\) Development Special Tax Bonds, Series 2021C](#)

Date of Issuance:           , [November 10](#), 2021

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated           , [November 10](#), 2021. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, 20\_\_

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_ [to be signed only if filed]  
Title: \_\_\_\_\_

APPENDIX E-2

FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE  
DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

§ \_\_\_\_\_  
~~CITY AND COUNTY OF SAN FRANCISCO~~  
~~SPECIAL TAX DISTRICT NO. 2020-1~~  
~~(MISSION ROCK FACILITIES AND SERVICES)~~  
~~DEVELOPMENT SPECIAL TAX BONDS, SERIES 2021B~~  
CITY AND COUNTY OF SAN FRANCISCO  
SPECIAL TAX DISTRICT NO. 2020-1  
(MISSION ROCK FACILITIES AND SERVICES)

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

DEVELOPMENT SPECIAL TAX BONDS,  
SERIES 2021C

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of ~~[CLOSING DATE]~~ November 10, 2021, is executed and delivered by Seawall Lot 337 Associates, LLC, a Delaware limited liability company (the “**Developer**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “**District**”), with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (Federally Taxable) and the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021C (collectively, the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of ~~April~~ May 1, 2021, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of ~~June~~ November 1, 2021 (together, the “**Fiscal Agent Agreement**”), by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from Development Special Taxes levied on Leasehold Interests in the District, and the Developer is the master developer of property in the District.

The Developer covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the owners and the beneficial owners of the Bonds.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“Affiliate” means with respect to the Developer (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to an evaluation of the Bonds For purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of the Developer, unless such power is solely the result of an official position with the Developer. For purposes of this Disclosure Certificate, the following entities shall be considered Affiliates of the Developer: (i) Mission Rock Horizontal Sub (Phase I), L.L.C.; (ii) Mission Rock Parcel A Owner L.L.C.; (iii) Mission Rock Parcel B Owner L.L.C.; (iv) Mission Rock Parcel F Owner L.L.C.; (v) Mission Rock Parcel G Owner L.L.C; and (vi) if the Developer exercises its option to vertically develop a Parcel, the entity created by the Developer to lease the Parcel.

“Affordable Unit” shall mean a residential housing unit in a residential or mixed-use building for which a deed restriction has been recorded that (i) limits the rental rates on the residential housing unit or (ii) in any other way is intended to restrict the current or future value of the residential housing unit, as determined by the Port.

“Assumption Agreement” shall mean, in connection with the transfer of a Parcel to a transferee, a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the Parcel transferred.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bondowners” shall mean the owner of any of the Bonds.

“Dissemination Agent” shall mean the Developer or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

“District” shall mean the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Market-Rate Unit” shall means an individual residential housing unit in a residential or mixed-use building that is not an Affordable Unit.

“MSRB” means the Municipal Securities Rulemaking Board.

“Office Square Footage” shall mean, within any building on a Parcel, the gross square footage used for office space. For purposes of this definition, any square footage used for any of the following shall not be considered Office Square Footage: (i) square footage that is or is expected to be part of a hotel operation, including square footage of hotel rooms, restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses; and (ii) any square footage in the building used for retail or residential uses (including both Market-Rate Units and Affordable Units).

“Official Statement” shall mean the Official Statement, dated ~~\_\_\_\_\_~~, October 21, 2021, relating to the Bonds.

“Parcel” shall mean Blocks A, B, C, D1, E, F, G, H, I, J, and K within the District.

“Participating Underwriter” shall mean the original underwriter of the Bonds, being Stifel, Nicolaus & Company, Incorporated.

“Person” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“Property” means the real property within the boundaries of the District that is under lease to the Developer or any Affiliate; provided that the term “Property” shall not include any Parcel for which the Developer has terminated its obligations under this Disclosure Certificate with respect to such Parcel pursuant to Section 6 herein.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Site Permit” shall mean the first permit or addendum to a permit obtained from the City that allows for vertical construction on a Parcel.

“State” shall mean the State of California.

### **SECTION 3. Provision of Annual Reports.**

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing ~~November~~May 1, 2021, 2022, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a

Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination Agent is other than the Developer), the City, and the Participating Underwriter certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

#### **SECTION 4. Content of the Semiannual Reports.**

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information regarding the Property in the Official Statement under the caption "THE MISSION ROCK PROJECT" (other than under the captions "--Expected Land Use and Expected Maximum Special Tax Revenues," "--Property Values," "--Projected Development Special Tax Levy, Assessed Values and Value to Lien Ratios," "--Delinquency History," and "--Direct and Overlapping Debt" for which no updates are required).

2. An update to the following table with respect to the Property since the Official Statement or the most recent Semiannual Report.

Block	Date Final Map Recorded	Date of Execution of Vertical Lease	Date Site Permit Received	Date TCO Received	Percentage of Leased Office Space	Occupancy Rate for Market Rate Residential Units
A						
B						
F						
G						
C						
D1						
E						
H						
I						
J						
K						

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer that materially adversely affects the horizontal development of the Property or the time for construction of any public or private horizontal improvements to the property to be made by the Developer (the “**Developer Horizontal Improvements**”).

4. Any vertical lease of a development parcel in the District to a Person that is unaffiliated with the Developer as a result of the Developer declining the option in the DDA to develop that development parcel, including a description of the property leased and the identity of the Person that so leased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

**SECTION 5. Reporting of Significant Events.**

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property.



2. Damage to or destruction of any of the Developer Horizontal Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Horizontal Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer on any loan or guaranty of the Developer (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan or guaranty that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Developer Horizontal Improvements.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

7. The filing of any lawsuit against the Developer or any Affiliate which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Horizontal Improvements, or litigation which if decided against the Developer or any Affiliate, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriter, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriter, and the Dissemination Agent (if other than the Developer).

**SECTION 6. Termination of Reporting Obligation.** The Developer's obligations under this Disclosure Certificate shall terminate upon the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

(b) as to a Parcel with a building that does not have any Market-Rate Units but is developed primarily with Office Square Footage, the date that the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage; or

(c) as to a Parcel with a building that does not have any Office Square Footage but is developed primarily with Market-Rate Units, the date that the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(d) as to a Parcel with a building that has both Office Square Footage and Market-Rate Units, the date that both (i) the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage and (ii) the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(e) as to a Parcel for which the Developer declines to exercise its option to vertically develop that Parcel under the DDA, the date that the Developer declines the option to vertically develop that Parcel under the DDA; or

(f) for the Disclosure Certificate as a whole, the date that the Developer has terminated its continuing disclosure requirements with respect to all of the Parcels.

~~(g) upon the delivery by the Developer to the City of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Certificate is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer.~~

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

**SECTION 7. Dissemination.** The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the City and the Participating Underwriter, and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer is serving as the initial Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriter, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

**SECTION 10. Default.** In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance. No person shall have any right to commence any action against the Developer seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and

shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

**SECTION 12. Reporting Obligation of Developer's Transferees.** For any Parcel that has an executed Vertical Lease with an Affiliate of the Developer, if the Developer transfers the Parcel to another Person that is not an Affiliate of the Developer, then the Developer shall, in connection with the transfer of such a Parcel to another Person that is not an Affiliate of the Developer, cause such transferee to enter into an Assumption Agreement with respect to the Parcel leased; provided that such transferee's obligations under such Assumption Agreement shall terminate upon the same conditions as set forth in Section 6 herein but with respect to the Parcel leased. In clarification of the foregoing, the Developer shall not have any obligation to require a transferee execute an Assumption Agreement (i) for any Parcel that is leased by an Affiliate, (ii) any Parcel for which the reporting obligation was terminated pursuant to Section 6 herein, and (iii) for any Parcel that does not have an executed Vertical Lease with an Affiliate of the Developer, when that Parcel is leased to a Person that is not an Affiliate of the Developer (because the Developer will have the right to terminate its obligations with respect to any Parcel for which it declines the option to vertically develop the Parcel).

**SECTION 13. Identifying Information for Filings with EMMA.** All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**SECTION 14. Developer as Independent Contractor.** In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

**SECTION 15. Notices.** Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer:

Seawall Lot 337 Associates, LLC  
c/o Tishman Speyer Development, L.L.C.  
One Bush Street, Suite 500  
San Francisco, California 94104  
Attn: Regional Director

Email: [cshannon@tishmanspeyer.com](mailto:cshannon@tishmanspeyer.com)

With copy to

San Francisco Giants  
24 Willie Mays Plaza  
San Francisco, CA 94107  
Attn: General Counsel  
Email: [jbair@sfgiants](mailto:jbair@sfgiants)

Participating Underwriter:

Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35<sup>th</sup> Floor  
San Francisco, CA 94104  
Attention: Municipal Bond Division  
Email: [egallagher@stifel.com](mailto:egallagher@stifel.com)

City or District:

City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94201  
Attention: Luke Brewer  
Email: [anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)  
[Bridget.katz@sfgov.org](mailto:Bridget.katz@sfgov.org)  
[Luke.brewer@sfgov.org](mailto:Luke.brewer@sfgov.org)  
[nate.cruz@sfport.com](mailto:nate.cruz@sfport.com)

**SECTION 16. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**SECTION 17. Assignability.** The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

Seawall Lot 337 Associates, LLC,  
a Delaware limited liability company

By: Mission Rock Partners, LLC,  
a Delaware limited liability company,  
its sole member

By: TSCE 2007 Mission Rock, L.L.C.,  
a Delaware limited liability company,  
its administrative member

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021B/C Bonds. The 2021B/C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each of the 2021B/C Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *Information on such website is not incorporated by reference herein.*

Purchases of 2021B/C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021B/C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021B/C Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021B/C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2021B/C Bonds, except in the event that use of the book-entry system for the 2021B/C Bonds is discontinued.

To facilitate subsequent transfers, all 2021B/C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be



requested by an authorized representative of DTC. The deposit of 2021B/C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021B/C Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021B/C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners well be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021B/C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021B/C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021B/C Bond documents. For example, Beneficial Owners of 2021B/C Bonds may wish to ascertain that the nominee holding the 2021B/C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2021B/C Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021B/C Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2021B/C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021B/C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Fiscal Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2021B/C Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

**APPENDIX G**  
**APPRAISAL REPORT**

## 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.

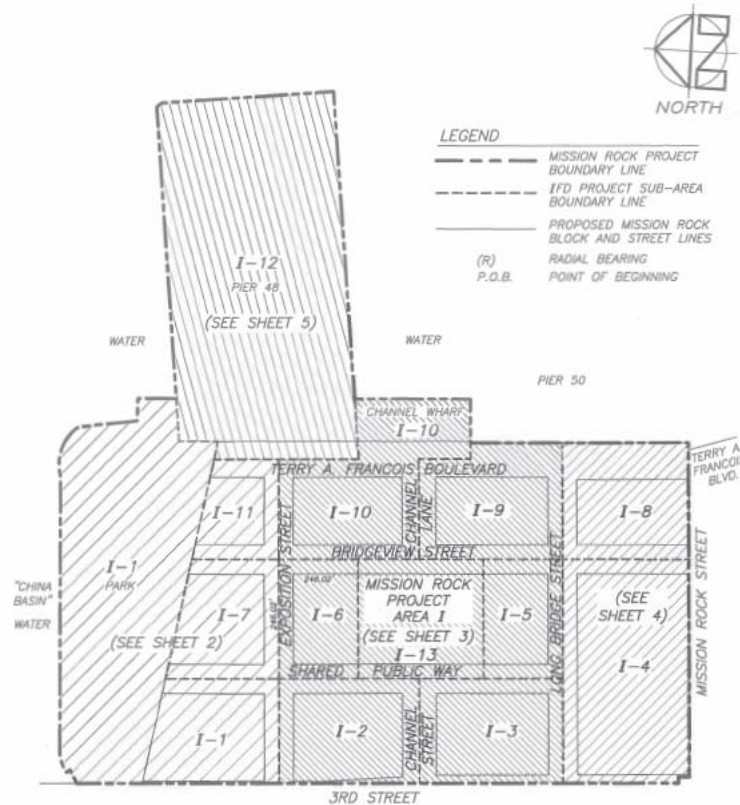
In a judicial validation action (Case No. CGC-16-551235), under Code of Civil Procedure Section 860 et seq. (the “Validating Act”), the San Francisco Superior Court ruled on July 26, 2016 that the IFD was validly established and that the IFP, when delivered, was legal, valid and binding.

**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

**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 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. In connection with issuance of the 2021B Bonds, the IFD has determined that \_\_\_\_\_% of the 2021B Bonds will be used for authorized waterfront set aside uses. As a result, the waterfront set aside is available to contribute to a corresponding percentage of the IFD Payment Amount that will be used to pay debt service on the 2021B Bonds.~~ In the Pledge Agreement, the amount to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront is referred to as “Waterfront Set-Aside.” In Appendix I, the Board of Supervisors estimates that approximately 37.5% of the Allocated Tax Increment to the IFD from the Sub-Project Areas will be used for authorized Waterfront Set-Aside uses.

With respect to the 2021B/C Bonds, the amount of the IFD Payment Amount that can be funded from the Waterfront Set-Aside will be determined based on the percentage of the net proceeds of the 2021B/C Bonds that will be used for Waterfront Set-Aside uses.

### **Pledge Agreement**

Under the IFD Law, the IFD is authorized to pledge Allocated Tax Increment to support payment of the principal of, and interest on, bonds (such as the Bonds) issued under the Act, the proceeds of which have been or will be used entirely for allowable purposes of the IFD.

Under the IFD Law, the City, for and on behalf of the District, has entered into a Pledge Agreement, dated \_\_\_\_\_, as of May 1, 2021 (as defined earlier herein, the “Pledge Agreement”), with the IFD and the Fiscal Agent, pursuant to which the IFD has agreed to make certain payments to the Fiscal Agent from Allocated Tax Increment. Under the Pledge Agreement, the IFD pledges Pledged Tax Increment (defined below) as security for and a source of payment of the IFD Payment Amount by the IFD to the Fiscal Agent. The pledge of Pledged Tax Increment under the Pledge Agreement is senior to any other pledge of Allocated Tax Increment. The “IFD Payment Amount” represents the payment of a portion of the tax increment (if any) generated in Project Area I (including Sub-Project Areas I-1 through I-13) of the IFD to the Fiscal Agent by the IFD pursuant to the Pledge Agreement.

The Pledge Agreement defines “Pledged Tax Increment,” for each IFD Payment Date (i.e., each July 1), as the Allocated Tax Increment received by the IFD as of such date that is attributable to the levy of the 1% ad valorem tax rate during the preceding Fiscal Year, but excluding the Waterfront Set-Aside except to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law for its payment obligations hereunder based on the use of proceeds of the Special Tax District Bonds. Allocated Tax Increment that is not Pledged Tax Increment cannot be used to pay the IFD Payment Amount because of the limitations on the authorized uses of Waterfront Set-Aside. The obligations of the IFD with respect to Allocated Tax Increment set forth in the Pledge Agreement do not apply to any Allocated Tax Increment applied by the Treasurer-Tax Collector to pay its costs of collecting the Allocated Tax Increment.

The Port has determined that Pledged Tax Increment is the equivalent of the Parcel Increment described in the Rate and Method.

The Pledge Agreement defines or incorporates the following terms:

“IFD Payment Amount” means, as of the IFD Payment Date, an amount equal to the lesser of (A) the Potential Development Special Tax Levy on all Current Parcels for the current Fiscal Year and (B) the amount of Pledged Tax Increment available to pay the IFD Payment Amount pursuant to the Pledge Agreement.



“Current Parcel” is defined in the Financing Plan as an Assessed Parcel in the Mission Rock CFD that is identified in the Payment Report as being current on payment of ad valorem taxes.

“Assessed Parcel” is defined in the Financing Plan as a Taxable Parcel that meets all of the following conditions:

- (i) one or more buildings have been constructed or rehabilitated on the Taxable Parcel for which the Port has issued a TCO;
- (ii) the buildings have been finally assessed; and
- (iii) the Assessor has levied ad valorem taxes on the Taxable Parcel covering a full City Fiscal Year.

“Potential Development Special Tax Levy” means the amount of the Development Special Tax levy on each Assessed Parcel:

- (i) after applying capitalized interest, delinquency collections, and other sources in the RMA; and
- (ii) before applying the Development Special Tax Credit.

As a result of these definitions, because Allocated Tax Increment will be generated when there are increases in the assessed value of the Leasehold Interests resulting from new construction, and because the IFP provides that tax increment will not be allocated to the IFD from a Sub-Project Area until the increment available to be allocated from the Sub-Project Area in a fiscal year is equal to at least \$100,000, the City does not expect there to be an IFD Payment Amount available to offset Development Special Taxes for at least 2-3 years.

Under the Pledge Agreement, the IFD is required to establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Tax Increment Fund,” and to establish the following accounts (among others) within the Tax Increment Fund: the “Waterfront Set-Aside Account” and the “Project Account.” The IFD Law requires the IFD to deposited Allocated Tax Increment in a special account, and the Tax Increment Fund and the accounts therein are the required special account.

The Pledge Agreement provides that, promptly upon receipt thereof, the IFD will deposit 80% of the Allocated Tax Increment received in any Bond Year in the Project Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel) and 20% of such Allocated Tax Increment in the Waterfront Set-Aside Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel).

The Pledge Agreement provides that the IFD will also establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Bonds Fund,” a separate restricted account within the Bonds Fund known as the “Mello-Roos Bonds Account (Tax Increment).”

The Pledge Agreement provides that, during each Fiscal Year, the IFD may transfer funds from the Project Account or the Waterfront Set-Aside Account to the Mello-Roos Bonds Account (Tax Increment) in an amount equal to the IFD Payment Amount due on the following IFD Payment Date. On

each IFD Payment Date (or such earlier date determined by the IFD), the IFD will transfer (or cause to be transferred) Pledged Tax Increment from the accounts in the Tax Increment Fund and the Mello-Roos Bonds Account (Tax Increment) to the Fiscal Agent for deposit into the IFD Payment Amount Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, in an amount equal to the IFD Payment Amount.

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

### **Fiscal Agent Agreement**

The moneys in the IFD Payment Amount Fund will be distributed in the following order of priority:

(i) at least seven (7) Business Days prior to each Interest Payment Date, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund to the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2021 A Reserve Fund, the 2021B Reserve Fund and any reserve account for Parity Bonds that are not 2021 BA Related Parity Bonds, ~~f~~ or 2021B Related Parity Bonds, the 2021B Capitalized Interest Account, ~~j~~ the 2021C Capitalized Interest Account, a capitalized interest account for any Parity Bonds, and the Development Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds; and

(ii) at least seven (7) Business Days prior to each Interest Payment Date without preference or priority, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund (a) to the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, (b) to the 2021B Reserve Fund an amount, taking into account amounts then on deposit in the 2021B Reserve Fund, such that the amount in the 2021B Reserve Fund is equal to the 2021B Reserve Requirement, and (bc) to the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the IFD Payment Amount Fund and any Development Special Taxes available for that purpose are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2021 A Reserve Fund, the 202B Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

On each October 1, ~~beginning on October 1, 2021~~, the Fiscal Agent will transfer all of the moneys remaining in the IFD Payment Amount Fund to the Special Fund Trustee for deposit in the IFD Remainder Account of the Tax Increment Fund established and held by the Special Fund Trustee under the Special Fund Administration Agreement. Funds in the IFD Remainder Account are not security for the Bonds.

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