

File No. 210385

Committee Item No. 6

Board Item No. 11

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 5, 2021

Board of Supervisors Meeting

Date May 11, 2021

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Preliminary Official Statement</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Port Commission Resolution No. 21-11</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Port Presentation - May 5, 2021</u> |
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Completed by: Linda Wong Date April 30, 2021

Completed by: Linda Wong Date May 7, 2021

1 [Issuance of Development Special Tax Bonds - City and County of San Francisco Special Tax
2 District No. 2020-1 (Mission Rock Facilities and Services) - Not to Exceed Aggregate Principal
Amount of \$64,900,000]

3
4 **Resolution authorizing the issuance and sale of one or more series of Development**
5 **Special Tax Bonds for City and County of San Francisco Special Tax District No. 2020-1**
6 **(Mission Rock Facilities and Services) in the aggregate principal amount not to exceed**
7 **\$64,900,000, supplementing Resolution No. 196-20; approving related documents, as**
8 **defined herein, including an Official Statement, a First Supplement to Fiscal Agent**
9 **Agreement, Bond Purchase Agreement, and Continuing Disclosure Certificate; and**
10 **determining other matters in connection therewith, as defined herein.**

11
12 WHEREAS, California Statutes of 1968, Chapter 1333 ("Burton Act") and San
13 Francisco Charter, Section 4.114 and Appendix B, beginning at Section B3.581, empower the
14 City and County of San Francisco ("City"), acting through the San Francisco Port Commission
15 ("Port" or "Port Commission"), with the power and duty to use, conduct, operate, maintain,
16 manage, regulate, and control the lands within Port jurisdiction; and

17 WHEREAS, Seawall Lot 337 Associates, LLC, a Delaware limited liability company
18 ("Master Developer") and the City, acting by and through the Port, are parties to a Disposition
19 and Development Agreement (as amended from time to time, "DDA"), including a Financing
20 Plan (as amended from time to time, "Financing Plan"), that governs the disposition and
21 development of certain parcels in the jurisdiction of the Port, including Seawall Lot 337, 3.53
22 acres located at Terry A. Francois Boulevard from Third Street to Mission Rock Street, China
23 Basin Park and ½ acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier
24 50 ("Project Site"), and also provides for development of Pier 48, which DDA was approved by
25 the Board of Supervisors of the City ("Board of Supervisors" or "Board") by Resolution No. 42-

1 18, adopted on February 13, 2018, signed by the Mayor on February 23, 2018, and a copy of
2 which is in Board File No. 180092 (“Mission Rock Project Resolution”); and

3 WHEREAS, The Port collaborated with the State Lands Commission and the
4 Legislature to amend the Burton Act to lift or suspend certain statutory trust use restrictions
5 that impeded the Port’s ability to realize the development potential of Port lands; and under
6 Senate Bill 815 (Stats. 2007, ch. 660, as amended by Stats. 2016, ch. 529) (“SB 815”), the
7 Port is authorized to lease certain seawall lots south of Market Street, including the Project
8 Site, for nontrust purposes, providing revenues for rehabilitation of historic wharves and piers
9 and other trust uses; SB 815 allows long-term nontrust uses that are otherwise not
10 permissible under the Burton Act as a primary mechanism to generate Port revenues for trust
11 purposes, including the construction of infrastructure needed for development; and

12 WHEREAS, On November 3, 2015, San Francisco voters approved the Mission Rock
13 Affordable Housing, Parks, Jobs and Historic Preservation Initiative (“Proposition D”), which
14 authorized increased height limits on the Project Site, subject to environmental review, and
15 established a City policy to encourage development of the Project Site; Proposition D
16 specifically provides that it is intended to encourage and implement the lease and
17 development of the Project Site as described in SB 815 to support the purposes of the Burton
18 Act, especially the preservation of historic piers and historic structures and construction of
19 waterfront plazas and open space; and

20 WHEREAS, The proposed development of the Project Site, which is commonly
21 referred to as the Mission Rock project (“Project”), will be a new mixed-use neighborhood that
22 is proposed to include a mix of commercial/office, retail, parking, and market rate and
23 affordable residential uses and approximately eight acres of new and expanded parks and
24 shoreline access; and

25 WHEREAS, Under the DDA, (i) the Master Developer is responsible for master

1 development of the Project Site, including construction of public infrastructure, (ii) the Port and
2 Master Developer will enter into a master lease for all of the Project Site, (iii) the Port will
3 convey development parcels to vertical developers and those parcels will be released from
4 the master lease, and (iv) the Port may enter into a separate lease with the Master Developer
5 (or an affiliate of Master Developer) for development of Pier 48; and

6 WHEREAS, The City anticipates that, in addition to the infrastructure and private
7 development described above, future improvements will be necessary to ensure that the
8 shoreline, public facilities, and public access improvements will be protected should sea level
9 rise in the vicinity of the Project Site, and the Board of Supervisors desires to provide a
10 mechanism to pay for the costs of such improvements; and

11 WHEREAS, At its hearing on October 5, 2017, and prior to recommending proposed
12 Planning Code amendments for approval, by Motion No. M-20017, the Planning Commission
13 certified a Final Environmental Impact Report (“FEIR”) for the Project pursuant to the
14 California Environmental Quality Act (“CEQA”) (California Public Resources Code, Section
15 21000 et seq.), the CEQA Guidelines (14 Cal. Code Reg., Section 15000 et seq.), and
16 Administrative Code, Chapter 31; a copy of said Motion is on file with the Clerk of the Board in
17 File No. 171117, and is incorporated herein by reference; and

18 WHEREAS, In recommending proposed Planning Code amendments for approval by
19 the Board at its hearing on October 5, 2017, by Motion No. M-20018, the Planning
20 Commission also adopted findings under CEQA, including a statement of overriding
21 consideration, and a Mitigation Monitoring and Reporting Program (“MMRP”), and copies of
22 said Motion and MMRP are on file with the Clerk of the Board in File No. 171117, and are
23 incorporated herein by reference; and

24 WHEREAS, Under Chapter 43, Article X of the San Francisco Administrative Code (as
25 it may be amended from time to time, “Code”), which Code incorporates by reference the

1 Mello-Roos Community Facilities Act of 1982, as amended (“Mello-Roos Act”), the Board is
2 authorized to establish a special tax district and to act as the legislative body for a special tax
3 district; and

4 WHEREAS, The Board of Supervisors has conducted proceedings under and pursuant
5 to the Code to form “City and County of San Francisco Special Tax District No. 2020-1
6 (Mission Rock Facilities and Services)” (“Special Tax District”), to authorize the levy of special
7 taxes upon the land within the Special Tax District pursuant to a rate and method of
8 apportionment of special tax (“Rate and Method”) and to authorize the issuance of bonds and
9 other debt (as defined in the Mello-Roos Act) secured by said special taxes for the purpose of
10 financing certain improvements (“Facilities”) and incidental expenses (“incidental expenses”),
11 all as described in those proceedings; and

12 WHEREAS, The Board of Supervisors has determined that such debt may include an
13 agreement by the Special Tax District (or the City on behalf of the Special Tax District) to
14 repay the City, acting by and through the Port Commission, for one or more advances of land
15 proceeds and other sources of Port funding to pay the costs of the Facilities and incidental
16 expenses (“Advances”), which repayment obligation (“Repayment Obligation”) may be
17 evidenced by one or more promissory notes ratified or executed by the Special Tax District (or
18 the City on behalf of the Special Tax District) in favor of the Port Commission; and

19 WHEREAS, The Board of Supervisors conducted a special election of the qualified
20 elector in the Special Tax District on April 20, 2020, and the issues presented at the special
21 election included the incurring of bonded indebtedness and other debt in the maximum
22 aggregate principal amount of \$3,700,000,000 (“Limit”), which Limit was to be calculated in
23 accordance with Resolution No. 161-20, which was adopted on April 14, 2020, and signed by
24 Mayor London Breed on April 24, 2020 (“Resolution of Necessity”); and

1 WHEREAS, In the Resolution of Necessity, the Board of Supervisors resolved that
2 because the City expects to repay the Repayment Obligation with, among other sources,
3 special taxes levied in the Special Tax District and proceeds of bonded indebtedness and
4 other debt incurred by or on behalf of the Special Tax District, (i) the Repayment Obligation
5 shall be included in the calculation of the Limit and (ii) any such bonded indebtedness or other
6 debt (as defined in the Mello-Roos Act) incurred by or on behalf of the Special Tax District to
7 repay the Repayment Obligation (and the related costs of issuance and costs of funding a
8 debt service reserve fund) shall not be included in the calculation of the Limit; and

9 WHEREAS, Pursuant to Resolution No. 196-20, which was adopted on May 5, 2020,
10 and signed by Mayor London Breed on May 15, 2020 (“Original Resolution of Issuance”), the
11 Board of Supervisors authorized the issuance of up to \$3,700,000,000 of bonded
12 indebtedness and other debt on behalf of the Special Tax District and directed staff to prepare
13 documentation for such bonded indebtedness and other debt and return to the Board of
14 Supervisors for approval of such documentation; and

15 WHEREAS, Section 43.10.15.2 of the Code authorizes the City, on behalf of the
16 Special Tax District, to enter into an agreement with any third party that pledges to the Special
17 Tax District funds that will be used to pay for facilities or services that the Special Tax District
18 is authorized to finance or to pay debt service on bonds or debt issued by or for the Special
19 Tax District; and

20 WHEREAS, Under California Government Code, Sections 53395 et seq. (“IFD Law”),
21 the Board of Supervisors is authorized to establish an infrastructure financing district and to
22 act as the legislative body for such an infrastructure financing district; more specifically, the
23 Board of Supervisors is authorized to establish “waterfront districts” under IFD Law, Section
24 53395.8, including one or more waterfront districts; and

1 WHEREAS, By Ordinance No. 27-16, which the Board of Supervisors adopted on
2 March 1, 2016, and which was signed by Mayor Edwin Lee on March 11, 2016 (“Ordinance
3 Establishing IFD”), the Board of Supervisors, among other things, declared “City and County
4 of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco)” (“IFD”) to be
5 fully formed and established, approved an infrastructure financing plan for the IFD (“IFD
6 Infrastructure Financing Plan”), and designated initial proposed project areas within the IFD;
7 and

8 WHEREAS, In accordance with the DDA, by Ordinance No. 34-18, which the Board of
9 Supervisors adopted on February 27, 2018, and which was signed by the Mayor on March 6,
10 2018 (“Ordinance Establishing Project Area I and Sub-Project Areas I-1 through I-13”), the
11 Board of Supervisors, among other things, declared the following project area (“Project Area
12 I”) and sub-project areas (collectively, “Sub-Project Areas”) within the Project Site to be fully
13 formed and established and approved Appendix I to the IFD Infrastructure Financing Plan: (i)
14 “Project Area I (Mission Rock),” (ii) “Sub-Project Area I-1 (Mission Rock),” (iii) “Sub-Project
15 Area I-2 (Mission Rock),” (iv) “Sub-Project Area I-3 (Mission Rock),” (v) “Sub-Project Area I-4
16 (Mission Rock),” (vi) “Sub-Project Area I-5 (Mission Rock),” (vii) “Sub-Project Area I-6 (Mission
17 Rock),” (viii) “Sub-Project Area I-7 (Mission Rock),” (ix) “Sub-Project Area I-8 (Mission Rock),”
18 (x) “Sub-Project Area I-9 (Mission Rock),” (xi) “Sub-Project Area I-10 (Mission Rock),” (xii)
19 “Sub-Project Area I-11 (Mission Rock),” (xiii) “Sub-Project Area I-12 (Mission Rock),” and (xiv)
20 “Sub-Project Area I-13 (Mission Rock);” and

21 WHEREAS, Under Section 53395.2 of the IFD Law, the IFD is authorized to pledge
22 revenues available from the Sub-Project Areas and allocated to it pursuant to Article 3 of the
23 IFD Law (commencing with Section 53396) to pay the principal of, and interest on, bonds
24 issued pursuant to the Mello-Roos Act, the proceeds of which have been or will be used
25 entirely for allowable purposes of the IFD; and

1 WHEREAS, By Resolution No. 37-18, which the Board of Supervisors adopted on
2 February 13, 2018, and which was signed by Mayor Mark Farrell on February 23, 2018
3 (“Original Pledge Resolution”), the Board of Supervisors, acting as the legislative body of the
4 IFD, authorized execution of one or more pledge agreements by the IFD that provides, among
5 other things, for the pledge of tax increment revenues allocated to the IFD with respect to all
6 or any of the Sub-Project Areas, as applicable, to bonds issued for a special tax district that is
7 formed by the Board of Supervisors to finance all or any of the facilities that can be financed
8 by the IFD with tax increment generated in the Sub-Project Areas; and

9 WHEREAS, A default judgment was entered on October 17, 2019, by the Superior
10 Court of the County of San Francisco in a judicial validation action related to, among other
11 things, the IFD, the Sub-Project Areas and such pledge agreements (Case No. CGC-18-
12 565561) (“Validation Judgment”); and

13 WHEREAS, Pursuant to Resolution No. 565-20, which was approved by the Board of
14 Supervisors on December 8, 2020, and signed by the Mayor on December 18, 2020 (“First
15 Supplemental Resolution of Issuance”), the Board of Supervisors previously authorized the
16 issuance of special tax bonds on behalf of the Special Tax District denominated City and
17 County of San Francisco Community Facilities District No. 2020-1 (Mission Rock Facilities
18 and Services) Development Special Tax Bonds, Series 2021A (“2021A Bonds”) pursuant to a
19 Fiscal Agent Agreement (“Master Fiscal Agent Agreement”), by and between the City and
20 Zions Bancorporation, National Association, as fiscal agent (“Fiscal Agent”); and

21 WHEREAS, Pursuant to Resolution No. 569-20, which was approved by the Board of
22 Supervisors on December 8, 2020, and signed by the Mayor on December 18, 2020 (“First
23 Supplemental Pledge Resolution”) the Board of Supervisors, acting as the legislative body of
24 the IFD, authorized the execution and delivery of a Pledge Agreement, by and among the
25 City, for and on behalf of the Special Tax District, the IFD and the Fiscal Agent, and such

1 Pledge Agreement is expected to be executed and delivered upon the issuance of the 2021A
2 Bonds; and

3 WHEREAS, The Board of Supervisors now wishes to further supplement the Original
4 Resolution of Issuance to provide for the issuance of one or more additional series of special
5 tax bonds (the “2021B Bonds”), which will be payable from Revenues (as defined in the
6 Master Fiscal Agent Agreement) on a parity basis with the 2021A Bonds, to finance a portion
7 of the Facilities and related costs and expenses; and

8 WHEREAS, The Revenues include (a) revenue from the Development Special Tax
9 levied under the Rate and Method, and not from other special taxes that may be levied under
10 the Rate and Method and (b) certain payments made by the IFD under the Pledge
11 Agreement; and

12 WHEREAS, In accordance with the Resolution of Necessity, to the extent that
13 proceeds of the 2021B Bonds are used to repay the Repayment Obligation, the corresponding
14 principal amount of the 2021B Bonds shall not be subtracted from the Limit; and

15 WHEREAS, There has been submitted to this Board of Supervisors a form of a First
16 Supplement to the Fiscal Agent Agreement between the City and the Fiscal Agent (“First
17 Supplement”; together with the Master Fiscal Agent Agreement, the “Fiscal Agent
18 Agreement”), which supplements the Master Fiscal Agent Agreement for the purposes of
19 issuing one or more additional series of 2021B Bonds, and this Board of Supervisors with the
20 aid of its staff has reviewed the First Supplement and found it to be in proper order; and

21 WHEREAS, There has also been submitted to the Board of Supervisors a form of
22 preliminary Official Statement in connection with the marketing of the 2021B Bonds, and the
23 Board of Supervisors, with the aid of its staff, has reviewed the preliminary Official Statement
24 (“Preliminary Official Statement”); and

25

1 WHEREAS, The Preliminary Official Statement describes an appraisal (“Appraisal”)
2 prepared by Integra Realty Resources (“Appraiser”) that estimates the fair market value as of
3 February 1, 2021, of the taxable property in the Special Tax District (consisting of leasehold
4 interests in certain parcels owned by the City) to be \$324,890,000; and

5 WHEREAS, The Director of the Office of Public Finance has asked the Appraiser to
6 update the Appraisal between the date hereof and the date of publication of the Preliminary
7 Official Statement so that it reflects more current market conditions; and

8 WHEREAS, On March 23, 2021, staff provided to the Port Commission an update on
9 the Project and plan of finance, including the proposed issuance of the 2021B Bonds, and by
10 Resolution No. 21-11, the Port Commission recommended that the Board of Supervisors, as
11 the legislative body of the Special Tax District, (i) approve the issuance of the 2021B Bonds,
12 in one or more series in the aggregate principal amount not to exceed the lesser of (A)
13 \$68,000,000 and (B) such lower amount required to achieve a 3-to-1 value-to-lien ratio if a
14 revised Appraisal concludes that the market value of the leasehold interests in the taxable
15 parcels in the Special Tax District is lower than \$334,040,000; and (ii) approve related
16 documents and actions; and authorized and directed the Executive Director of the Port to
17 cause the documents described herein to be submitted to the Board of Supervisors for its
18 consideration and to work with the Director of the Office of Public Finance to finalize and
19 cause the distribution of the Preliminary Official Statement; and

20 WHEREAS, A copy of Port Commission Resolution No. 21-11 is in Board File No.
21 210385, and is incorporated in this Resolution by reference; and

22 WHEREAS, On April 5, 2021, after the Port Commission adopted Resolution No. 21-
23 11, the Appraiser delivered an updated Appraisal that reduced the estimated market value of
24 the taxable property in the Special Tax District from \$334,040,000 to \$324,890,000; and
25

1 WHEREAS, In Resolution No. 160-20, which was adopted by the Board of Supervisors
2 on April 14, 2020, and signed by the Mayor on April 24, 2020, a copy of which is in Board File
3 No. 200120 (“Resolution of Formation”), the Board of Supervisors approved and ratified the
4 appointment of the Port as the CFD Agent (as defined in the DDA) for the Special Tax District,
5 which, under the DDA, includes determining in collaboration with the Office of Public Finance
6 whether, in what amounts, and the terms by which the City will issue special tax bonds on
7 behalf of the Special Tax District; and

8 WHEREAS, The Board of Supervisors has obtained and disclosed the information
9 required to be disclosed pursuant to Government Code, Section 5852.1 with respect to the
10 2021B Bonds; and

11 WHEREAS, All conditions, things and acts required to exist, to have happened and to
12 have been performed precedent to and in the issuance of the 2021B Bonds and the levy of
13 the special taxes as contemplated by this Resolution and the documents referred to herein
14 exist, have happened and have been performed in due time, form and manner as required by
15 applicable law, including the Code; now, therefore, be it

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

17 FURTHER RESOLVED, That pursuant to the Code (including the Mello-Roos Act,
18 which is incorporated therein), the Original Resolution of Issuance, this Resolution and the
19 Fiscal Agent Agreement, the 2021B Bonds are hereby authorized to be issued in one or more
20 series in an aggregate principal amount not to exceed \$64,900,000; except as provided below
21 and, be it

22 FURTHER RESOLVED, That the 2021B Bonds shall be dated, bear interest at the
23 rates, mature on the dates, be issued in the form, be subject to redemption, and otherwise be
24 issued on the terms and conditions, all as set forth in the First Supplement to Fiscal Agent
25 Agreement and in accordance with this Resolution; provided, however, that the interest rate

1 shall not exceed the maximum rate permitted by law; the Fiscal Agent, an Authorized Officer
2 (as defined below) and other responsible officers of the City are hereby authorized and
3 directed to take such actions as are required to cause the delivery of the 2021B Bonds upon
4 receipt of the purchase price thereof; and, be it

5 FURTHER RESOLVED, That the Director of the Office of Public Finance is hereby
6 authorized to determine, after consultation with the City’s bond counsel, municipal advisors
7 and the Underwriter, (i) the name of the 2021B Bonds, (ii) the number of series of 2021B
8 Bonds to be issued, (iii) the final principal amount of each series of the 2021B Bonds and (iv)
9 whether each series of the 2021B Bonds will be issued as tax-exempt or taxable bonds; and,
10 be it

11 FURTHER RESOLVED, That the Board of Supervisors hereby finds the following:

12 (a) The issuance of the 2021B Bonds is in compliance with the Code, the
13 Original Resolution of Issuance, the Fiscal Agent Agreement and the City’s “Amended
14 and Restated Local Goals and Policies for Special Tax Districts and Special Tax
15 Districts” adopted by the Board of Supervisors on November 26, 2013, by Resolution
16 No. 414-13, and signed by Mayor Edwin Lee on November 27, 2013 (“Goals and
17 Policies”);

18 (b) The Appraisal has been prepared consistent with the Goals and Policies;
19 and

20 (c) The current draft of the Appraisal concludes that the taxable property in
21 the Special Tax District has a market value (subject to the various assumptions and
22 conditions set forth in the Appraisal) that would be at least three times the maximum
23 authorized principal amount of the 2021B Bonds approved herein, the principal amount
24 of the outstanding 2021A Bonds and the principal amount of all other bonds
25 outstanding that are secured by a special tax levied pursuant to the Code or the Mello-

1 Roos Act on property within the Special Tax District or a special assessment levied on
2 property within the Special Tax District; and, be it

3 FURTHER RESOLVED, That the Mayor, the Controller, and the Director of the Office
4 of Public Finance, or such other official of the City as may be designated by such officials
5 (each, an “Authorized Officer”) is hereby authorized and directed to execute and deliver the
6 documents approved herein in substantially the form on file with the Clerk of the Board of
7 Supervisors, together with such additions or changes as are approved by such Authorized
8 Officer, including such additions or changes as are necessary or advisable to permit the timely
9 issuance, sale and delivery of the 2021B Bonds; the approval of such additions or changes
10 shall be conclusively evidenced by the execution and delivery by an Authorized Officer of the
11 documents herein specified; and, be it

12 FURTHER RESOLVED, That the Board of Supervisors hereby approves the First
13 Supplement to Fiscal Agent Agreement, in substantially the form on file with the Clerk of the
14 Board of Supervisors; the terms and provisions of the First Supplement to Fiscal Agent
15 Agreement, as executed, are incorporated herein by this reference as if fully set forth herein;
16 an Authorized Officer is hereby authorized and directed to execute the First Supplement to
17 Fiscal Agent Agreement on behalf of the City, with such changes, additions or deletions as
18 may be approved by the Authorized Officer, and the Clerk of the Board of Supervisors is
19 hereby authorized and directed to attest thereto; and, be it

20 FURTHER RESOLVED, That the Board of Supervisors hereby confirms that the
21 Pledge Agreement shall apply to all Bonds issued under the Fiscal Agent Agreement,
22 including the 2021B Bonds, without any further action by the Board of Supervisors, the City,
23 the Special Tax District or the IFD; and, be it

24 FURTHER RESOLVED, That the Board of Supervisors hereby approves the
25 Preliminary Official Statement prepared in connection with the 2021B Bonds in substantially

1 the form on file with the Clerk of the Board of Supervisors, together with any changes therein
2 or additions thereto deemed advisable by an Authorized Officer; the Board of Supervisors
3 hereby approves and authorizes the distribution by the underwriter of the 2021B Bonds of the
4 Preliminary Official Statement to prospective purchasers of the 2021B Bonds, and authorizes
5 and directs an Authorized Officer on behalf of the City to deem the Preliminary Official
6 Statement “final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934
7 (“Rule”) prior to its distribution to prospective purchasers of the 2021B Bonds; the execution
8 by an Authorized Officer of the final Official Statement, which shall include 2021B Bond
9 pricing information, such other changes and additions thereto deemed advisable by an
10 Authorized Officer, and such information permitted to be excluded from the Preliminary Official
11 Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Official
12 Statement by the City; and, be it

13 FURTHER RESOLVED, That the Board of Supervisors hereby approves the form of
14 the continuing disclosure certificate with respect to the 2021B Bonds in substantially the form
15 attached to the Official Statement (“Continuing Disclosure Certificate”); an Authorized Officer
16 is hereby authorized and directed to complete and execute the Continuing Disclosure
17 Certificate on behalf of the City (for and on behalf of the Special Tax District) with such
18 changes, additions or deletions as may be approved by the Authorized Officer; and, be it

19 FURTHER RESOLVED, That the Bond Purchase Agreement, between the City, for
20 and on behalf of the Special Tax District, and Stifel, Nicolaus & Company, Inc. (“Underwriter”),
21 in substantially the form on file with the Clerk of the Board of Supervisors and made a part
22 hereof as though set forth in full herein, is hereby approved by the Board of Supervisors; an
23 Authorized Officer is hereby authorized and directed to execute and deliver the Bond
24 Purchase Agreement in such form, together with such changes, insertions and omissions that
25 are approved by an Authorized Officer and that are in accordance with the provisions of this

1 Resolution, such execution to be conclusive evidence of such approval; subject to the
2 requirement that the Underwriter's discount on the purchase of the 2021B Bonds may not
3 exceed 1.50% of the par amount of the 2021B Bonds; and, be it

4 FURTHER RESOLVED, That in addition, and pursuant to Section 53345.8 of the
5 Mello-Roos Act, the Board of Supervisors hereby finds and determines that an Authorized
6 Officer may not execute and deliver the Bond Purchase Agreement unless the final, updated
7 version of the Appraisal (reflecting a dated date that is no earlier than 90 days prior to the
8 pricing of the 2021B Bonds) concludes that the taxable property in the Special Tax District has
9 a market value (subject to the various assumptions and conditions set forth in the Appraisal)
10 at least three times the principal amount of the 2021B Bonds to be sold, the principal amount
11 of the outstanding 2021A Bonds and the principal amount of all other bonds outstanding that
12 are secured by a special tax levied pursuant to the Code or the Mello-Roos Act on property
13 within the Special Tax District or a special assessment levied on property within the Special
14 Tax District; the Board of Supervisors hereby approves the negotiated sale of the 2021B
15 Bonds to the Underwriter pursuant to such Bond Purchase Agreement; and, be it

16 FURTHER RESOLVED, That the Board of Supervisors hereby finds that sale of the
17 2021B Bonds to the Underwriter at a negotiated sale pursuant to the Bond Purchase
18 Agreement will result in a lower overall cost than would be achieved by selling the 2021B
19 Bonds at a public sale utilizing competitive bidding; and, be it

20 FURTHER RESOLVED, The Board of Supervisors previously approved the levy on the
21 secured roll of special taxes on possessory interests in the Special Tax District pursuant to
22 Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and
23 approved by the Mayor on May 15, 2020, and the Board of Supervisors agrees to continue
24 levying the Development Special Tax on the secured roll as long as any Bonds (as defined in
25 the Fiscal Agent Agreement) remain outstanding under the Fiscal Agent Agreement; and, be it

1 FURTHER RESOLVED, That all actions heretofore taken by the officers and agents of
2 the City (including, but not limited to the CFD Agent in accordance with the DDA and the
3 Resolution of Formation) with respect to the establishment of the Special Tax District and the
4 sale and issuance of the 2021A Bonds and the 2021B Bonds are hereby approved, confirmed
5 and ratified, and the appropriate officers and agents of the City (including, but not limited to
6 the CFD Agent in accordance with the DDA and the Resolution of Formation) are hereby
7 authorized and directed to do any and all things and take any and all actions and execute any
8 and all certificates, agreements and other documents, which they, or any of them, may deem
9 necessary or advisable in order to consummate the lawful issuance and delivery of the 2021B
10 Bonds in accordance with this Resolution, including but not limited to any actions required in
11 connection with issuance of ratings or obtaining a municipal bond insurance policy with
12 respect to the 2021B Bonds, and any certificate, agreement, and other document described in
13 the documents herein approved; all actions to be taken by an Authorized Officer, as defined
14 herein, may be taken by such Authorized Officer or any designee, with the same force and
15 effect as if taken by the Authorized Officer; and, be it

16 FURTHER RESOLVED, That this Resolution shall take effect from and after its
17 adoption and approval.

18

19 APPROVED AS TO FORM:

20 DENNIS J. HERRERA
21 City Attorney

22 By: /s/
23 MARK D. BLAKE
24 Deputy City Attorney

25 n:\port\as2021\2000595\01525372.docx

Items 6 and 7 Files 21-0385 & 21-0386	Department: Port
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • <u>File 21-0385</u>: is a resolution that would authorize the Port to issue Development Special Tax Bonds in an amount not to exceed \$64.9 million and approve related documents. • <u>File 21-0386</u>: is a resolution that would approve certain documents and actions related to a Pledge Agreement for the proposed bonds, allowing for incremental property revenue generated within the Mission Rock Project Area to be used in combination with Mission Rock Special Tax revenues to pay for bond debt service. <p>Key Points</p> <ul style="list-style-type: none"> • Phase 1 of the Mission Rock Development Project includes housing, office space, retail, creation of China Basin Park, and horizontal infrastructure, such as streets and utilities. The development agreement between the Port and Seawall Lot 337 Associate, LLC requires the developer to build horizontal infrastructure and the Port to reimburse those costs. • The Board of Supervisors previously approved Project Area I (Mission Rock) within the Port's Infrastructure Financing District, which allowed for incremental property taxes generated within that area to be used for infrastructure costs. In addition, the Board has approved the Mission Rock Special Tax District and levy of special taxes within that area. • In December 2020, the Board of Supervisors authorized the issuance of the first series of Development Special Tax Bonds in an amount not to exceed \$43.3 million. The principal amount of the first bond issuance was based on the appraised value of the taxable property, as the principal par amount of the bonds may not exceed one-third of the appraised value of the property per City policy. However, the appraised value of the property has increased significantly since October 2020, and the proposed second bond issuance of up to \$64.9 million is consistent with the increased appraisal. • The proposed bonds would be repaid by a combination of special taxes and tax increment revenue. Ground lease tenants will receive a credit on their special taxes based on the prior year's tax increment revenue. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed bonds are expected to generate \$64.8 million in bond proceeds, have a thirty-year term, and true interest cost of 4.00 percent. Total debt service is expected to be \$119.4 million or approximately \$3,980,000, on average, per year. • Based on information provided by the Port, the proposed Special Tax Bonds are in compliance with the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolutions. 	

MANDATE STATEMENT

Section 53395.8(c)(3) of the California Government Code designates the Board of Supervisors as the legislative body for the Port Infrastructure Financing District.

Section 43.10.9 of the Administrative Code incorporates the 1982 Mello-Roos Community Facilities Act, which designates the Board of Supervisors the legislative body for Community Facilities Districts within San Francisco.

BACKGROUND**Mission Rock Development Project**

The Mission Rock development project area comprises two pieces of Port property, Seawall Lot 337 and Pier 48. In February 2018, the Board of Supervisors approved a Disposition and Development Agreement (DDA) between the Port and Seawall Lot 337 Associates, LLC, a joint venture consisting of the San Francisco Giants and Tishman Speyer (File 18-0092). The DDA requires the developer to build horizontal and vertical improvements within the Mission Rock Project Area and the Port to reimburse the developer for certain infrastructure costs. Phase 1 will include 537 housing units, 550,000 square feet of office space, 65,000 of ground floor retail, China Basin Park, a 5.5 acre public park, and related infrastructure and is expected to be complete in 2022. The area was previously a parking lot.

Financing Plan

To finance Phase 1 horizontal infrastructure costs, the Port intends to use tax-increment financing and special taxes, as detailed below. Horizontal infrastructure includes entitlements, demolition, raising the site to protect against sea level rise, hazardous soil removal, wet and dry utilities, earthwork and retaining walls, roadways and street utilities, as well as public open space.

Infrastructure Financing District

The Board of Supervisors formed the Port Infrastructure Financing District 2 (Port IFD) in March 2016 (File 13-0264). The Port IFD includes eight project areas which are eligible to receive property tax increment revenues, each of which is subject to Board of Supervisors' approval. In February 2018, the Board of Supervisors established Project Area I (Mission Rock) and Sub-Project Areas I-1 through I-13 within the Port's Infrastructure Financing District 2 (File 17-1314), approved the Infrastructure Financing Plan for that Project Area (File 17-1314), and approved the issuance of up to \$1.378 billion tax increment bonds to finance construction of infrastructure within each Project Sub-Area (File 17-1315).

Special Tax District

The 1982 Mello-Roos Community Facilities Act allows for the formation of special tax districts to fund public infrastructure improvements. In April 2020, the Board of Supervisors approved a resolution forming Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (File 20-0120) and in May 2020, the Board approved special taxes to be levied in that special tax district

to fund infrastructure improvements (File 20-0125) and the sale and issuance of up to \$3.7 billion in special tax bonds for infrastructure improvements (File 20-0124).

Entitlement and Phase 1 Horizontal Infrastructure

Table 1 below shows the estimated sources of funds that will be used to fund construction of horizontal infrastructure within Phase 1 of the Mission Rock Development Project. Sources include prepayments on ground leases, special taxes, and incremental property tax revenue.

Table 1: Mission Rock Phase 1 Horizontal Infrastructure (\$millions)

Sources	Entitlement	Phase I Infrastructure	Total
Ground Lease Pre-payments	\$42.2	\$0	\$42.2
Special Tax Bonds - Unimproved Land	4.0	31.2	35.2
Special Tax Bonds - Completed Buildings	0	140.8	140.8
Tax Increment (IFD)	0	47.2	47.2
Total Sources	\$46.2	\$219.3	\$265.4
Uses			
Horizontal Infrastructure Costs	\$29.3	\$145.4	\$174.8
Developer Return *	16.9	73.8	90.7
Total Uses	\$46.2	\$219.3	\$265.5

Source: Port

Note: Differences due to rounding

* The Development and Disposition Agreement provided for the developer to fund horizontal infrastructure with developer equity, subject to a return of the higher of (1) 18 percent per year¹, or (2) 1.5 times peak equity. The developer contributed \$29.3 million in equity for entitlement costs, for which equity contribution and the return on equity is funded through the prepayment of project ground leases. The Phase 1 budget assumes a developer equity contribution of \$145.4 million with an 18 percent annual return totaling \$73.8 million. According to the financial pro forma prepared by Tishman Speyer for the Port, the estimated return to the developer of \$73.8 million is based on repayment of the developer's equity contribution over time.

First Issuance of Development Special Tax Bonds

In December 2020, the Board of Supervisors approved: (1) a resolution (File 20-1292) authorizing the Port to issue Development Special Tax Bonds in an amount not to exceed \$43.3 million and approve related documents; and (2) a resolution (File 20-1302) approving the revised Pledge Agreement for the bonds, allowing for incremental property revenue generated within the Mission Rock Project Area to be used in combination with Mission Rock Special Tax revenues to pay for bond debt service. According to the Port, the City's Office of Public Finance and the City's Underwriter were finalizing a negotiated sale of the previously approved bonds as of April 2021 and expected to close on the sale of funds in May 2021.

¹ The original term sheet between the Port and the developer provided for a 20 percent return on equity, which was reduced to 18 percent in the final DDA approved by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

File 21-0385: The proposed resolution would supplement Resolution 196-20 and authorize the Port to issue Development Special Tax Bonds in an amount not to exceed \$64.9 million, approve the related documents: Official Statement, a First Supplement to Fiscal Agent Agreement, Bond Purchase Agreement, and Continuing Disclosure Certificate, and authorize the Mayor, the Controller, and the Director of the Office of Public Finance, and other City officers to modify and execute those contracts. The proposed resolution would authorize a negotiated sale for the proposed bonds.

File 21-0385 would also find that the proposed bonds and related appraisal are consistent with Board of Supervisors Resolution 414-13, which approved the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts (File 13-0971).

File 21-0386: The proposed resolution would approve certain documents and actions related to a Pledge Agreement for the Port IFD and the proposed bonds, including approval of the financing plan and authorization of appropriate officers of the City to execute any and all certificates, agreements, and other documents and take any other actions necessary on behalf of the Port IFD in connection with the proposed bonds.

Updated Appraisal of the Mission Rock Special Tax Area

The principal amount of the first bond issuance was based on the appraised value of the taxable property. As discussed below, the principal par amount of the Development Special Tax Bonds may not exceed one-third of the appraised value of the taxable property under the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts. As of October 28, 2020 the appraised value of the leasehold interests within the Mission Rock Special Tax Area was \$130 million. Based on this appraisal and a three-to-one value to lien ratio, the Board of Supervisors approved the first bond issuance of \$43.3 million in December 2020. However, the appraised value of the property has increased significantly since October 2020, and the proposed resolution (File 21-0385) would approve a second bond issuance of up to \$64.9 million consistent with the increased appraisal.

As of February 1, 2021, the appraised value of the leasehold interests within the Mission Rock Special Tax Area is \$324,890,000, which is nearly 2.5 times the October 28, 2020 appraised value of \$130,000,000. According to the Port, the developer and its affiliates have undertaken substantial horizontal and vertical improvements in the project area and have paid substantial development impact fees, resulting in the increase in the appraised value. Because of the significant increase in the appraised value, the Port retained independent third party review appraiser to evaluate and ultimately sign off on the value conclusion.

Pledge Agreement

Under the previously approved Pledge Agreement, property tax increment generated within the Mission Rock Project Area may be used in combination with Mission Rock Special Tax revenues to pay for bond debt service. Under the DDA's Financing Plan, although the proposed bonds will be secured by the Mission Rock Development Special Tax revenue, ground lease tenants will

receive a credit on their Development Special Taxes based on the prior year’s tax increment revenue. According to the Port, this reduction in taxes enhances the value of the land, which is owned by the Port, and ground lease proceeds. As shown above in Table 1, ground lease proceeds were used to finance a portion of the horizontal infrastructure entitlement costs.

First Supplement to Fiscal Agent Agreement

The Fiscal Agreement documents the bond attributes for the first series of bonds, including the maturity and interest rate, the use of Mission Rock Development Special Taxes and Mission Rock tax increments to repay the proposed bonds, and allowable uses of bond proceeds and reserves. The First Supplement to Fiscal Agent Agreement will document the bond attributes for the proposed second series of bonds. The Fiscal Agreement is between the City and Zions Bancorporation, National Association, the fiscal agent responsible for holding and disbursing bond proceeds consistent with the Fiscal Agreement and Pledge Agreement. According to the Port, Zions Bancorporation, National Association was selected through a competitive process undertaken by the Port’s municipal advisor, PFM.

Bond Purchase Agreement

The Port intends to issue the proposed bonds as a negotiated, rather than a competitive sale. According to the Port, this is necessary because the Mission Rock Project Area is still in the early stages of development and bonds would likely not be rated as investment grade and therefore the best price for the bonds will be achieved through a negotiated sale.

The Bond Purchase Agreement is between the City and Stifel, Nicolaus & Company, Incorporated, the underwriter for the proposed bonds. According to the Port, Stifel, Nicolaus & Company, Incorporated was selected as the underwriter through a competitive solicitation from the Office of Public Finance’s pool of qualified underwriters.

Official Statement & Continuing Disclosure Statement

The Preliminary Official Statement describes the legal structure of the bonds as well as sources of revenue and major risks related to repayment for the benefit of prospective investors. The final Official Statement includes the same information as the Preliminary Official Statement as well as the results of the pricing of the Bonds for the benefit of prospective purchasers of the Bonds.

The proposed resolution allows the Port and the Office of Public Finance to issue an annual Continuing Disclosure Statement, which provides financial information relevant for existing and prospective bond investors.

FISCAL IMPACT

Table 2 below shows the sources and uses of the proposed bonds. The Port intends to issue up to \$64.9 million of Development Special Tax Bonds net of a premium of -\$70,986, which is subject to market conditions at the time of sale.

Table 2: Bond Sources and Uses

Sources	Amount
Par Amount	\$64,900,000
Premium	(70,986)
Total Sources	\$64,829,014
Uses	
Delivery Expenses & Reserves	
Debt Service Reserve	\$5,005,949
Cost of Issuance	826,000
Underwriter's Discount	649,000
Subtotal, Delivery Expenses & Reserves	\$6,480,949
Improvement Fund	\$58,348,065
Total Uses	\$64,829,014

Source: Port

The proposed resolution in File 21-0385 limits underwriter's discount to 1.5 percent of the bonds' par value. Based on the values in Table 2 above, the estimated underwriter's discount is one percent of the bonds' par value. The debt service reserve amount is based on 125 percent of the average annual debt service and will depend on market conditions at the time of sale. Costs of issuance include legal and consultant fees.

Debt Service

The proposed bonds will have a thirty-year term and true interest cost of 4.00 percent. Total debt service is expected to be \$119.4 million or approximately \$3,980,000, on average, per year. Under the revised Pledge Agreement, the bonds would be repaid with Development Special Tax revenue collected within the Mission Rock Special Tax District, though, as noted above, incremental property tax revenues captured by the Infrastructure Financing District may also be used to pay for proposed debt service under the Pledge Agreement. The Port expects the bonds will be issued by September 2021.

Compliance with City Special Tax Bond Policy

Under Section 4 of the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts, the appraised value of the taxable property within the Special Tax District must be at least three times the value of the par value of the proposed bonds. Under Section 6 of those same policies, the special tax formulas for CFDs shall provide for minimum special tax levels that satisfy the following payment obligations of a CFD: (i) 110 percent of gross debt service for all CFD bonded indebtedness; (ii) all administrative expenses of the City related to the CFD, and (iii) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on Bonds to the CFD.

The appraised value as of February 1, 2021 of the leasehold interests within the Mission Rock Special Tax Area is \$324,890,000, which permits up to \$108,296,000 in total bond proceeds using a three-to-one value to lien ratio. The first issuance of \$43.3 million together with the proposed

second issuance of up to \$64.9 million in Bonds would result in \$108.2 million in total issuance, which is within the permitted amount based on the appraised value. According to the Port, the maximum taxing capacity of the Mission Rock Special Tax for FY 2020-21 is \$14.0 million, which is 203 percent greater than the expected annual debt service of \$6,880,000, including annual debt service for the first (\$2,900,000) and proposed second issuance (\$3,980,000).² Based on information provided by the Port, the proposed Special Tax Bonds are in compliance with the City’s Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts.

Impact on Phase 1 Budget

The proposed bonds, which are anticipated to have an interest rate of 4.0 percent, would repay developer equity earning the higher of an 18 percent return or 1.5 times peak equity for the phase. According to the Port, replacing higher-interest developer equity with low-interest public financing, preserves the Port’s land value in later phases of the project. The Phase 1 budget assumes a Developer equity contribution of \$145.4 million, which will accrue the 18 percent return. Increasing the amount of bond proceeds will allow the City to repay the Developer’s equity contribution more quickly and replace the 18 percent per year debt with lower interest, bond debt service.

However, reductions in financing costs are off-set by costly project delays, including a nine-month delay in obtaining the key horizontal permit (the Street Improvement Permit) and a 12-month delay in the first bond issuance (compared to the anticipated date in the Project’s Model of Record). According to the Port, the project team and Developer are focused on scope and cost management and will provide the Port Commission with a more complete update on project finances by Fall of 2021.

RECOMMENDATION

Approve the proposed resolutions.

² Although the maximum taxing capacity was \$14.0 million in FY 2020-21, only the special tax revenues needed for estimated interest payments on the 2021A Bonds (\$1.84 million) were levied.

FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

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

Dated as of _____ 1, 2021

RELATING TO

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

**FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT
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FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

THIS FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT, dated as of _____ 1, 2021 (the "**First Supplement to Fiscal Agent Agreement**"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**") for and on behalf of the "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)" (the "**Special Tax District**"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "**Fiscal Agent**");

WITNESSETH:

WHEREAS, the Board of Supervisors of the City (the "**Board of Supervisors**") previously conducted proceedings under and pursuant to the provisions of 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 California Government Code) (the "**Act**"), to form the Special Tax District; and

WHEREAS, the Board of Supervisors, as the legislative body with respect to the Special Tax District, is authorized under the Special Tax Financing Law to levy special taxes within the Special Tax District on the Leasehold Interest in each Taxable Parcel (as those terms are defined in the Rate and Method) to pay for the costs of facilities and to authorize the issuance of bonds secured by said special taxes under the Special Tax Financing Law; and

WHEREAS, on May 5, 2020, the Board of Supervisors adopted Resolution No. 196-20, which resolution was signed by the Mayor on May 15, 2020 (authorizing the issuance of special tax bonds on behalf of the Special Tax District; and

WHEREAS, on December 8, 2020, the Board of Supervisors adopted Resolution No. 565-20, which resolution was signed by the Mayor on December 18, 2020 (the "**First Supplemental Resolution**"), and authorized the issuance of \$_____ 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**") on behalf of the Special Tax District; and

WHEREAS, the 2021A Bonds were issued pursuant to a Fiscal Agent Agreement, dated as of April 1, 2021 (the "**Master Fiscal Agent Agreement**"; as supplemented, the "**Agreement**");

WHEREAS, the City wishes to provide for the issuance of a series of Parity Bonds and 2021A Related Parity Bonds (as defined in the Master Fiscal Agent Agreement) on behalf of the Special Tax District under Section 3.06 of the Master Fiscal Agent Agreement for the purpose of paying for the costs of acquiring and constructing the Facilities, which Parity Bonds shall be entitled "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B" (the "**2021B Bonds**"); and

WHEREAS, Section 8.01(B)(v) of the Master Fiscal Agent Agreement provides that the Master Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may be modified or amended at any time by a Supplemental Agreement in connection with the issuance of Parity Bonds, without the consent of any Owners, but with the written consent of the Fiscal Agent, after the Fiscal Agent has been furnished an opinion of counsel that the amendment is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

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

WHEREAS, on _____, 2021, the Board of Supervisors adopted Resolution No. _____ (the "**Second Supplemental Resolution**") authorizing the issuance of the 2021B Bonds for and on behalf of the Special Tax District (which Second Supplemental Resolution of Issuance was signed by the Mayor on _____, 2021); and

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

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

WHEREAS, the Bonds shall be payable from Development Special Taxes levied under the Rate and Method and not from any other special tax levied under the Rate and Method; and

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

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

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

Section 2. Equal Security. As Parity Bonds issued pursuant to Section 3.06 of the Master Fiscal Agent Agreement, the 2021B Bonds shall be secured by a lien and charge upon the Revenues and the funds and accounts set forth in the first paragraph of Section 3.02 of the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2021A Bonds.

In addition, as 2021A Related Parity Bonds, the 2021B Bonds shall 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 herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2021A Bonds, the 2021B Bonds and all 2021A Related Parity Bonds as provided in the Agreement and in the Special Tax Financing Law until all of the 2021A Bonds, the 2021B Bonds and all 2021A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

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

ARTICLE X

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2021B BONDS; EQUAL SECURITY

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

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

“**Interest Payment Date**” for the 2021B Bonds means March 1 and September 1 of each year, commencing ____ 1, 20__.

“**Original Purchaser**” and “**Participating Underwriter**” means Stifel, Nicolaus & Company, Incorporated, as the first purchaser of the 2021B Bonds from the City.

“**2021A Bonds**” has the meaning given that term in the Recitals

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

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

“2021B Term Bonds” means the 2021B Bonds maturing on September 1, _____, September 1, _____ and September 1, _____.

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

ARTICLE XI

ISSUANCE OF 2021B BONDS

Section 11.01. Terms of 2021B Bonds.

(A) Principal Amount; Designation. The 2021B Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the City under and subject to the Resolution, the Special Tax Financing Law, the Act, other applicable laws of the State of California and the terms of the Agreement. The 2021B Bonds shall be designated as the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B.”

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

<u>2021B Bonds</u>		
<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>

(T)=2021B Term Bond

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

The 2021B Bonds, the Fiscal Agent’s certificate of authentication and the assignment, to appear thereon, shall be substantially in the form set forth in Exhibit E attached hereto and by this

reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Special Tax Financing Law.

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

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

(F) Method of Payment. Interest on the 2021B 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 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 Bonds are transferred to a new Owner. The interest, principal of and any premium on the 2021B Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2021B Bonds at the Principal Office of the Fiscal Agent. All 2021B Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2021B Bonds and issue a certificate of destruction of such Bonds to the City.

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

Section 11.03. Redemption of 2021B Bonds.

(A) Optional Redemption. The 2021B Bonds maturing on or after September 1, _____, are subject to optional redemption as directed by the City from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturities, on any date on or after September 1, _____, in 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, together with accrued interest thereon to the date fixed for redemption, without premium.

(B) Mandatory Sinking Fund Redemption. The 2021B Term 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:

2021B Bonds Maturing September 1, _____

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption

* Maturity

Provided, however, if some but not all of the 2021B Term Bonds have been redeemed under subsection (A) above or subsection (C) below, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of 2021B Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

(C) Redemption from Development Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the 2021A Reserve Fund pursuant to Section 12.06(F) shall be used to redeem 2021B Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D)(i), among series and maturities as provided in Section 2.03(D)(iii), at a redemption price (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, _____	%
On September 1, _____ and March 1, _____	
On September 1, _____ and March 1, _____	
On September 1, _____ and any Interest Payment Date thereafter	

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

(E) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 11.03, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2021B 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 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 Bonds were to be redeemed in accordance with this Agreement. Any 2021B Bonds purchased pursuant to this Section 11.03(E) shall be treated as outstanding 2021B Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

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

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

Section 11.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City on the Closing Date relating to the 2021B Bonds. Notwithstanding any other provision of the Master Fiscal Agent Agreement or this First Supplement to Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Fiscal Agent shall, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2021B Bonds, and upon receipt of indemnity satisfactory to the Fiscal Agent, or any holder or beneficial owner of the 2021B Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

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

Section 11.06. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2021B Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

Section 11.07. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2021B Bonds. The Finance Director shall take note of any investment of monies hereunder in excess of the yield on the 2021B Bonds, and shall take such actions as are necessary to ensure compliance with this Section 5.12, such as increasing the portion of the Development Special Tax

levy for Administrative Expenses as appropriate to have funds available to satisfy any rebate liability under this Section. If necessary to satisfy its obligations under this Section 5.12, the City may use:

- (A) Amounts in the 2021A Reserve Fund if the amount on deposit in the 2021A Reserve Fund, following the proposed transfer, is at least equal to the 2021A Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2021A Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Development Special Taxes available for that purpose;
- (C) Amounts on deposit in the Administrative Expense Fund; and
- (D) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A), (B) and (C).

Section 11.08. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2021B Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2021B Bonds would have caused the 2021B Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

Section 11.09. Yield of the 2021B Bonds. In determining the yield of the 2021B Bonds to comply with Sections 5.12 and 5.13, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Development Special Taxes and use of prepayments for redemption of the 2021B Bonds, without regard to whether or not prepayments are received or 2021B Bonds redeemed.

Section 11.10. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the 2021B Bonds from the gross income of the Owners of the 2021B Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2021B Bonds.

ARTICLE XII

ISSUE OF 2021B BONDS

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

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

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

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

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

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

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

Section 12.03. 2021B Costs of Issuance Fund.

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

(B) Disbursement. Amounts in the 2021B Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance attributable to the issuance of the 2021B Bonds, as set forth in a requisition substantially in the form of Exhibit F hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

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

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

Section 12.04. 2021B Improvement Fund.

(A) Establishment of 2021B Improvement Fund. The 2021B Improvement Fund is hereby established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by Sections 12.02 and 12.03.

Moneys in the 2021B Improvement Fund shall be disbursed, except as otherwise provided in subsections (B) and (D) of this Section, for the payment or reimbursement of costs of the Project.

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

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

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

(D) Closing of Fund. At such time as there are no moneys in the 2021B Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2021B Improvement Fund, such Fund may be closed as set forth below.

When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the 2021B Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the 2021B Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the 2021B Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2021B Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2021B Improvement Fund shall be closed. Moneys transferred from the 2021B Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

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

Section 5. Attachment of Exhibit F. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit F, which shall read substantially as set forth in Appendix 3 which is attached hereto and by this reference incorporated herein.

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

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

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

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

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

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

Section 12. Counterparts. This First Supplement to Fiscal Agent Agreement may be executed in counterparts, each of which shall be deemed an original.

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

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Special Tax
District No. 2020-1 (Mission Rock Facilities and
Services)

By _____
Director of the Office of Public Finance

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

APPENDIX 1

EXHIBIT E

FORM OF 2021B BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO**

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2020-1
(MISSION ROCK FACILITIES AND SERVICES)
DEVELOPMENT SPECIAL TAX BOND, SERIES 2021B**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
____%	September 1, _____	_____, 2021	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: *****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)" (the "Special Tax District"), for value received, hereby promises to pay solely from the Revenues (as defined in the hereinafter defined Agreement) to be collected in the Special Tax District or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date 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 unless this Bond is authenticated on or prior to _____ 15, 2021, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing _____ 1, 2021 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal

Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by resolutions of the Board of Supervisors of the City on May 15, 2020, and _____, 2021 (together, the "Resolution"), under 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 California Government Code (the "Act") for the purpose of funding certain facilities for the City, and is one of the series of bonds designated "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of _____ 1, 2021, as supplemented (the "Agreement"), between the City and Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

The Bonds are payable from the Revenues and moneys in certain funds and accounts described in the Resolution on a parity basis with certain outstanding bonds, as set forth in the Agreement.

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

Optional Redemption. The Bonds maturing on or after September 1, _____ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, _____, 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 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

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

Mandatory Sinking Fund Redemption. The Term Bond maturing on September 1, _____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City

from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
_____	\$_____
_____	_____
_____ (maturity)	_____

The Term Bond maturing on September 1, _____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
_____	\$_____
_____	_____
_____ (maturity)	_____

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

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, _____	_____ %
September 1, _____ and March 1, _____	_____
September 1, _____ and March 1, _____	_____
September 1, _____ and any Interest Payment Date thereafter	_____

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

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

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

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

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the manual or facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk.

Clerk of the Board of Supervisors

Mayor

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

This is one of the Bonds described in the Agreement which has been authenticated on _____, 2021.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed
by an eligible guarantor.

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

APPENDIX 2

EXHIBIT F

\$ _____

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

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

REQUISITION NO. _____

The undersigned hereby states and certifies that:

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

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

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

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

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

PAYEE NAME AND ADDRESS	PURPOSE OF OBLIGATION	AMOUNT

APPENDIX 3

EXHIBIT G

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

OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM 2021B IMPROVEMENT FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

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

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

(iii) under Section 12.04 of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the 2021B Improvement Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(iv) the disbursements described on the attached Schedule A are properly chargeable to the 2021B Improvement Fund; and

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

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

Payee Name and Address	Purpose of Obligation	Amount	Account from which Amounts should be paid

FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

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

Dated as of April 1, 2021

Relating to:

**\$ _____
City and County of San Francisco
Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Development Special Tax Bonds, Series 2021A**

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made, entered into and dated as of April 1, 2021, by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") for and on behalf of the "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)" (the "Special Tax District"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, Seawall Lot 337 Associates, LLC, a Delaware limited liability company ("Developer") and the City, acting by and through the San Francisco Port Commission ("Port" or "Port Commission"), are parties to a Disposition and Development Agreement (as amended from time to time, "DDA"), including a Financing Plan (as amended from time to time, "Financing Plan"), that governs the disposition and development of certain parcels in the jurisdiction of the Port, including Seawall Lot 337, 3.53 acres located at Terry A. Francois Boulevard from Third Street to Mission Rock Street, China Basin Park and ½ acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier 50 ("Mission Rock Site"); and

WHEREAS, the Board of Supervisors of the City has formed the Special Tax District under the provisions of 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 California Government Code) (the "Act"); and

WHEREAS, the Board of Supervisors, as the legislative body with respect to the Special Tax District, is authorized under the Special Tax Financing Law to levy special taxes within the Special Tax District on the Leasehold Interest in each Taxable Parcel (as those terms are defined in the Rate and Method) to pay for the costs of facilities and to authorize the issuance of bonds secured by said special taxes under the Special Tax Financing Law; and

WHEREAS, on May 5, 2020, the Board of Supervisors adopted Resolution No. 196-20, which resolution was signed by the Mayor on May 15, 2020 (the "Original Resolution") authorizing the issuance of special tax bonds on behalf of the Special Tax District; and

WHEREAS, on December 8, 2020, the Board of Supervisors adopted Resolution No. 565-20, which resolution was signed by the Mayor on December 18, 2020 (the "Supplemental Resolution"; together with the Original Resolution and any subsequent resolutions approving the issuance of Bonds, the "Resolution") authorizing the issuance of special tax bonds (the "2021A Bonds") on behalf of the Special Tax District; and

WHEREAS, the Board of Supervisors of the City formed City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco (the "IFD"), an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California, including Chapter 2.8 of Division 2 of Part 1 of Title 5 of the California Government Code (the "IFD Law"); and

WHEREAS, an Infrastructure Financing Plan (as defined herein) for the IFD, including Appendix I with respect to the following sub-project areas (each, a “Sub-Project Area”; collectively, the “Sub-Project Areas”), was adopted in compliance with all requirements of the IFD Law:

- (i) “Sub-Project Area I-1 (Mission Rock),”
- (ii) “Sub-Project Area I-2 (Mission Rock),”
- (iii) “Sub-Project Area I-3 (Mission Rock),”
- (iv) “Sub-Project Area I-4 (Mission Rock),”
- (v) “Sub-Project Area I-5 (Mission Rock),”
- (vi) “Sub-Project Area I-6 (Mission Rock),”
- (vii) “Sub-Project Area I-7 (Mission Rock),”
- (viii) “Sub-Project Area I-8 (Mission Rock),”
- (ix) “Sub-Project Area I-9 (Mission Rock),”
- (x) “Sub-Project Area I-10 (Mission Rock),”
- (xi) “Sub-Project Area I-11 (Mission Rock),”
- (xii) “Sub-Project Area I-12 (Mission Rock),” and
- (xiii) “Sub-Project Area I-13 (Mission Rock);”

WHEREAS, the Sub-Project Areas consist of certain parcels in the Mission Rock Site, and the Special Tax District includes certain parcels in the Sub-Project Areas; and

WHEREAS, pursuant to Section 53395.2 of the IFD Law, the IFD is authorized to pledge revenues available from the Sub-Project Areas and allocated to it pursuant to Article 3 of the IFD Law (commencing with Section 53396) to pay the principal of, and interest on, bonds issued pursuant to the Act, the proceeds of which have been or will be used entirely for allowable purposes of the IFD; and

WHEREAS, the San Francisco Special Tax Financing Law incorporates the Mello-Roos Act by reference; and

WHEREAS, the City, for and on behalf of the Special Tax District, has entered into a Pledge Agreement, dated the date hereof, with the IFD and the Fiscal Agent, pursuant to which the IFD has agreed to make certain payments to the Fiscal Agent (the “IFD Payment Amount”) from Pledged Tax Increment, as defined in the Pledge Agreement; and

WHEREAS, the Fiscal Agent Agreement shall deposit the IFD Payment Amount in the IFD Payment Amount Fund established and maintained by the Fiscal Agent hereunder, and shall apply the IFD Payment Amount as set forth herein; and

WHEREAS, the Port, as agent of the Special Tax District and the IFD, and in its own proprietary capacity, has entered into a Special Fund Administration Agreement, dated as of April 1, 2021 (the “Special Fund Administration Agreement”), with Zions Bancorporation, National Association (the “Special Fund Trustee”); and

WHEREAS, a default judgment was entered on October 17, 2019, by the Superior Court of the County of San Francisco in a judicial validation action related to the IFD, the Sub-Project Areas and the Pledge Agreement (Case No. CGC-18-565561) (the “Validation Judgment”); and

WHEREAS, it is in the public interest and for the benefit of the City, the Special Tax District and the persons responsible for the payment of special taxes that the City enter into this

Agreement to provide for the issuance of the Bonds (as defined below) hereunder to finance the acquisition and construction of facilities for the City and other eligible amounts under the Resolution of Formation and to provide for the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the Bonds shall be payable from Development Special Taxes levied under the Rate and Method and not from any other special tax levied under the Rate and Method; and

WHEREAS, the City has determined that all things necessary to cause the 2021A Bonds, when authenticated by the Fiscal Agent and issued as provided in the Special Tax Financing Law (including the Act, to the extent applicable), the Resolution and this Agreement, to be legal, valid, binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

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

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the Special Tax Financing Law (as herein defined) and the Resolution.

Section 1.02. Agreement for Benefit of Owners of the Bonds. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof. Any capitalized term not defined in this Section 1.03 shall have the meaning given to such term in the recitals of this Agreement, the Pledge Agreement or the Financing Plan (including the Appendix to Transaction Documents for the Mission Rock Project referenced therein), as applicable.

“Acquisition Agreement” means that certain Acquisition and Reimbursement Agreement, dated for reference August 15, 2018, by and among City, acting by and through the San Francisco Port Commission, and the Developer.

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

“Administrative Expenses” means costs directly related to the administration of the Special Tax District consisting of: the actual costs of computing the Development Special Taxes and preparing the annual Development Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Development Special Taxes (whether by the City or otherwise); the actual costs of remitting the Development Special Taxes and the IFD Payment Amount to the Fiscal Agent; actual costs of the Special Fund Trustee related to the Development Special Taxes and the Bonds; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Special Tax Financing Law and this Agreement, including those related to public inquiries regarding the Development Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; the actual costs of the City or its designee related to an appeal of the Development Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto; and costs related to credit enhancement and liquidity support for any Bonds. Administrative Expenses shall also include amounts advanced by the City

for any administrative purpose of the Special Tax District, including costs related to prepayments of Development Special Taxes, recordings related to such prepayments and satisfaction of Development Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Development Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Fund” means the fund designated the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Administrative Expense Fund” established and administered under Section 4.07.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

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

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

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

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

“Bond” or “Bonds” means the 2021A Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

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

“Bond Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Special Tax Bonds, Bond Fund” established and administered under Section 4.04.

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

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

“CFD Administrative Costs Account” the account of that name established and held by the Special Fund Trustee in the Administrative Costs Fund under the Special Fund Administration Agreement.

“CDIAC” means the California Debt and Investment Advisory Commission of the Office of the State Treasurer, or any successor agency, board or commission.

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

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

“Closing Date” means, with respect to the 2021A Bonds, the date upon which there is a physical delivery of the 2021A Bonds in exchange for the amount representing the purchase price of the 2021A Bonds by the Original Purchaser.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the 2021A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

“Costs of Issuance Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Costs of Issuance Fund” established and administered under Section 4.02.

“Dated Date” means, with respect to the 2021A Bonds, _____, 2021, the dated date of the 2021A Bonds, which is the Closing Date.

“DDA” means the Disposition and Development Agreement, dated August 15, 2018, including a Financing Plan, between the City and County of San Francisco, acting by and through the Port Commission, and the Developer, as amended from time to time.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2021A Bonds under Sections 2.02 and 2.03 and the scheduled amount of interest and amortization of principal (including any mandatory sinking fund payments) payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository for book-entry under Section 2.10.

“Developer” means Seawall Lot 337 Associates, LLC, a Delaware limited liability company, and its successors and assigns.

“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.

“Development Special Tax Prepayments Account” means the account by that name established within the Bond Fund under Section 4.04(A).

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

“Development Special Taxes Subaccount of the CFD Remainder Account” means the account of that name established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

“Development Special Taxes Subaccount of the Facilities Special Tax Account” means the account of that name established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the Director of the Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

“Fiscal Agent” means Zions Bancorporation, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Horizontal Improvements” has the meaning given that term in the DDA, and generally consisting of public capital facilities and infrastructure built or installed at or near the Mission Rock Site.

“Improvement Fund” means a fund established under this Agreement for the purpose of holding Bond proceeds to pay Project costs. The Improvement Fund for the 2021A Bonds will be the 2021A Improvement Fund.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Treasurer, and who, or each of whom:

(i) is judged by the Treasurer to have experience in matters relating to the issuance and/or administration of bonds under the Special Tax Financing Law or the Act;

(ii) is in fact independent and not under the domination of the City;

(iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the Special Tax District, or any real property in the Special Tax District; and

(iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“IFD” means the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco), an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California.

“IFD Payment Amount” has the meaning given that term in the Pledge Agreement.

“IFD Payment Amount Fund” means the fund designated “IFD Payment Amount Fund,” established under Section 4.06.

“IFD Payment Date” means July 1.

“IFD Remainder Account of the Tax Increment Fund” means the account of that name established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

“Infrastructure Financing Plan” means the Infrastructure Financing Plan for the IFD, adopted and approved by the Board of Supervisors of the City and County of San Francisco by Ordinance No. 27-16, passed on March 1, 2016 and signed by the Mayor on March 11, 2016, as amended with respect to the Sub-Project Areas by Ordinance No. 34-18, passed on February 27, 2018 and signed by the Mayor on March 6, 2018, as heretofore amended and as may hereafter be amended in accordance with the IFD Law.

“Interest Payment Date” means each March 1 and September 1 of every calendar year, commencing with September 1, 2021.

“Leasehold Interest” has the meaning given that term in the Rate and Method.

“Master Lease” means the interim lease for a portion of the Mission Rock Site that allows Developer to take possession of the Mission Rock Site and construct Horizontal Improvements approved under the DDA and to conduct other uses as provided therein.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Mello-Roos Bonds Account (Development Special Taxes)” means the account of that name established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“MSRB” means the Municipal Securities Rulemaking Board, through its EMMA system, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the Board of Supervisors of the City levying the Development Special Taxes, including but not limited to Ordinance No. 79-20 introduced by the Board of Supervisors on May 5, 2020, and adopted by the Board of Supervisors on May 12, 2020, and signed by the Mayor on May 22, 2020.

“Original Purchaser” means, with respect to the 2021A Bonds, Stifel, Nicolaus & Company, Inc., the first purchaser of the 2021A Bonds from the City.

“Other Special Tax Bonds” means the following:

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

(b) bonds issued by or for the Special Tax District that are payable from special taxes levied under the Rate and Method other than the Development Special Tax and that do not constitute Bonds under this Agreement.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parcel Lease” has the meaning given that term in the Rate and Method.

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under Section 3.06.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market mutual funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory, transfer agency, custodial or other management services for which it receives and retains a fee for such services to the fund) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A.

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(k) the California Asset Management Program.

“Pledge Agreement” means that certain Pledge Agreement, dated the date hereof, by and among the IFD, the City and the Zions Bancorporation, National Association, as amended from time to time.

“Port” or “Port Commission” means the San Francisco Port Commission.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in Section 9.06, or such other office designated by the Fiscal Agent from time to time.

"Proceeds" when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter's discount.

"Project" means those items described as the "Facilities" in the Resolution of Formation.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2021A Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2021A Bonds and any 2021A Related Parity Bonds.

"Qualified Taxable Parcel" has the meaning given that term in Section 3.06.

"Rate and Method" means the Rate and Method of Apportionment of Special Tax for the Special Tax District set forth in the Resolution of Formation.

"Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

"Refunding Bonds" means bonds issued by the City for the Special Tax District, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

"Regulations" means temporary and permanent regulations promulgated under the Tax Code.

"Replacement DDA" means a disposition and development agreement executed by the Port Commission to replace the DDA (or a successor to the DDA) that covers substantially the same real property and improvements as the DDA and establishes substantially the same rights and responsibilities as the DDA (or successor to the DDA).

"Replacement Lease" means a lease agreement obtained by the City in replacement of a lease that is subject to the Development Special Taxes, which establishes a Leasehold Interest with a term that ends on or after the final maturity date of the Bonds and that covers substantially the same real property and improvements as the existing lease.

"Resolution" has the meaning given that term in the recitals hereof.

“Resolution of Formation” means Resolution No. 160-20, adopted by the Board of Supervisors on April 14, 2020, forming the Special Tax District, and signed by Mayor London Breed on April 24, 2020.

“Resolution of Necessity” means Resolution No. 161-20 adopted by the Board of Supervisors on April 14, 2020, and signed by the Mayor on April 24, 2020.

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

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Fund Administration Agreement” means that certain Special Fund Administration Agreement by and among the Port, as agent of the IFD and the CFD and in its proprietary capacity, and the Special Fund Trustee, as amended from time to time.

“Special Fund Trustee” means Zions Bancorporation, National Association, in its capacity under the Special Fund Administration Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place pursuant to the Special Fund Administration Agreement.

“Special Tax District” means the "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)" formed under the Resolution of Formation.

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

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Special Tax Financing Law and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Development Special Taxes.

“Taxable Parcel” has the meaning given that term in the Rate and Method.

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

“Term Bonds” means (i) the 2021A Bonds maturing on September 1, ____, and September 1, __ and (ii) the Parity Bonds designated as term bonds under a Supplemental Agreement.

“2021A Bonds” means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

“2021A Capitalized Interest Account” means the account by that name held by the Fiscal Agent and established and administered under Section 4.04(A).

“2021A Improvement Fund” means the fund designated “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Special Tax Bonds, 2021A Improvement Fund,” established under Section 4.08.

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

“2021A Reserve Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Development Special Tax Bonds, 2021A Reserve Fund” established and administered under Section 4.03.

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

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

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

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

ARTICLE II

THE BONDS

Section 2.01. Principal Amount; Designation. Bonds in the aggregate principal amount of bonds authorized to be issued under the Resolution of Necessity are hereby authorized to be issued by the City for the Special Tax District under and subject to the terms of the Special Tax Financing Law (including the Act, to the extent incorporated therein), the Resolution, this Agreement and other applicable laws of the State of California.

The 2021A Bonds shall be designated as the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A,” and shall be in the initial principal amount of \$_____.

Section 2.02. Terms of the 2021A Bonds.

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

(B) Date of 2021A Bonds. The 2021A Bonds shall be dated the Closing Date.

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

(D) Maturities; Interest Rates. The 2021A Bonds shall mature and become payable on each September 1, and shall bear interest at the rates per annum indicated in the below table.

Maturity (September 1)	Principal Amount	Interest Rate
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* Term Bond

(E) Interest. The 2021A Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless

(i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or

(ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or

(iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date;

provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

Section 2.03. Redemption.

(A) Redemption Provisions.

(i) **Optional Redemption.** The 2021A Bonds maturing on or after September 1, _____ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, _____, 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 2021A Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

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

(ii) **Mandatory Sinking Fund Redemption.** The Term Bond maturing on September 1, ____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

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

The Term Bond maturing on September 1, ____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

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

Provided, however, if some but not all of the Term Bonds of a given maturity have been redeemed under subsection (i) above or subsection (iii) below, the total amount of all future Sinking Fund Payments relating to such maturity shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the City, notice of which shall be given by the City to the Fiscal Agent and the notice shall include a revised sinking fund schedule.

(iii) **Redemption from Development Special Tax Prepayments.** Development Special Tax Prepayments and any corresponding transfers from the 2021A Reserve Fund pursuant to Section 4.03(F) shall be used to redeem 2021A Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), among series and maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the

2021A Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, ____	____ %
September 1, ____ and March 1, ____	____
September 1, ____ and March 1, ____	____
September 1, ____ and any Interest Payment Date thereafter	____

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.

(B) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under subsection (A)(i) and (A)(iii) not less than 45 days prior to the applicable redemption date or such lesser number of days as shall be acceptable to the Fiscal Agent.

(C) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 2.03(A), moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2021A 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 2021A 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 2021A Bonds were to be redeemed in accordance with this Agreement.

(D) Redemption Procedure by Fiscal Agent.

(i) **Notices.** The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, or posted, 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 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 mail 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 EMMA system.

(ii) **Contents of Notices.** Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such 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 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 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 Bonds then called for redemption, and such cancellation shall not constitute a default under this 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 mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

(iii) **Selection of Bonds for Redemption.** Whenever the City has called for redemption of less than all of the Bonds, the City shall determine which maturities shall be redeemed, as set forth in Section 2.03(A). Whenever provision is made in this Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent shall select the Bonds of such maturity to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate.

(iv) **New Bonds.** Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds of such registered Owner.

(E) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent under this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 2.04. Form of Bonds. The 2021A Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Special Tax Financing Law.

Section 2.05. Execution and Authentication of Bonds.

(A) Execution. The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its Mayor and its Clerk of the Board of Supervisors who are in office on the date of execution of this Agreement or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

(B) Authentication. Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement,

and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of Section 2.07 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.07. Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.

(A) Mutilated. If any Bond shall become mutilated, at the expense of the Owner of such Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver a

replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, in accordance with the Fiscal Agent's retention policy then in effect.

(B) Destroyed or Stolen. If any Bond shall be lost, destroyed or stolen, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen, at the expense of the Owner, but only following provision by the Owner to the Fiscal Agent of indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent and the City. The City may require payment of a sum not exceeding the actual cost of preparing each a replacement Bond delivered under this Section and the City and the Fiscal Agent may require payment of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

(C) Additional Stock. If the Fiscal Agent has an insufficient stock of unauthenticated printed Bonds for such purpose, it shall communicate with the Finance Director with respect to the printing of an additional stock of Bonds, in such quantities and as otherwise approved in writing by the Finance Director.

Section 2.10. Book-Entry Only System. DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The Authorized Officers of the City and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond register in the name of Cede & Co., as nominee of DTC, neither the City nor the Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the City nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any Bonds to be redeemed in the event the City elects to redeem the Bonds, in part, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payments to any DTC Participant, any Beneficial Owner, or any person, other than DTC, of any amount with respect to the principal of or interest or premium on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the City and the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond, for which DTC is acting as Depository for the purpose of payment of the principal of and premium and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent on behalf of the City shall pay all principal of and premium and interest on the Bonds only to or upon the order of the Owners as shown on the Bond register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and premium and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond register, shall receive a physical Bond. Upon delivery by DTC to the City and the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.10 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfer through DTC is not in the best interest of the Beneficial Owners, and the City shall mail notice of such termination to the Fiscal Agent.

Upon termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certified Bonds, the Bonds shall no longer be restricted to being registered in the Bond register of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners.

ART ICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of 2021A Bonds. At any time after the execution of this Agreement, the City may issue the 2021A Bonds for the Special Tax District in the aggregate principal amount set forth in Section 2.01 and deliver the 2021A Bonds to the Fiscal Agent for authentication and delivery to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2021A Bonds in accordance with the provisions of the Special Tax Financing Law, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the 2021A Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2021A Bonds to the Original Purchaser.

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

Section 3.02. Pledge of Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Revenues and all moneys deposited in the Bond Fund (including the Development Special Tax Prepayments Account), and, until disbursed as provided herein, in the IFD Payment Amount Fund, the Development Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Development Special Taxes). The Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein, in the IFD Law and in the Special Tax Financing Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

The 2021A Bonds and all 2021A Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2021A Reserve Fund. The moneys in the 2021A Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2021A Bonds and all 2021A Related Parity Bonds as provided herein and in the IFD Law and the Special Tax Financing Law until all of the 2021A Bonds and all 2021A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

The 2021A Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all proceeds of the 2021A Bonds deposited in the 2021A Capitalized Interest Account.

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

Section 3.03. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable

solely from the Revenues and the funds pledged therefor hereunder. Neither the faith and credit of the City, the Port Commission, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth herein), or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 3.04. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds under Section 2.03, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Project or upon the performance by any person of his obligation with respect to the Project.

Section 3.06. Parity Bonds. In addition to the 2021A Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on the Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder. 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 this Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the bonded indebtedness limit of the Special Tax District.

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

(C) Debt Service Reserve Fund. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2021A Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2021A Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2021A Reserve Fund and that the Owners of the Bonds covered by the 2021A Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2021A Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2021A Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) Special Tax District Value. The Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the Special Tax District subject to the levy of Development Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds. For purposes of this Section 3.06(D):

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

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

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

For purposes of this subsection (E), "Qualifying Taxable Parcel" means, as of the date of the Officer's Certificate required by subsection (F), a Taxable Parcel that (i) is subject to a Parcel Lease, (ii) the Leasehold Interest in which is not delinquent in the payment of Development Special Taxes and (iii) the Leasehold Interest in which has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Bonds then Outstanding that is allocable to such Leasehold Interest, plus (x) the portion of the aggregate principal amount of the series of Parity Bonds proposed to be issued that is allocable to such Leasehold Interest, plus (y) the aggregate principal amount of any fixed assessment liens on such Leasehold Interest, plus (z) the portion of the applicable principal amount of any and all Other Special Tax Bonds that is allocable to such Leasehold Interest. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Bonds,

Parity Bonds or Other Special Tax Bonds allocable to each Leasehold Interest in a Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Bonds, proposed Parity Bonds or Other Special Tax Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could 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 levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Bonds, Parity Bonds or Other Special Tax Bonds in such fiscal year.

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

(F) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D) and (E) of this Section 3.06 have been satisfied.

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

Nothing in this Section 3.06 shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement.

Nothing in this Section 3.06 or any other provision in this Agreement except Section 5.22 shall affect the issuance of bonds or other debt that is payable from other special taxes than the Development Special Taxes that are levied under the Rate and Method.

ARTICLE IV

PROCEEDS, FUNDS AND ACCOUNTS

Section 4.01. Application of 2021A Bond Proceeds. The Proceeds of the 2021A Bonds received from the Original Purchaser in the amount of \$_____ (which is equal to the initial principal amount of the 2021A Bonds, *plus* an original issue premium of \$_____, *less* an underwriter's discount in the amount of \$_____) shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date as follows:

- (i) \$_____ into the Costs of Issuance Fund;
- (ii) \$_____ into the 2021A Reserve Fund equaling the initial 2021A Reserve Requirement;
- (iii) \$_____ into the Bond Fund (which shall represent capitalized interest and be deposited into the 2021A Capitalized Interest Account);
- (iv) \$_____ into the 2021A Improvement Fund; and
- (v) \$___ into the Administrative Expense Fund.

The Fiscal Agent may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits.

Section 4.02. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. The Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which a deposit shall be made as required by Section 4.01. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition substantially in the form of Exhibit C hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

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

(D) Closing of Fund. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal

Agent shall transfer any moneys remaining therein, including any investment earnings thereon, to the 2021A Improvement Fund and used for the purposes thereof.

Section 4.03. 2021A Reserve Fund.

(A) Establishment of Fund. The 2021A Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by Section 4.01, which deposit, as of the Closing Date, is equal to the initial 2021A Reserve Requirement with respect to the 2021A Bonds, and deposits shall be made as provided in Sections 3.06(C), 4.05 and 4.06. Moneys in the 2021A Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2021A Bonds and any 2021A Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2021A Bonds and any 2021A Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2021A Bonds and any 2021A Related Parity Bonds.

(B) Use of Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the 2021A Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2021A Bonds and any 2021A Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming 2021A Bonds and any 2021A Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2021A Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2021A Bonds and any 2021A Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

(C) Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2021A Reserve Fund exceeds the 2021A Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2021A Reserve Fund to (i) the Improvement Fund(s) for any Outstanding 2021A Related Parity Bonds on a pro rata basis as directed by the City, to be used to pay for Project costs and (ii) after such Improvement Funds are no longer open, the Bond Fund, to be used to pay interest on the 2021A Bonds and any 2021A Related Parity Bonds on the next Interest Payment Date.

(D) Transfer for Rebate Purposes. Amounts in the 2021A Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with Section 5.12, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the 2021A Reserve Fund shall be used for rebate unless the amount in the 2021A Reserve Fund following such withdrawal equals the 2021A Reserve Requirement.

(E) Transfer When Balance Exceeds Outstanding Bonds.

Whenever the balance in the 2021A Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2021A Bonds and all Outstanding 2021A Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2021A Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with Section 4.04 or 2.03 and the provisions of the Supplemental Agreement related to the 2021A Related Parity Bonds, as applicable, of all of the Outstanding 2021A Bonds and Outstanding 2021A Related Parity Bonds. In the event that the amount so transferred from the 2021A Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2021A Bonds and Outstanding 2021A Related Parity Bonds, the balance in the 2021A Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

Notwithstanding the provisions of the first paragraph of this Section 4.03(E), no amounts shall be transferred from the 2021A Reserve Fund under this Section 4.03(E) until after: (i) the calculation of any amounts due to the federal government under Section 5.12 and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2021A Bonds or any 2021A Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any 2021A Related Parity Bonds, any resulting reduction in the 2021A Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2021A Bonds pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any 2021A Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

(G) Investment. Moneys in the 2021A Reserve Fund shall be invested by the Fiscal Agent under Section 6.01.

(H) Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2021A Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2021A Bonds or any 2021A Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2021A Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2021A Reserve Fund to the Improvement Funds

for the 2021A Bonds and any 2021A Related Parity Bonds as directed by the City to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2021A Reserve Requirement, to be derived from the first available Revenues. If the 2021A Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2021A Bonds and any 2021A Related Parity Bonds. If the 2021A Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2021A Bonds and any 2021A Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2021A Reserve Fund may be established for such series, and the calculation of the 2021A Reserve Requirement with respect to any 2021A Related Parity Bonds shall exclude the debt service on such issue of 2021A Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2021A Reserve Fund with cash if, at any time that the 2021A Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under this Section.

Section 4.04. Bond Fund.

(A) Establishment of Bond Fund. The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 4.01, Section 4.08 and Section 4.03 and as otherwise set forth in this Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Within the Bond Fund there is hereby established a separate account designated as the "2021A Capitalized Interest Account" to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2021A Bonds into which shall be deposited the amount specified in Section 4.01(iii). Amounts on deposit in the 2021A Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2021A Bonds. When the amount in the 2021A Capitalized Interest Account is fully expended for the payment of interest on the 2021A Bonds, the account shall be closed.

There is also hereby created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the "Development Special Tax Prepayments Account," to the credit of which deposits shall be made as provided in Section 4.05.

(B) Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

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

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

(i) Withdraw from the 2021A Reserve Fund, in accordance with the provisions of Section 4.03, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2021A Bonds and any 2021A Related Parity Bonds. Amounts so withdrawn from the 2021A Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2021A Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the second sentence of the first paragraph of this Section

4.04(B), 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.

(C) Disbursements from the Development Special Tax Prepayments Account. Moneys in the Development Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 2.03(A)(iii), and notice to the Fiscal Agent can timely be given under Section 2.03(B), and shall be used (together with any amounts transferred pursuant to Section 4.03(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(D) Investment. Moneys in the Bond Fund, the 2021A Capitalized Interest Account and the Development Special Tax Prepayments Account shall be invested under Section 6.01. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

(E) Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Development Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Special Tax Financing Law for the purpose of curing Bond Fund deficiencies.

(F) Excess. Any excess moneys remaining in the Bond Fund following the payment of Debt Service on the Bonds on any September 1, shall be retained therein.

Section 4.05. Application of Proceeds of Development Special Taxes.

(A) Establishment of Development Special Taxes Subaccount. The City shall cause the Special Fund Trustee to establish and maintain a Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account under the Special Fund Administration Agreement. The City shall promptly remit, or cause to be promptly remitted, the proceeds of the Development Special Taxes received by the City to the Special Fund Trustee for deposit in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account.

(B) Application of Development Special Tax Proceeds in the Development Special Taxes Subaccount and the Mello-Roos Bonds Account (Development Special Taxes). In each Bond Year, the City shall cause the proceeds of the Development Special Taxes to be distributed in the following order of priority:

- (i) promptly upon receipt, the City shall separately identify (or cause to be identified) the proceeds of the Development Special Taxes in an

amount not to exceed the amount included in the Development Special Tax levy for such Fiscal Year for Administrative Expenses that may be paid from the Development Special Tax and shall cause such proceeds to be transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement;

(ii) promptly upon receipt, the City shall identify (or cause to be identified) any Development Special Tax Revenues constituting the collection of delinquencies in payment of Development Special Taxes and shall cause such Development Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund to pay any past due Debt Service on the Bonds; (b) second, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in the 2021A Reserve Fund to the extent needed to increase the amount then on deposit in the 2021A Reserve Fund to the then 2021A Reserve Requirement and transferred for deposit in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

(iii) promptly upon receipt, the City shall identify (or cause to be identified) any proceeds of Development Special Tax Prepayments and shall cause such Development Special Tax Prepayments to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Development Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement that portion of any Development Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds); and (b) second, transferred by the Special Trust Trustee from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit in the Development Special Tax Prepayments Account established pursuant to Section 4.04(A);

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City shall cause proceeds of the Development Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the IFD Payment Amount Fund, the Improvement Fund(s) as directed by the City, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds, the 2021A 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 shall cause proceeds of the Development Special Taxes, after taking into account any anticipated transfers from the IFD Payment Amount Fund, to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, and (b) for deposit in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the IFD Payment Amount Fund and the Development Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts shall be applied to the 2021A Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

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

On each October 1, beginning on October 1, 2021, the City shall cause all of the moneys remaining in the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to be transferred to the Development Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee.

The City has caused to be established under the Special Fund Administration Agreement the Mello-Roos Bonds Account (Development Special Taxes) for the purpose of facilitating a more orderly transfer of Development of Special Taxes to the Fiscal Agent when required under this Agreement, and the City may provide in the Special Fund Administration Agreement for the transfer of Development Special Taxes from the Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Mello-Roos Bonds Account (Development Special Taxes). Therefore, notwithstanding the foregoing, if at any time during any Bond Year the City has caused to be set aside Development Special Taxes in the Mello-Roos Bonds Account (Development Special Taxes) in an amount sufficient to satisfy the payments described in clauses (iv) and (v) above in such Bond Year, taking into account amounts then held by the Trustee then in the IFD Payment Amount Fund, then it may apply Development Special Taxes in the

Development Special Taxes Subaccount of the CFD Facilities Special Taxes Account for the purposes described in clauses (vi) and transfer any remaining Development Special Taxes to the Development Special Taxes Subaccount of the CFD Remainder Account.

Section 4.06. Application of IFD Payment Amount.

(A) Establishment of IFD Payment Amount Fund. The City shall cause the Fiscal Agent to establish and maintain an IFD Payment Amount Fund, and shall cause the Fiscal Agent to deposit the IFD Payment Amount into such Fund upon receipt.

Under the Pledge Agreement, the IFD has agreed, on each IFD Payment Date, to transfer Pledged Tax Increment in the amount of the IFD Payment Amount to the Fiscal Agent for deposit in the IFD Payment Amount Fund. Amounts received on each such IFD Payment Date will be used to pay principal of and interest on the Bonds in the immediately succeeding Bond Year and, to the extent available, to make deposits into the 2021A Reserve Fund or the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds in such Bond Year.

(B) Application of Funds in the IFD Payment Amount Fund. Subject to the second paragraph of the preceding subsection (A), and as directed in an Officer's Certificate, the moneys in the IFD Payment Amount Fund shall be distributed in the following order of priority:

(i) at least seven (7) Business Days prior to each Interest Payment Date, the Fiscal Agent shall transfer moneys in the IFD Payment Amount Fund to the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Funds for the Bonds, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds, the 2021A 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 shall transfer moneys in the IFD Payment Amount Fund (a) to the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the IFD Payment Amount Fund and any Development Special Taxes available for that purpose are not sufficient for the purposes of this subparagraph, such amounts shall be applied to the 2021A Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

On each October 1, beginning on October 1, 2021, the Fiscal Agent shall transfer all of the moneys remaining in the IFD Payment Amount Fund to the Special Fund Trustee for deposit in the IFD Remainder Account of the Tax Increment Fund established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

Section 4.07. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made from Bond Proceeds as required by Section 4.01 and as directed in an Officer's Certificate. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, in substantially the form of Exhibit D hereto, stating the amount to be withdrawn and that such amount is to be used to pay an Administrative Expense, a Cost of Issuance or any other lawful expense.

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

Section 4.08. 2021A Improvement Fund.

(A) Establishment of 2021A Improvement Fund. The 2021A Improvement Fund is hereby established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by Sections 4.01, 4.02(D) and 4.03(C).

Moneys in the 2021A Improvement Fund shall be disbursed, except as otherwise provided in subsections (B) and (D) of this Section, for the payment or reimbursement of costs of the Project.

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

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

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

(D) Closing of Fund. At such time as there are no moneys in the 2021A Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2021A Improvement Fund, such Fund may be closed as set forth below.

When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the 2021A Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the 2021A Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the 2021A Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2021A Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2021A Improvement Fund shall be closed. Moneys transferred from the 2021A Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

ARTICLE V
COVENANTS

Section 5.01. Collection of Development Special Tax Revenues. The City shall comply with all requirements of the Special Tax Financing Law so as to assure the timely collection of Development Special Tax Revenues, including without limitation, the enforcement of delinquent Development Special Taxes as set forth in this Section 5.01.

(A) Processing. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2021A Reserve Fund is less than the 2021A Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2021A Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Development Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(B) Levy. The Finance Director shall effect the levy of the Development Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Development Special Tax amounts for the parcels within the Special Tax District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Development Special Taxes on the next secured real property tax roll.

The Board of Supervisors approved the levy of the Development Special Taxes on the secured roll pursuant to Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and approved by the Mayor on May 15, 2020, and the Board of Supervisors further agreed in the Supplemental Resolution to continue such levy on the secured roll as long as the Bonds are outstanding.

(C) Computation. The Finance Director shall fix and levy the amount of Development Special Taxes within the Special Tax District required to pay the following amounts, taking into account the balances in the applicable funds established under this Agreement and the Special Fund Administration Agreement expected to be remitted to the Fiscal Agent pursuant to the Pledge Agreement: (i) the principal of and interest on any outstanding Bonds of the Special Tax District

becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2021A Reserve Fund and any other reserve account for Parity Bonds that are not 2021A Related Parity Bonds to the extent such replenishment has not been included in the computation of the Development Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses that may be paid from the Development Special Tax, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Development Special Taxes.

Nothing in this Section 5.01(C) is intended to limit the amount of Development Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA.

(D) Collection. Except as set forth in the Ordinance, Development Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Section 5.02. Covenant to Foreclose. Under the Special Tax Financing Law, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Development Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Development Special Taxes theretofore levied in the Special Tax District to the amount of Development Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Development Special Tax in the Special Tax District is delinquent in the payment of one or more installments of Development Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the Special Tax District is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2021A Reserve Fund is at least equal to the 2021A Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds is at least equal to the required amount.

The Finance Director and the City Attorney, as applicable, are hereby 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 hereunder.

Section 5.03. Collection of IFD Payment Amount; Compliance with IFD Law. The City shall cause the Fiscal Agent to enforce the provisions of the Pledge Agreement as required to ensure the payment by the IFD of the IFD Payment Amount.

The City shall use the proceeds of the Bonds so as to ensure that the IFD Payment Amount may be used under the IFD Law for the purposes set forth herein. The covenant set forth in the first sentence of this paragraph is of a special and unique kind and character, and there would not be an adequate remedy at law for a breach of such covenant. Therefore, the City agrees that the covenant may be enforced by an action for specific performance and such other equitable relief as is provided by the laws of the State of California. In pursuing specific performance of such covenant, the party seeking to enforce such covenant shall be entitled to petition the court for injunctive relief, including, but not limited to, an order of the court restraining any use of the proceeds of the Bonds that is inconsistent with such covenant.

Section 5.04. Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.05. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.06. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, or their Owners, except as permitted by this Agreement.

Section 5.07. Books and Records.

(A) City. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all

transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

Section 5.08. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.09. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.10. Private Activity Bond Limitations. The City shall assure that the proceeds of the 2021A Bonds are not so used as to cause the 2021A Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

Section 5.11. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2021A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

Section 5.12. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2021A Bonds. The Finance Director shall take note of any investment of monies hereunder in excess of the yield on the 2021A Bonds, and shall take such actions as are necessary to ensure compliance with this Section 5.12, such as increasing the portion of the Development Special Tax levy for Administrative Expenses as appropriate to have funds available to satisfy any rebate liability under this Section. If necessary to satisfy its obligations under this Section 5.12, the City may use:

- (A) Amounts in the 2021A Reserve Fund if the amount on deposit in the 2021A Reserve Fund, following the proposed transfer, is at least equal to the 2021A Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2021A Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Development Special Taxes available for that purpose;
- (C) Amounts on deposit in the Administrative Expense Fund; and
- (D) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A), (B) and (C).

Section 5.13. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2021A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2021A Bonds would have caused the 2021A Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

Section 5.14. Yield of the 2021A Bonds. In determining the yield of the 2021A Bonds to comply with Sections 5.12 and 5.13, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Development Special Taxes and use of prepayments for redemption of the 2021A Bonds, without regard to whether or not prepayments are received or 2021A Bonds redeemed.

Section 5.15. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the 2021A Bonds from the gross income of the Owners of the 2021A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2021A Bonds.

Section 5.16. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of this Agreement. However, any Owner or Beneficial Owner of the 2021A Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

One or more owners of the real property in the Special Tax District as of the Closing Date may also have executed a continuing disclosure agreement for the benefit of the holders and Beneficial Owners of the 2021A Bonds. Any Participating Underwriter or Holder or Beneficial Owner may take such actions as may be necessary and appropriate directly against any such landowner to compel performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the City shall have no obligation whatsoever to enforce any obligations under any such agreement.

Section 5.17. Limits on Development Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Special Tax Financing Law to waive delinquency and redemption penalties related to the Development Special Taxes or to declare a Development Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Development Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

Section 5.18. City Bid at Foreclosure Sale. The City will not bid at a foreclosure sale of property in respect of delinquent Development Special Taxes, unless it expressly agrees to take the property subject to the lien for Development Special Taxes imposed by the City and that the Development Special Taxes levied on the property are payable while the City owns the property.

Section 5.19. Amendment of Rate and Method.

(A) General. The City shall not initiate proceedings under the Special Tax Financing Law to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

(B) Exception. Notwithstanding clause (A) of this section, the City may initiate proceedings to reduce the maximum Development Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the Special Tax District as of the July 1 preceding the reduction, the maximum amount of the Development Special Tax which may be levied on then-existing Taxable Property (as such term is defined in the Rate and Method) in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved; (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

Section 5.20. Limitation on Principal Amount of Parity Bonds. The Board of Supervisors established a limit on the principal amount of bonds and other debt that may be issued by the City for the Special Tax District. The City shall ensure that the issuance of Parity Bonds under a Supplemental Agreement shall not cause the Special Tax District to exceed such limit.

Section 5.21. Covenant Regarding Termination of Leasehold Interests in Taxable Parcels. The City shall inhibit the San Francisco Port Commission from terminating any Leasehold Interest in a Taxable Parcel except by entering a Replacement Lease and, in connection with a Replacement Lease, the City shall cause the Port Commission to require either the tenant under the terminated lease or the tenant under the Replacement Lease to pay any scheduled Development Special Taxes then due together with interest to the payment date at the interest rate borne by the Bonds (the Port Commission may waive any interest in excess of the interest due on the Bonds and any penalties). It will not be a violation of this Section 5.21 by either the City or the Port if the City initiates judicial foreclosure of a Leasehold Interest in a Taxable Parcel pursuant to Section 5.02.

Section 5.22. Limitation on Other Special Tax Bonds. The City shall comply with the value to burden tests set forth in Section 3.06(D) in connection with the issuance by the City of any Other Special Tax Bonds.

Section 5.23. Covenant Regarding Termination of the DDA. If the Horizontal Improvements have not been completed and neither the Port nor the City has assumed the obligation to construct the Horizontal Improvements, the City shall inhibit the Port Commission from terminating the DDA solely as a result of a delinquency by the Developer in the payment of Development Special Taxes or other taxes or assessments levied or assessed on the Leasehold Interest conveyed under the Master Lease, unless the Port Commission will concurrently enter into a Replacement DDA and, if applicable, Replacement Lease.

Section 5.24. Special Fund Administration Agreement. The City shall cause the Port, in its capacity as agent of the CFD, to maintain the Special Fund Administration Agreement, to comply with the terms thereof and to enforce the provisions thereof.

Section 5.25. Continuing Disclosure Covenant in Parcel Leases. The City shall cause the Port to require lessees under Parcel Leases executed after the effective date hereof to provide continuing disclosure if and to the extent required by the underwriter of any Bonds.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds.

(A) **General.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds hereunder in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with Section 5.12.

(B) **Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

(C) **Actions of Officials.** The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

(D) **Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2021A Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

(E) **Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director hereunder, provided that the Fiscal Agent or the Finance Director, as applicable, shall at

all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

(F) Confirmations Waiver. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Fiscal Agent hereunder.

(G) Sale of Investments. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Section 6.02. Liability of City.

(A) General. The City shall not incur any responsibility or liability in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(B) Reliance. In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of this Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(C) No General Liability. No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(D) Owner of Bonds. The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Section 6.03. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. The Fiscal Agent.

(A) Appointment. The Fiscal Agent is hereby appointed as the fiscal, authentication, paying and transfer agent hereunder for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent.

(B) Merger. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession hereunder.

(C) Removal. Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(D) Resignation. The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

(E) No Successor. If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(F) Court Order. If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its

Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 7.02. Liability of Fiscal Agent.

(A) General. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

(B) Reliance. The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

(C) No Duty to Inquire. The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the City or the Special Tax District herein or of any of the documents executed by the City or the Special Tax District in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(D) Errors in Judgment. The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(E) No Expenditures. No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(F) No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners under this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) Owner of Bonds. The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

Section 7.03. Information; Books and Accounts. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to monthly statements reporting funds held and transactions by the Fiscal Agent, including the value of any investments held by the Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the IFD Payment Amount Fund, the 2021A Reserve Fund, the Improvement Funds and the Cost of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, written instructions, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by an Officer's Certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its

discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate listing the Authorized Officers and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The Fiscal Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents, and shall be entitled to rely on advice of counsel concerning all matters of its duty hereunder.

The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for such actions other than as a result of its negligence or willful misconduct.

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys (including the allocated costs of in-house attorneys), agents and

employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities, costs, claims or expenses, including fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement, and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the City arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund and in the CFD Administrative Expense Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

Section 7.06. Conflict of Interest. Through its execution of this Agreement, the Fiscal Agent acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

Section 7.07. Proprietary or Confidential Information of City. The Fiscal Agent understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, the Fiscal Agent may have access to private or confidential information which may be owned or controlled by the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Fiscal Agent agrees that all information disclosed by the City to the Fiscal Agent shall be held in confidence and used only in performance of the Agreement, provided that, notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by Fiscal Agent from sources other than the other parties hereto, (ii) disclosure of any and all information (A) if required to do so by any applicable rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of Fiscal Agent's business or that of its affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which Fiscal Agent or any affiliate or an officer, director, employer or shareholder thereof is a party or (D) to any affiliate, independent or internal auditor, agent, employee or attorney of Fiscal Agent having a need to know the same, provided that Fiscal Agent advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the City and this Agreement. The Fiscal Agent shall exercise the same standard of care to protect such information as a reasonably prudent Fiscal Agent would use to protect its own proprietary data.

Section 7.08. Ownership of Results. Any interest of the Fiscal Agent or its subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by the Fiscal Agent or its subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to the City. However, the Fiscal Agent may retain and use copies for reference and as documentation of its experience and capabilities.

Section 7.09. Works for Hire. If, in connection with services performed under this Agreement, the Fiscal Agent or its subcontractors create artwork, copy, posters, billboards,

photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by the Fiscal Agent or its subcontractors under this Agreement are not works for hire under U.S. law, the Fiscal Agent hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, the Fiscal Agent may retain and use copies of such works for reference and as documentation of its experience and capabilities.

Section 7.10. Audit and Inspection of Records. The Fiscal Agent agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. The Fiscal Agent will permit the City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement provided, however, that the Fiscal Agent shall not be required to disclose confidential or proprietary information. The Fiscal Agent shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Agreement, until after final audit has been resolved, or for such longer period as required by its document retention policies and procedures, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon the City by this Section.

Section 7.11. Subcontracting. The Fiscal Agent is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by the City in writing. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

Section 7.12. Assignment. The services to be performed by the Fiscal Agent are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Fiscal Agent unless first approved by the City (except pursuant to Section 7.01(E)) by written instrument executed and approved in the same manner as this Agreement provided, however, that no such approval is required for assignments pursuant to Section 7.01(E) hereof.

Section 7.13. Earned Income Credit (EIC) Forms. Administrative Code Section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found.

(a) The Fiscal Agent shall provide EIC Forms to each Eligible Employee (i.e., any employee of the Fiscal Agent who is paid at a rate that, on an annualized basis, is not greater than the EIC Limit) at each of the following times: (i) within thirty days following the date on which this Agreement becomes effective (unless the Fiscal Agent has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Fiscal Agent; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement.

(b) Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Fiscal Agent of the terms of this Agreement. If, within thirty days after the Fiscal Agent receives written notice of such a breach, the Fiscal Agent fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Fiscal Agent fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law.

(c) Any subcontract entered into by the Fiscal Agent shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section.

(d) Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Section 12O of the Administrative Code.

Section 7.14. Local Business Enterprise Utilization; Liquidated Damages.

(a) The LBE Ordinance. The Fiscal Agent, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase the Fiscal Agent's obligations or liabilities, or materially diminish the Fiscal Agent's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this Section. Fiscal Agent's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Fiscal Agent's obligations under this Agreement and shall entitle the City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, the Fiscal Agent shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(b) Compliance and Enforcement. If the Fiscal Agent willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, the Fiscal Agent shall be liable for liquidated damages in an amount equal to the Fiscal Agent's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of HRC") may also impose other sanctions against the Fiscal Agent authorized in the LBE Ordinance, including declaring the Fiscal Agent to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Fiscal Agent's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code Section 14B.17.

By entering into this Agreement, the Fiscal Agent acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to the City upon demand. The Fiscal Agent further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Fiscal Agent on any contract with the City.

The Fiscal Agent agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

Section 7.15. Nondiscrimination; Penalties.

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

(b) Subcontracts. The Fiscal Agent shall incorporate by reference in all subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the Administrative Code (copies of which are available from Purchasing) and shall require all subcontractors to comply with such provisions. The Fiscal Agent's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

(c) Nondiscrimination in Benefits. The Fiscal Agent does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the Administrative Code.

(d) Condition to Contract. As a condition to this Agreement, the Fiscal Agent shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Fiscal Agent shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Fiscal Agent understands that pursuant to Sections 12B.2(h) and 12C.3(g) of the Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Fiscal Agent and/or deducted from any payments due Fiscal Agent.

Section 7.16. MacBride Principles—Northern Ireland. Pursuant to Administrative Code Section 12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this Agreement on behalf of Fiscal Agent acknowledges and agrees that he or she has read and understood this Section.

Section 7.17. Tropical Hardwood Ban. Pursuant to Section 804(b) of the San Francisco Environment Code, the City urges Fiscal Agent not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 7.18. Drug-Free Workplace Policy. The Fiscal Agent acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on the City premises. The Fiscal Agent agrees that any violation of this prohibition by the Fiscal Agent, its employees, agents or assigns will be deemed a material breach of this Agreement.

Section 7.19. Resource Conservation. Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by Fiscal Agent to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

Section 7.20. Compliance with Americans with Disabilities Act. The Fiscal Agent acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a Fiscal Agent, must be accessible to the disabled public. The Fiscal Agent shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Fiscal Agent agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Fiscal Agent, its employees, agents or assigns will constitute a material breach of this Agreement.

Section 7.21. Sunshine Ordinance. In accordance with Administrative Code Section 67.24(e), contracts, the Fiscal Agent’s bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization’s net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7.22. Public Access to Meetings and Records. Only if the Fiscal Agent receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the Administrative Code, the Fiscal Agent shall comply with and be bound by all the applicable provisions of that Chapter and this Section; otherwise it will not be required to comply with or be bound by Chapter 12L of the Administrative Code and this Section. By executing this Agreement, the Fiscal Agent agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5

of the Administrative Code. The Fiscal Agent further agrees to make good faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. The Fiscal Agent acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Agreement. The Fiscal Agent further acknowledges that such material breach of the Agreement shall be grounds for the City to terminate and/or not renew the Agreement, partially or in its entirety.

Section 7.23. Limitations on Contributions. Through execution of this Agreement, the Fiscal Agent acknowledges its obligations under Section 1.126 of the City's Campaign and Governmental Conduct Code ("Section 1.126"), which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (a) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (b) a candidate for the office held by such individual, or (c) a committee controlled by such individual, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve (12) months after the date the contract is approved. The Fiscal Agent acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand (\$100,000) or more. The Fiscal Agent further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Fiscal Agent's board of directors; the Fiscal Agent's principal officers, including its chairperson, the chief executive officer, the chief financial officer and the chief operating officer; any person with an ownership interest of more than ten percent (10%) in Fiscal Agent; and any subcontractor listed in the bid or contract; and within thirty (30) days of the submission of a proposal for the contract, the City is obligated to submit to the Ethics Commission the parties to the contract and any subcontractor listed as part of the proposal. Additionally, the Fiscal Agent certifies that the Fiscal Agent has informed each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126 by the time it submitted a proposal for the contract and has provided to City the names of the persons required to be informed.

Section 7.24. Requiring Minimum Compensation for Covered Employees.

(a) Unless the Fiscal Agent is exempt, the Fiscal Agent agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Fiscal Agent's obligations under the MCO is set forth in this Section. Unless the Fiscal Agent is exempt from such provisions under Section 7.24(i) hereof, the Fiscal Agent is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(b) The MCO requires Fiscal Agent to pay Fiscal Agent's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Fiscal Agent is obligated to keep informed of the then-current requirements. Any subcontract entered into by Fiscal Agent shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Fiscal Agent's obligation to ensure that any subcontractors of any tier under this Agreement comply with the

requirements of the MCO. If any subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Fiscal Agent.

(c) Fiscal Agent shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

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

(e) The City is authorized to inspect Fiscal Agent's job sites and conduct interviews with employees and conduct audits of Fiscal Agent.

(f) Fiscal Agent's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Fiscal Agent fails to comply with these requirements. Fiscal Agent agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Fiscal Agent's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

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

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

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

Section 7.25. Requiring Health Benefits for Covered Employees. Unless the Fiscal Agent is exempt (in which event it shall not be required to comply with Chapter 12Q or this Section), the Fiscal Agent agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance ("HCAO"), as set forth in Administrative Code Chapter 12Q ("Chapter 12Q"), including the remedies provided, and implementing regulations, as the same

may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

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

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

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

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

(e) The Fiscal Agent shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Fiscal Agent's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

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

(g) The Fiscal Agent shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(h) The Fiscal Agent shall keep itself informed of the current requirements of the HCAO.

(i) The Fiscal Agent shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

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

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

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

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

Section 7.26. Prohibition on Political Activity with City Funds. In accordance with Administrative Code Chapter 12.G, the Fiscal Agent may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Fiscal Agent Agreement. The Fiscal Agent agrees to comply with Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event The Fiscal Agent violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit the Fiscal Agent from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Fiscal Agent's use of profit as a violation of this Section.

Section 7.27. Preservative-treated Wood Containing Arsenic. The Fiscal Agent may not purchase preservative-treated wood products containing arsenic in the performance of this Fiscal Agent Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. The Fiscal Agent may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude the Fiscal Agent from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

Section 7.28. Protection of Private Information. The Fiscal Agent has read and agrees, subject to the following sentence, to the terms set forth in Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code

Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Fiscal Agent agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract provided that, notwithstanding anything herein or in the Administrative Code to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by Fiscal Agent from sources other than the other parties hereto, (ii) disclosure of any and all information (A) if required to do so by any applicable rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of Fiscal Agent's business or that of its affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which Fiscal Agent or any affiliate or an officer, director, employer or shareholder thereof is a party or (D) to any affiliate, independent or internal auditor, agent, employee or attorney of Fiscal Agent having a need to know the same, provided that Fiscal Agent advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the City and this Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Fiscal Agent pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Fiscal Agent.

Section 7.29. Food Service Waste Reduction Requirements. Effective June 1, 2007, the Fiscal Agent agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance applicable to contractors with the City, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Fiscal Agent Agreement as though fully set forth. This provision is a material term of this Fiscal Agent Agreement. By entering into this Agreement, the Fiscal Agent agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Fiscal Agent agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Fiscal Agent Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Fiscal Agent's failure to comply with this provision.

Section 7.30. Graffiti Removal.

(A) Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti.

(B) The Fiscal Agent shall remove all graffiti from any real property owned or leased by the Fiscal Agent in the City within forty eight (48) hours of the earlier of the Fiscal Agent's (a)

discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require the Fiscal Agent to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Section 7.31. Slavery Era Disclosure.

(A) The Fiscal Agent acknowledges that this Agreement shall not be binding upon the City until the Director receives the affidavit required by the San Francisco Administrative Code's Chapter 12Y, "San Francisco Slavery Era Disclosure Ordinance."

(B) In the event the Director of Administrative Services finds that the Fiscal Agent has failed to file an affidavit as required by Section 12Y.4(a) and this Agreement, or has willfully filed a false affidavit, the Fiscal Agent shall be liable for liquidated damages in an amount equal to the Fiscal Agent's net profit on the Agreement, 10% of the total amount paid to the Fiscal Agent under the Agreement, or \$1,000, whichever is greatest as determined by the Director of Administrative Services. The Fiscal Agent acknowledges and agrees that the liquidated damages assessed shall be payable to the City upon demand and may be set off against any monies due to the Fiscal Agent from any agreement with the City.

(C) The Fiscal Agent shall maintain records necessary for monitoring its compliance with this provision.

Section 7.32. Qualified Personnel. The Fiscal Agent's work under this Agreement shall be performed only by competent personnel under the supervision of and in the employment of the Fiscal Agent. The Fiscal Agent will comply with the City's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at the City's request, must be supervised by the Fiscal Agent.

Section 7.33. Responsibility for Equipment. The City shall not be responsible for any damage to persons or property as a result of the use, misuse or failure of any equipment used by the Fiscal Agent, or by any of its employees, even though such equipment be furnished, rented or loaned to the Fiscal Agent by the City.

Section 7.34. Independent Contractor; Payment of Taxes and Other Expenses.

(A) Independent Contractor. The Fiscal Agent or any agent or employee of the Fiscal Agent shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. The Fiscal Agent or any agent or employee of the Fiscal Agent shall not have employee status with the City, nor be entitled to participate in any plans, arrangements, or distributions by the City

pertaining to or in connection with any retirement, health or other benefits that the City may offer its employees. Contractor or any agent or employee of the Fiscal Agent is liable for the acts and omissions of itself, its employees and its agents. The Fiscal Agent shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to the Fiscal Agent's performing services and work, or any agent or employee of the Fiscal Agent providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between the City and the Fiscal Agent or any agent or employee of the Fiscal Agent. Any terms in this Agreement referring to direction from the City shall be construed as providing for direction as to policy and the result of the Fiscal Agent's work only, and not as to the means by which such a result is obtained. The City does not retain the right to control the means or the method by which Contractor performs work under this Agreement.

(B) Payment of Taxes and Other Expenses. Should the City, in its discretion, or a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division, or both, determine that the Fiscal Agent is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the tax due (and offsetting any credits for amounts already paid by the Fiscal Agent which can be applied against this liability). The City shall then forward those amounts to the relevant taxing authority. Should a relevant taxing authority determine a liability for past services performed by the Fiscal Agent for the City, upon notification of such fact by City, Contractor shall promptly remit such amount due or arrange with the City to have the amount due withheld from future payments to the Fiscal Agent under this Agreement (again, offsetting any amounts already paid by the Fiscal Agent which can be applied as a credit against such liability). A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, the Fiscal Agent shall not be considered an employee of the City. Notwithstanding the foregoing, should any court, arbitrator, or administrative authority determine that the Fiscal Agent is an employee for any other purpose, then the Fiscal Agent agrees to a reduction in City's financial liability so that City's total expenses under this Agreement are not greater than they would have been had the court, arbitrator, or administrative authority determined that Contractor was not an employee.

Section 7.35. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-2.

A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 7.36. Fiscal Agent's Compliance with City Business and Tax Regulations Code City Business and Tax Regulations Code. Fiscal Agent acknowledges that under Section 6.10-2 of the San Francisco Business and Tax Regulations Code, the City Treasurer and Tax Collector may require the withholding of payments to any vendor that is delinquent in the payment of any amounts that the vendor is required to pay the City under the San Francisco Business and Tax Regulations Code. If, under that authority, any payment City is required to make to Fiscal Agent under this Agreement is withheld, then City will not be in breach or default under this Agreement, and the Treasurer and Tax Collector will authorize release of any payments withheld under this Section to Fiscal Agent, without interest, late fees, penalties, or other charges, upon Fiscal Agent coming back into compliance with its San Francisco Business and Tax Regulations Code obligations..

Section 7.37. Consideration of Salary History. Fiscal Agent shall comply with San Francisco Administrative Code Chapter 12K, the Consideration of Salary History Ordinance or "Pay Parity Act." Fiscal Agent is prohibited from considering current or past salary of an applicant in determining whether to hire the applicant or what salary to offer the applicant to the extent that such applicant is applying for employment to be performed on this Agreement or in furtherance of this Agreement, and whose application, in whole or part, will be solicited, received, processed or considered, whether or not through an interview, in the City or on City property. The ordinance also prohibits employers from (1) asking such applicants about their current or past salary or (2) disclosing a current or former employee's salary history without that employee's authorization unless the salary history is publicly available. Fiscal Agent is subject to the enforcement and penalty provisions in Chapter 12K. Information about and the text of Chapter 12K is available on the web at <https://sfgov.org/olse/consideration-salary-history>. Fiscal Agent is required to comply with all of the applicable provisions of 12K, irrespective of the listing of obligations in this Section.

Section 7.38. Repeal of Administrative Code Provisions. To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in Sections 7.06 through 7.35 hereof, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Agreement or the Fiscal Agent.

Section 7.39. Non-Waiver of Rights. The omission by the City at any time to enforce any default or right reserved to it under this Article VII, or to require performance of any of the terms, covenants, or provisions set forth in this Article VIII, shall not be a waiver of any such default or right to which the City is entitled, nor shall it in any way affect the right of the City to enforce such provisions thereafter.

ARTICLE VIII

MODIFICATION OR AMENDMENT

Section 8.01. Amendments Permitted.

(A) With Consent. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Development Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Special Tax Financing Law, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof.

(B) Without Consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City herein, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to Section 3.06.

(C) Fiscal Agent's Consent. Any amendment of this Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A), to take effect when and as provided in this Section 8.03. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City, to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section 8.03 provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section 8.03 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section 8.03 provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section 8.03 for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 8.03 (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective under this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor and Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. The City may pay and discharge the entire indebtedness on all or a portion of the Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, all such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2021A Reserve Fund hereof, is fully sufficient to pay all such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the 2021A Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Development Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to Section 7.05, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all such Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Development Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Special Tax Financing Law and the Resolution of Formation.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, consent or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, consent or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent under Section 2.07.

Any request, declaration, consent or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 336
San Francisco, CA 94102
Attn: Controller

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

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

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the City for such payment shall survive only so long as required under applicable law.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 9.10. Conflict with Special Tax Financing Law. In the event of a conflict between any provision of this Agreement with any provision of the Special Tax Financing Law as in effect on the Closing Date, the provision of the Special Tax Financing Law shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued under this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Special Tax Financing Law relative to their issuance and the levy of the Development Special Taxes.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds, or the date fixed for redemption of any Bonds, or the date any action is to be taken under this Agreement, is other than a Business Day, the payment of interest or principal (and premium, if any) or the action shall be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. State Reporting Requirements. In addition to Section 5.16, the following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the 2021A Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director shall

cause the information required by California Government Code Section 53359.5(b) to be supplied to CDIAC. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds due to insufficiency of funds on deposit in the Bond Fund, or if funds are withdrawn from the 2021A Reserve Fund to pay principal and interest on the Bonds so as to reduce the amount in the 2021A Reserve Fund to less than the 2021A Reserve Requirement, or if funds are withdrawn from another debt service reserve fund to pay principal and interest on the Bonds so as to reduce the amount in such fund to less than the applicable reserve requirement, the Fiscal Agent shall notify the Finance Director of such failure or withdrawal in writing. The Finance Director shall notify CDIAC and the Original Purchasers of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Special Tax Reporting. The Finance Director shall file a report with the City no later than the January 1 first succeeding the date of the 2021A Bonds, and at least once a year thereafter, which annual report shall contain: (i) the amount of Development Special Taxes collected and expended with respect to the Special Tax District, (ii) the amount of Bond proceeds collected and expended with respect to the Special Tax District, and (iii) the status of the Project. It is acknowledged that the Development Special Taxes Subaccount of the Special Tax Fund established under the Special Fund Administration Agreement is the account into which Development Special Taxes collected by the City will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) Compliance with Section 53343.2. The City shall comply with the provisions of California Government Code Section 53343.2, which require the City, within seven months after the last day of each fiscal year of the Special Tax District, to display prominently on its Internet Web site all of the following information:

(a) A copy of an annual report for that fiscal year if requested pursuant to Section 53343.1.

(b) A copy of the report provided to the California Debt and Investment Advisory Commission pursuant to Section 53359.5.

(c) A copy of the report provided to the Controller's office pursuant to Section 12463.2.

(E) Amendment. The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code and (iii) with respect to subparagraph (D) above, to reflect any amendments to Section 53343.2. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Certificate. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(E) No Liability. None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

The Finance Director shall provide copies of any such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Finance Director. The term "Bondowner" for purposes of this Section 9.13 shall include any Beneficial Owner of the Bonds as described in Section 2.10.

Section 9.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

* * * * *

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

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Special Tax
District No. 2020-1 (Mission Rock Facilities and
Services)

By: _____
Director of the Office of Public Finance

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Christine Green
Trust Officer
Zions Bank Division

EXHIBIT A

FORM OF 2021A BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO**

**CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2020-1
(Mission Rock Facilities and Services)
Special Tax Bond, Series 2021A**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	September 1, _____	_____, 2021	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT: *****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)" (the "Special Tax District"), for value received, hereby promises to pay solely from the Revenues (as defined in the hereinafter defined Agreement) to be collected in the Special Tax District or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date 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 unless this Bond is authenticated on or prior to August 15, 2021, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing September 1, 2021 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or

more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by resolutions of the Board of Supervisors of the City on May 15, 2020, and December 8, 2020 (together, the "Resolution"), under 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 California Government Code (the "Act") for the purpose of funding certain facilities for the City, and is one of the series of bonds designated "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of April 1, 2021 (the "Agreement"), between the City and Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

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

Optional Redemption. The Bonds maturing on or after September 1, _____ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, _____, 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 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

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

Mandatory Sinking Fund Redemption. The Term Bond maturing on September 1, _____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
_____	\$ _____
_____	_____
_____ (maturity)	_____

The Term Bond maturing on September 1, _____, is subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Sinking Fund Payments
_____	\$ _____
_____	_____
_____ (maturity)	_____

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

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

<u>Redemption Dates</u>	<u>Redemption Price</u>
Any Interest Payment Date on or before March 1, _____	_____ %
September 1, _____ and March 1, _____	_____
September 1, _____ and March 1, _____	_____
September 1, _____ and any Interest Payment Date thereafter	_____

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal

Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

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

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the manual or facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk.

Clerk of the Board of Supervisors

Mayor

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

This is one of the Bonds described in the Agreement which has been authenticated on _____, 2021.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed
by an eligible guarantor.

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

EXHIBIT B

**CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2020-1
(Mission Rock Facilities and Services)
Development Special Tax Bonds, Series 2021A**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM 2021A
IMPROVEMENT FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

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

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of April 1, 2021 (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent");

(iii) under Section 4.08(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the 2021A Improvement Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as Project is defined in the Fiscal Agent Agreement) as described on attached Schedule A;

(iv) the disbursements described on the attached Schedule A are properly chargeable to the 2021A Improvement Fund; and

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

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

Payee Name and Address	Purpose of Obligation	Amount	Account from which Amounts should be paid

EXHIBIT C

**CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Development Special Tax Bonds, Series 2021A**

**OFFICER’S CERTIFICATE REQUESTING DISBURSEMENT
FROM COSTS OF ISSUANCE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

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

(ii) I am an “Authorized Officer,” as such term is defined in that certain Fiscal Agent Agreement, dated as of April 1, 2021 (the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”);

(iii) under Section 4.02(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

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

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

EXHIBIT D

**CITY AND COUNTY OF SAN FRANCISCO
Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Development Special Tax Bonds, Series 2021A**

**OFFICER’S CERTIFICATE REQUESTING DISBURSEMENT
FROM ADMINISTRATIVE EXPENSE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

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

(ii) I am an “Authorized Officer,” as such term is defined in that certain Fiscal Agent Agreement, dated as of April 1, 2021 (the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”);

(iii) under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Administrative Expense Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of an Administrative Expense, Costs of Issuance (as those terms are defined in the Fiscal Agent Agreement) or any other lawful expense as described on attached Schedule A; and

(iv) the disbursements described on the attached Schedule A are properly chargeable to the Administrative Expense Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

Payee Name and Address

Purpose of Obligation

Amount

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

\$(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

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 Bonds"). The 2021B 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 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 Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District, (ii) [a capitalized interest account, (iii)] a debt service reserve fund, and [(iii)/(iv)] costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

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

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

The 2021B 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 Bonds.

The 2021B 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 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 Francisco Port Commission (the "Port") are liable for the payment of the principal of or interest on the 2021B 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 Bonds.

The 2021B 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 Bonds will be available for delivery through the book-entry facilities of DTC on or about June __, 2021.

* Preliminary, subject to change.

STIFEL

Dated: _____, 2021

[\$[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
(Base CUSIP† _____)

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

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

* Preliminary, subject to change.

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

**CITY AND COUNTY OF SAN FRANCISCO
MAYOR**

London N. Breed

BOARD OF SUPERVISORS⁽¹⁾

Shamann Walton, *Board President, District 10*

Connie Chan, *District 1*

Catherine Stefani, *District 2*

Aaron Peskin, *District 3*

Gordon Mar, *District 4*

Dean Preston, *District 5*

Matt Haney, *District 6*

Myrna Melgar, *District 7*

Rafael Mandelman, *District 8*

Hillary Ronen, *District 9*

Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Carmen Chu, *City Administrator*

Benjamin Rosenfield, *Controller*

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

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

PROFESSIONAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Municipal Advisor

PFM Financial Advisors LLC
San Francisco, California

Fiscal Agent

Zions Bancorporation, National Association
Los Angeles, California

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

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2021B Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisor 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 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 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 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 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2021B 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 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 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). The boundaries of Project Area I generally correspond to the boundaries of the District. See Appendix H for a map of the boundaries of the District and Project Area I. No mortgage or deed of trust on property secures the repayment of the 2021B 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 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 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

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 Bonds”).

Authority for the 2021B Bonds

The 2021B 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. ____, which was adopted by the Board of Supervisors on _____, 2021 and approved by the Mayor on _____, 2021, approving the First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$_____ of special tax bonds in one or more series (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 1, 2021 (the “First Supplement to Fiscal Agent Agreement” and, together with the Original Fiscal Agent Agreement, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”).

Use of Proceeds

The 2021B Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District (the “Facilities”) for Phase 1A of the Mission Rock Project, (ii) [a capitalized interest account, (iii)] a debt service reserve fund (the “2021B Reserve Fund”), and [(iii)/(iv)] costs of issuance, all as further described herein. See “THE FINANCING PLAN,”

* Preliminary, subject to change.
101988597.4

“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 Bonds are being issued under the Fiscal Agent Agreement on a parity 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”), currently outstanding in the aggregate principal amount of \$_____. The 2021B Bonds, the 2021A Bonds and any Parity Bonds (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 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, 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 phases (“Phases 1A, 1B, 2, 3, and 4,” respectively) 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 and approximately 20,101 rentable square feet of retail;
- Parcel F: a 23-story building planned for 254 residential 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.

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, 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.

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 1, 2021 was \$324,890,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report, including the condition that proceeds from the 2021B 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.

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 Bonds

The 2021B 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 Bonds shall be payable on each March 1 and September 1, commencing September 1, 2021 (each an “Interest Payment Date”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2021B Bonds delivered to the Fiscal Agent prior to the applicable Record Date.

The 2021B 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 Bonds. Individual purchases of the 2021B Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021B Bonds will be payable by DTC through the DTC participants. Purchasers of the 2021B Bonds will not receive physical delivery of the 2021B Bonds purchased by them. See “THE 2021B 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 a debt service reserve account, 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 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 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.

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.

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.

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.

No Rating

The 2021B 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 Bonds. The lack of a bond rating could impact the market price or liquidity for the 2021B 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 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 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 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 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 Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” hereto.

THE FINANCING PLAN

The 2021B Bonds are being issued to finance: (i) the Facilities, (ii) [a capitalized interest account, (iii)] the 2021B Reserve Fund, and [(iii)/(iv)] costs of issuance.

The Facilities to be financed by the 2021B 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:

<u>Sources of Funds</u>	
Principal Amount	\$
[Net] [Premium/Discount]	
Total Sources	

<u>Uses of Funds</u>	
Deposit to Improvement Fund	\$
[Deposit to 2021B Capitalized Interest Account]	
Deposit to 2021B Reserve Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	<u>\$</u>

⁽¹⁾ Includes Underwriter's discount, fees and expenses for Bond Counsel, Disclosure Counsel, the Municipal Advisor, 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 Bonds.

THE 2021B BONDS

Description of the 2021B Bonds

The 2021B Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple in excess thereof within a single maturity and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. The 2021B 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 inside cover page hereof.

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

Redemption *

Optional Redemption. The 2021B Bonds maturing on or after September 1, 20__ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part

* Preliminary, subject to change.
101988597.4

as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2021B Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

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

Mandatory Sinking Fund Redemption. The 2021B Bonds maturing on September 1, ____ (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 table:

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

(maturity)

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

Redemption from 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, 20__	____%
September 1, 20__ and March 1, 20__	____
September 1, 20__ and March 1, 20__	____
September 1, 20__ and any Interest Payment Date thereafter	____

Any other Bonds redeemed in connection with a 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 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 Bonds are to be called for redemption shall state as to any 2021B Bond called in part the principal amount thereof to be redeemed, and shall require that such 2021B 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 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 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 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 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 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 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 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 Bonds. The 2021B 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 Bonds will not receive physical certificates representing their interest in the 2021B Bonds. So long as the 2021B 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 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 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.

[Remainder of page intentionally left blank.]

Debt Service Schedule

The following is the debt service schedule for the 2021B 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.

<u>Year Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$	\$	\$
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
Total	\$	\$	\$

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 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.

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

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

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

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

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

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

The Development Special Taxes will only be levied on the Leasehold Interests in the Taxable Parcels in the District. Under the Master Lease and each Parcel Lease, the lessee’s right to terminate the lease has been suspended so long as Bonds issued when the right to terminate arose are outstanding or until a replacement lease extending until the maturity date of the outstanding Bonds is executed. The City will covenant in the Fiscal Agent Agreement to inhibit the Port from terminating any Leasehold Interest in a Taxable Parcel except by entering into a replacement lease 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 City will covenant

to cause the Port to require payment, either by the tenant under the terminated lease or the tenant under the replacement lease, of any scheduled Development Special Taxes then due together with interest to the payment date at the interest rate borne by the Bonds (the Port may waive any interest in excess of the interest due on the Bonds and any penalties). See “SPECIAL RISK FACTORS - Real Estate Investment Risks” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

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

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

Pledge of Moneys in the 2021B Reserve Fund. The 2021B Bonds and all 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 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 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 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 Costs of Issuance Fund and any reserve account for Parity Bonds that are not 2021B Related Parity Bonds are not pledged to the repayment of the 2021B 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, 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 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 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 2021B Reserve Fund and any reserve account for Parity Bonds that are not 2021B Related Parity Bonds, the [2021B 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 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 (b) for deposit in the reserve account for any Parity Bonds that are not 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 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, after which they will no longer be available to pay debt service on the Bonds.

The Port 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 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 2021B Reserve Fund or the reserve account for any Parity Bonds that are not 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 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. On the date of issuance of the 2021B Bonds, a portion of the proceeds of the 2021B Bonds will be deposited in the 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 _____.]

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 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 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 2021B Related Parity Bonds. Amounts so withdrawn from the 2021B Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 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 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) 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 (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) 10% of the outstanding principal amount of the 2021B Bonds and any 2021B Related Parity Bonds;

provided, however,

(A) that with respect to the calculation of clause (iii), the issue price of the 2021B Bonds or any 2021B 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 2021B Bonds or any 2021B Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2021B Bonds or any 2021B 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 2021B Reserve 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

(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

Square Footage Category	Base Development Special Tax Tax Zone 1 and Tax Zone 2 (FY 2020-21) (per square foot of the applicable type)
Market-Rate Residential Square Footage	\$8.75
Office Square Footage	\$6.63
Excess Exempt Square Footage	
Market-Rate Residential Square Footage	\$8.75
Office Square Footage	\$6.63

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 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. 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.

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 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 2021B Reserve Fund is at least equal to the 2021B Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 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 – 2021B Reserve Fund,” for a discussion of the 2021B Reserve Fund securing the 2021B Bonds and any 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 Board of Supervisors has not extended the Teeter Plan to the collection of special taxes within the District. Accordingly, the Teeter Plan is not expected to be available for the collection of the Development Special Taxes and the collection of the Development Special Taxes will reflect actual delinquencies.

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

Parity Bonds

The District is authorized to incur \$3.7 billion of bonded indebtedness and other debt in the aggregate. Such bonded indebtedness and other debt includes the Bonds that are payable from the Development Special Taxes as well as bonded indebtedness and other debt payable from other special taxes levied under the Rate and Method. The 2021B Bonds will be the second series of bonds issued for the District and the second 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 Bonds under the Fiscal Agent Agreement ("Parity Bonds") pursuant to a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall be secured by a lien on the Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding 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 2021B Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2021B 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 2021B Reserve Fund and that the Owners of the Bonds covered by the 2021B Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the 2021B 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 2021B Reserve Fund or any other reserve account.

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

(D) *Special Tax District Value.* The Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the 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 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 deliver to the Fiscal Agent an Officer’s Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D) and (E) above have been satisfied.

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

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 1, 2021, the amount of the promissory note, including accreted interest, was about \$43.8 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 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

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] million in additional bonds leveraging the Development Special Taxes, Shoreline Special Taxes and Office Special Taxes associated with Phase 1A; additional bonds for 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 “SPECIAL RISK FACTORS – Future Indebtedness” herein.

FORMATION OF THE DISTRICT

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

On April 14, 2020, after holding a noticed public hearing, the Board of Supervisors adopted (i) Resolution No. 160-20 forming the District and the Future Annexation Area, approving the levy of special taxes within the District according to the Rate and Method and approving an initial \$3,700,000,000 annual appropriation limit for the District, subject to approval of the qualified electors, (ii) Resolution No. 161-20 declaring the necessity to incur bonded indebtedness and other debt in an amount not to exceed \$3,700,000,000, subject to approval of the qualified electors and (iii) Resolution No. 162-20, calling an election of the qualified landowner electors in the District. The Mayor approved these resolutions on April 24, 2020.

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

On May 5, 2020, the Board of Supervisors adopted Resolution No. 195-20 pursuant to which the Board of Supervisors, acting as the legislative body of the District, approved the canvass of the votes and declared the District to be fully formed with the authority to levy certain special taxes, to incur bonded and other indebtedness and to maintain an appropriations limit. See “SECURITY FOR THE BONDS” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.” 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.

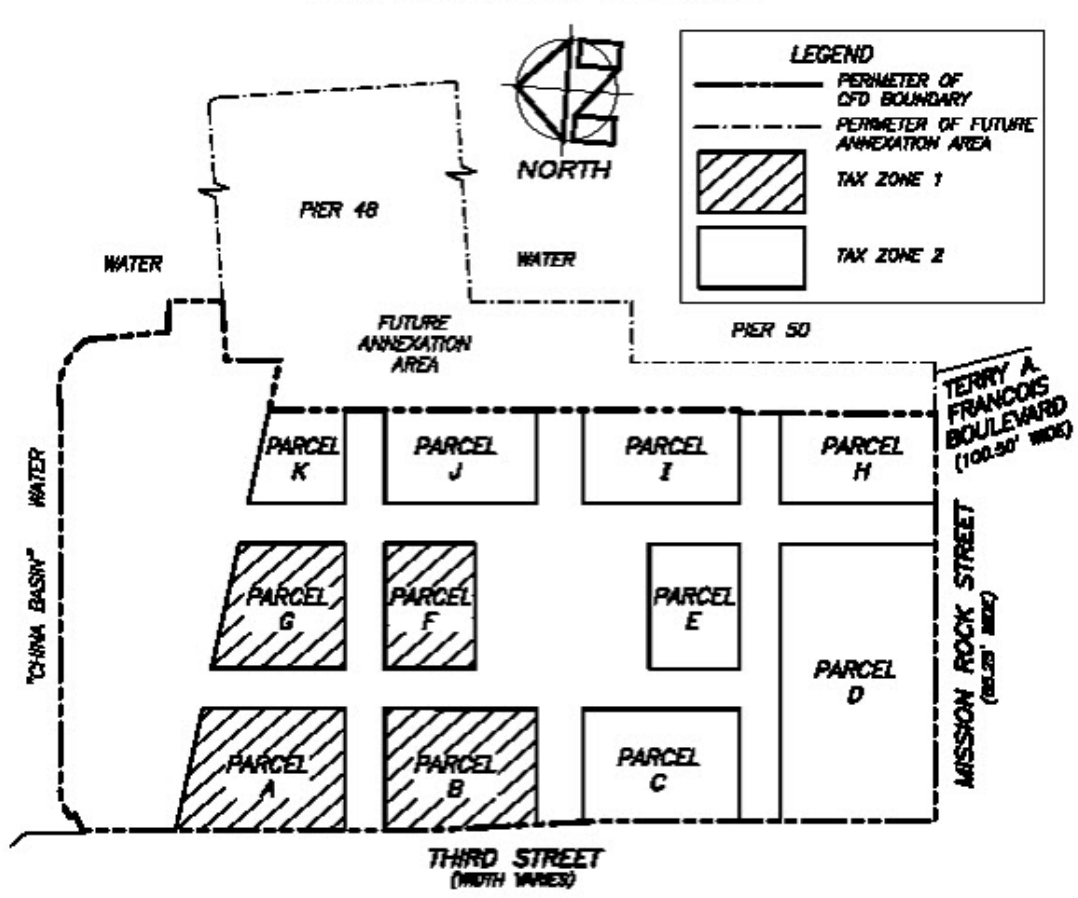
On May 12, 2020, the Board of Supervisors adopted Ordinance No. 79-20, levying special taxes within the District in accordance with the Rate and Method. The Mayor approved the Ordinance on May 22, 2020.

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 _____ 2021, the 2021A Bonds were issued and delivered.

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

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



THE CITY

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (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 estimates the City’s population in fiscal year 2018-19 to be 887,463. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” hereto.

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

Impact of COVID-19 Pandemic on San Francisco Economy. Since late winter 2020, the City has been facing significant negative impacts of the global COVID-19 pandemic and efforts to contain it, including the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools throughout the City and the United States. The impacts on the City’s and the region’s economy have been material and adverse, including an economic recession. The pandemic has resulted in reductions in tourism and disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment. In the City, numerous businesses have closed on a permanent basis and tourism-related economic activity has dropped substantially. More than [54,000] layoffs have been announced in the Bay Area through September 2020. The unemployment rate in the City rose from 2.3% in February 2020 to a high of 12.7% in May 2020, before declining to 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. 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.

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

The City cannot predict how long the current economic recession will last. The City economy may experience similar continuing impacts or additional, different impacts from the COVID-19 pandemic, which may be material and adverse. See “SPECIAL RISK FACTORS – COVID-19 Pandemic” below.

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

THE 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 Bonds.

The information in this Official Statement regarding the District and the Mission Rock Project has considered the current public health orders and any other local restrictions in disclosing estimated time frames for development in the District. Since the beginning of the COVID-19 pandemic, construction projects that are considered essential businesses, including the Mission Rock Project, have been able to continue all construction activities, subject to social distancing requirements. However, the impact of COVID-19 and the public health orders is likely to evolve over time, which could adversely impact the development within the District and the Mission Rock Project as a whole. See “SPECIAL RISK FACTORS – COVID-19 Pandemic” 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 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 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 phases (“Phases 1A, 1B, 2, 3, and 4,” respectively). Active development of Phase 1A, including Parcels A, B, F and G, is underway. (See “ - Project Entitlements, Phasing and Mapping Process” below.)

The Master Developer of the Mission Rock Project

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

San Francisco Giants. The 136-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 1A 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 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.

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.

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 1A 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 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 “ – Development and Financing Plan for the Mission Rock Project – *Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities*” below.

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 identified as a Future Annexation Area that may be annexed into the District in the future; Pier 48 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 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.

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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 1, 2021)

Parcel/ Block	Phase	Tax Zone	Acreage	Rentable Residential Sq. Ft.⁽¹⁾	Rentable Office Sq. Ft.⁽¹⁾	Rentable Retail Sq. Ft.⁽¹⁾
A	1	1	0.96	214,135	58,136	20,931
B	1	1	0.93	--	274,005	20,101
F	1	1	0.58	175,964	--	44,197
G	1	1	0.78	--	302,920	18,435
C	2	2	0.90	--	300,013	29,975
D1	2	2	0.58	193,552	--	--
E	3	2	0.58	--	115,542	15,895
H	4	2	0.72	140,458	--	21,798
I ⁽²⁾	4	2	0.75	--	119,320	21,977
J ⁽²⁾	4	2	0.72	--	118,820	22,524
K	4	2	0.41	96,450	--	9,230
D2 ⁽³⁾	2	2	1.62	--	--	10,327
Totals			9.53	820,559	1,288,756	235,390

⁽¹⁾ 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.

⁽²⁾ Flex parcels

⁽³⁾ 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.

Source: Master Developer

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 1, 2021)

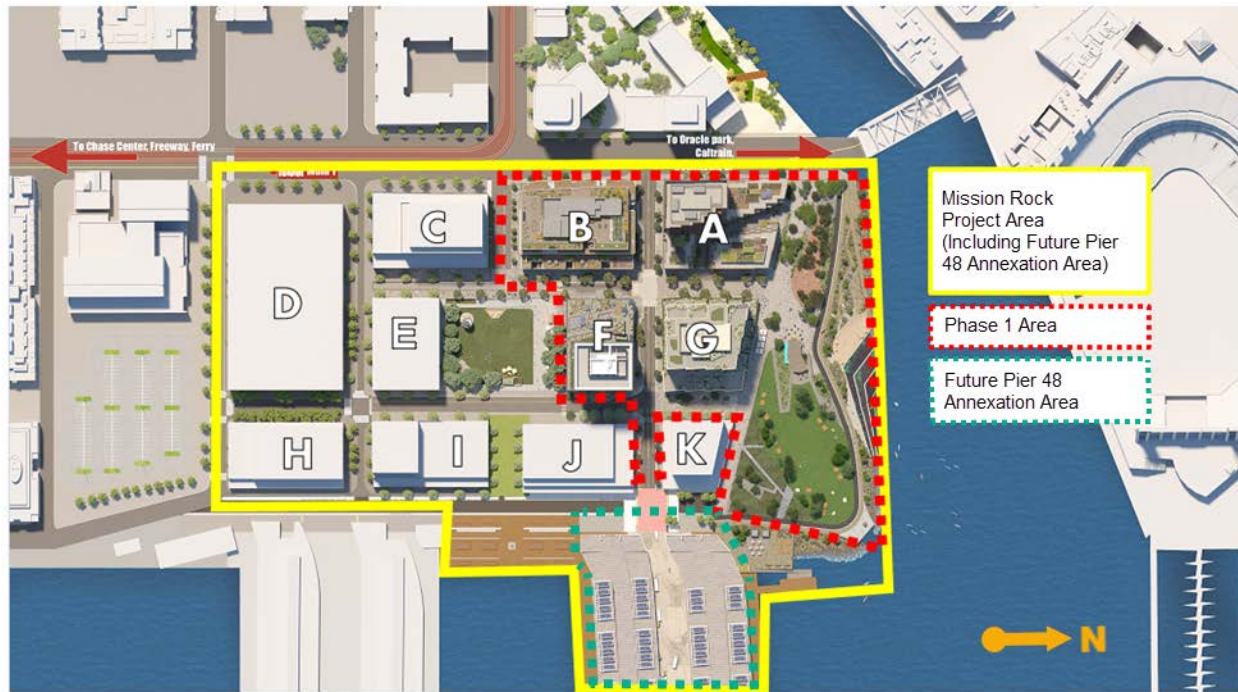
Parcel/ Block	Phase	Tax Zone	Number of Units		
			Market Rate Units	Inclusionary Units ⁽¹⁾	Total
A	1	1	181	102	283
F	1	1	157	97	254
D1	2	2	114	145	259
H ⁽²⁾	4	2	128	64	192
K	4	2	92	39	131
Totals			672	447	1,119

⁽¹⁾ Below market rate rental units.

⁽²⁾ Flex parcel.

Source: Master Developer

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



Project Phasing and Mapping Process

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



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 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.

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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 1, 2021)

Description	Estimated Public Improvement Costs	Spent To Date	Percent Complete
Phase 1A⁽¹⁾			
Entitlement Phase	\$ 29,330,000	\$29,330,001	100%
Hard Costs ⁽²⁾	62,348,350	19,463,394	31
Mission Rock Utilities Systems ⁽³⁾	35,928,038	-	-
A&E & Testing	15,733,607	13,928,935	89
Fees/Bonds/Permits/City	7,193,694	2,807,762	39
Developer Reimbursables	13,461,848	8,967,648	67
Other Soft Costs ⁽⁴⁾	19,292,491	12,033,282	62
Totals Phase 1A	\$183,288,028	\$86,531,922	47%
Phase 1B through Phase 4⁽⁵⁾			
Hard Costs ⁽²⁾	\$ 57,472,884	-	-
Hard Costs Outside of GMP ⁽⁶⁾	25,016,967	-	-
Mission Rock Utilities Systems ⁽³⁾	35,928,038	-	-
China Basin Park	27,397,300	-	-
Soft Costs ⁽⁷⁾	20,202,142	-	-
Totals Phase 1B through Phase 4	\$166,017,331	-	-
Totals for Mission Rock Project	\$349,305,359	\$86,531,922	25%

⁽¹⁾ The Phase I Sub's obligation to complete the infrastructure improvements is 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.

⁽²⁾ Hard Costs include site demolition, prep, grading, utility work, interim work, streetscape.

⁽³⁾ 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 the Mission Rock Utilities Systems. See " - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities" herein.

⁽⁴⁾ Other Soft Costs includes insurance, tax, accounting, legal, general conditions, and contingency.

⁽⁵⁾ Horizontal improvements in Phases 1B and 2-4 have not been finally designed or permitted, so estimated costs are preliminary.

⁽⁶⁾ Hard Costs Outside GMP includes additional items, general conditions and requirements, indirect costs, and contingency.

⁽⁷⁾ 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 1, 2021 to be approximately \$349.3 million in total, of which, approximately \$183.2 million is attributable to Phase 1A. Approximately \$86.5 million has been spent, including entitlement costs. Remaining costs total approximately \$262.8 million, of which approximately \$96.8 million is attributable to Phase 1A.

As of February 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 others will be reimbursed from 2021B Bond Proceeds and other sources.

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

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

	Actual As of 2/1/21 ⁽¹⁾	Projected Through 12/31/21	Projected After 1/1/22	Totals
Sources Phase 1A				
DRP Advances ⁽²⁾	\$ 42,247,500	\$ -	\$ -	\$ 42,247,500
CFD Proceeds ⁽³⁾	-	70,000,000	96,000,000	166,000,000
Mission Rock Utilities Bonds ⁽⁴⁾	25,000,000	10,928,038	-	35,928,038
Developer Equity	57,201,970	34,818,847	26,009,173	118,029,990
TOTAL SOURCES PHASE 1A	\$124,449,470	\$115,746,885	\$122,009,173	\$362,205,528
Uses Phase 1A				
Entitlement Costs ⁽⁵⁾	\$ 29,330,000	\$ -	\$ -	\$ 29,330,000
Mission Rock Utilities Systems ⁽⁴⁾	-	35,928,038	-	35,928,038
Phase 1 Infrastructure ⁽⁶⁾	57,201,970	34,818,847	26,009,173	118,029,990
TOTAL USES PHASE 1A	\$ 86,531,970	\$70,746,885	\$ 26,009,173	\$183,288,028
NET CASH FLOW PHASE 1A	\$ 37,917,500	\$45,000,000	\$96,000,000	\$178,917,500
Sources Phase 1B-4				
DRP Advances ⁽²⁾	\$ -	\$ -	\$ 22,597,500	\$ 22,597,500
CFD Proceeds ⁽³⁾	-	-	94,000,000	94,000,000
Developer Equity	-	3,561,649	126,527,644	130,089,293
TOTAL SOURCES PHASE 1B-4	\$ -	\$ 3,561,649	\$243,516,178	\$247,077,827
Uses Phase 1B-4				
Phases 1B-4 Infrastructure	\$ -	\$ 3,561,649	\$126,527,644	\$130,089,293
TOTAL USES PHASE 1B-4	\$ -	\$ 3,561,649	\$243,125,144	\$246,686,793
NET CASH FLOW PHASE 1B-4	\$ -	\$ -	\$116,597,500	\$116,597,500
NET CASH FLOW	\$ 37,917,500	\$45,000,000	\$212,597,500	\$295,515,000

(1) Includes only revenues and costs associated with the construction of infrastructure as of February 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.

(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. 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 to initially finance the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein. Additional financing is anticipated in 2021.

(5) 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.

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

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, and are currently expected to commence in late 2021 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 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 – Risk of Sea Level Changes and Flooding” for a discussion of potential impacts from sea level rise.

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

Utilities.

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

<u>Utility</u>	<u>Provider</u>
Potable Water	San Francisco Public Utilities Commission
Non-Potable Water	Mission Rock Utilities
Sewer	San Francisco Public Utilities Commission
Gas	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 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. 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 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.

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 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 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 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 in the VCAs 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, 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).

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Phase 1A vertical improvements began in December 2020 and are expected to be completed by the second quarter of 2023. Phase 2 vertical construction is currently expected to commence in early 2022 with a 2024 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 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

	Parcel A	Parcel B	Parcel F	Parcel G
Vertical Developer/Leaseholder	Mission Rock Parcel A Owner, L.L.C.	Mission Rock Parcel B Owner, L.L.C.	Mission Rock Parcel F Owner, L.L.C.	Mission Rock Parcel G Owner, L.L.C.
Use	Residential/Office	Office	Residential	Office
Rentable Office Square Feet ⁽¹⁾	58,136	274,005	-	302,920
Rentable Retail Square Feet ⁽¹⁾	20,931	20,101	44,197	18,435
Rentable Residential Square Feet ⁽¹⁾	214,135	-	175,964	-
Residential Units	283	-	254	-
Date of Parcel Lease Execution	October 2020	October 2020	October 2020	June 2020
Estimated First Fiscal Year as Developed Property under the Rate and Method	2023-2024	2023-2024	2023-2024	2022-2023
Ground Breaking	1/2021	5/2021	7/2021	12/2020
Core/Shell Completion	1/2023	6/2022	5/2023	1/2022
Lease Up Commencement	7/2023	11/2022	11/2023	9/2022
Stabilization	5/2024 ⁽²⁾	8/2023 ⁽³⁾	8/2024 ⁽⁴⁾	7/2023 ⁽⁵⁾

⁽¹⁾ 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 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.

⁽²⁾ Stabilization is defined as 95% leased across residential component.

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

⁽⁴⁾ Stabilization is defined as 95% leased across residential component.

⁽⁵⁾ Stabilization is defined as commencement of the Visa 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 1, 2021, the Parcel A Vertical Developer has expended approximately \$55.6 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 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 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.

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.

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 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 Vertical Developer has incurred approximately \$19.3 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 million will be required to be expended on such costs to complete the building on Parcel B. 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 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.

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 1, 2021, the Parcel F Vertical Developer has incurred approximately \$41.3 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees,

and anticipates that an additional \$153.5 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 in advance of construction commencement. The Vertical Developer expects the remaining costs to be financed from equity. The site permit has been filed and approved. The Master Developer expects the permit will be pulled in mid-2021 in advance of groundbreaking. The first addendum to the site permit that allows for vertical construction is anticipated to be issued at approximately 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.

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 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 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 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 1, 2021, the Parcel G Vertical Developer has incurred approximately \$224.5 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional \$210 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 and permit fees 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:

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 1, 2021)

Floor Plan	Parcel A		Parcel F	
	Avg. Approx. Square Footage⁽¹⁾	Total Number of Planned Units⁽²⁾	Avg. Approx. Square Footage⁽¹⁾	Total Number of Planned Units⁽²⁾
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
Totals		283		254

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

⁽²⁾ Inclusionary units are included in totals. See also Table 3.

Source: Master Developer

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

Parcel	% Equity	% Debt	Total Capitalization (\$ in millions)	Total Debt (\$ in millions)	Total Equity (\$ in millions)	Financing Status
Parcel A	50%	50%	\$278.7	\$141.3	\$137.4	Construction loan closed
Parcel B	100	-	332.8	-	332.8	N/A
Parcel F	50	50	194.8	97.4	97.4	Marketing planned later in 2021
Parcel G	35	65	434.5	285.0	149.5	Construction loan closed with BofA and syndicate

Source: Master Developer

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⁽¹⁾	Expected Land Uses	Expected Square Footage	Expected Maximum Development Special Tax Revenues (FY 2020-21)⁽²⁾	Expected Maximum Office Special Tax Revenues (FY 2020-21)*	Expected Maximum Shoreline Special Tax Revenues (FY 2020-21)*
TAX ZONE 1					
A	Market-Rate Residential	140,659	\$1,230,991	\$ 0	\$ 0
	Office	49,000	324,870	95,962	90,964
B	Office	255,008	1,690,703	499,408	473,397
G	Office	283,323	1,878,431	554,860	525,961
F	Market-Rate Residential	110,548	967,472	0	0
TAX ZONE 2					
C	Office	355,000	2,353,650	582,981	659,022
D1	Market-Rate Residential	76,800	672,123	0	0
E	Office	141,000	934,830	231,550	261,752
H	Market-Rate Residential	96,000	840,154	0	0
	Office	49,999	331,493	82,108	92,818
I	Office	152,000	1,007,760	249,614	282,173
J	Office	152,000	1,007,760	249,614	282,173
K	Market-Rate Residential	62,400	546,100	0	0
	Office	49,999	331,493	82,108	92,818
TOTAL			\$14,117,831	\$2,628,206	\$2,761,078

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

⁽²⁾ 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

Table 10 below sets forth the expected Maximum Development Special Tax Revenues for Fiscal Year 2020-21 and the actual and projected Development Special Tax levy for Fiscal Years 2020-21 through 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 ⁽¹⁾	Office Square Footage ⁽¹⁾	Total Expected Square Footage ⁽¹⁾	FY 2020-21	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
					Expected Maximum Development Special Tax Revenues	Development Special Tax Levied ⁽²⁾	Projected Development Special Tax Levy ⁽³⁾	Projected Development Special Tax Levy ⁽⁴⁾	Projected Development Special Tax Levy ⁽⁵⁾
A	1	146,000	49,000	189,659	\$ 1,555,861	\$ 202,448	\$ 240,799	\$ 34,790	\$ 1,651,092
B	1	0	255,008	255,008	1,690,703	219,994	261,668	37,805	1,794,188
F	1	110,548	0	110,548	967,472	125,887	149,734	21,633	1,026,689
G	1	0	283,323	283,323	1,878,431	244,421	290,723	1,954,320	1,993,407
Subtotal		251,207	587,331	838,538	\$ 6,092,468	\$ 792,751	\$ 942,924	\$ 2,048,548	\$ 6,465,375
C	2	0	355,000	355,000	\$ 2,353,650	\$ 306,257	\$ 364,272	\$ 52,629	\$ 0
D	2	76,800	0	76,800	672,123	87,457	104,024	15,029	0
E	3	0	141,000	141,000	934,830	121,640	144,683	20,903	0
H	4	96,000	49,999	145,999	1,171,647	152,455	181,334	26,199	0
I	4	0	152,000	152,000	1,007,760	131,130	155,970	22,534	0
J	4	0	152,000	152,000	1,007,760	131,130	155,970	22,534	0
K	4	62,400	49,999	112,399	877,593	114,192	135,824	19,623	0
Subtotal		235,200	899,998	1,135,198	\$ 8,025,363	\$ 1,044,259	\$ 1,242,076	\$ 179,452	\$ 0
Total		486,407	1,487,329	1,973,736	\$14,117,831	\$ 1,837,010	\$ 2,185,000	\$ 2,228,000	\$ 6,465,375

* 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).

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

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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 2021B Bonds.

⁽⁵⁾ 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

***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 178 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 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 1, 2021 was \$324,890,000, 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, 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 Bonds are available for public improvements, as of February 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 following the COVID-19 outbreak and containment mandates. San Francisco's average apartment vacancy experienced a significant increase to 11.7% in 2020. The rate had ranged from 4.0% to 5.2% during 2017 through 2019, but began increasing in the first quarter of 2020, with a reported rate of 6.0%. As of the fourth quarter of 2020, the overall average vacancy was reported at 11.7%, a 0.80% increase over the third quarter 2020 and a 6.60% increase year-over-year. The Appraisal Report cites a source indicating that the average asking monthly rental rate in the San Francisco market area as of the fourth quarter 2020 was \$2,643 a decrease from \$2,673 in the third quarter, and 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.

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 the second

quarter and 8.80% 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 source of new vacancy and accounts for 52% of all vacancy in the market. Net absorption has been negative each quarter in 2020. The first quarter of 2020 posted 477,857 square feet of negative net absorption and this declined to negative 2,766,026 square feet in the second quarter, reflecting the effects of the shelter-in-place. The third quarter had negative net absorption of 3,626,504 square feet, and the fourth quarter had negative 2,486,054 square feet. According to market research reports, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and, until more recently, had been flat to slightly increasing. As of the fourth quarter of 2020, the region's average asking rate was \$6.26 per square foot/month (full service), down from \$6.54 per square foot/month in the third quarter and from \$6.87 per square foot/month the previous year. See Appendix G for additional information related to the COVID-19 pandemic's impacts on residential and office rental markets.

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 appraised the leasehold interests (by ownership) in the District that are subject to the Development Special Taxes securing the 2021A 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 1, 2021, the aggregate market value (by ownership) of the leasehold interests in the Taxable Parcels within the District was \$24,890,000. 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.	\$ 28,770,000
Mission Rock Parcel B Owner L.L.C.	56,840,000
Mission Rock Parcel F Owner L.L.C.	30,390,000
Mission Rock Parcel G Owner L.L.C.	185,020,000
Seawall Lot 337 Associates, LLC	23,870,000
Total Aggregate, or Cumulative, Value	<u>\$324,890,000</u>

The value of property within the District is an important factor in determining the investment quality of the 2021B 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.

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.

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

The following table 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 expected maximum Development Special Tax Revenues. 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 values and hence the value-to-lien ratios. See “SPECIAL RISK FACTORS – Real Estate Investment Risks” and “ - Value to Lien Ratios” herein.

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

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

Planning Parcel	Phase	Market-Rate				Projected Development Special Tax Levy			Maximum Development Special Tax Revenues		
		Residential Square Footage ⁽¹⁾	Office Square Footage ⁽¹⁾	Total Expected Square Footage ⁽¹⁾	Appraised Value	FY 2023-24 Projected Development Special Tax Levy	Allocated Bond Debt* ⁽²⁾	Average Value-to-Lien*	FY 2020-21 Expected Maximum Development Special Tax Revenues	Allocated Bond Debt* ⁽³⁾	Average Value-to-Lien*
A	1	140,659	49,000	189,659	\$ 32,740,000	\$ 1,651,092	\$ 28,423,189	1.15	\$ 1,555,861	\$ 12,265,862	2.67
B	1	0	255,008	255,008	58,330,000	1,794,188	30,886,540	1.89	1,690,703	13,328,907	4.38
F	1	110,548	0	110,548	30,860,000	1,026,689	17,674,221	1.75	967,472	7,627,207	4.05
G	1	0	283,323	283,323	\$188,400,000	1,993,407	34,316,050	5.49	1,878,431	14,808,892	12.72
Subtotal		251,207	587,331	838,538	\$310,330,000	\$ 6,465,375	\$ 111,300,000	2.79	\$ 6,092,468	\$ 48,030,867	6.46
C	2	0	355,000	355,000	\$ 7,327,780	\$ 0	\$ 0	0.00	\$ 2,353,650	\$ 18,555,347	0.39
D	2	76,800	0	76,800	\$2,055,147	0	0	0.00	672,123	5,298,780	0.39
E	3	0	141,000	141,000	\$2,931,112	0	0	0.00	934,830	7,369,870	0.40
H	4	96,000	49,999	145,999	\$3,394,362	0	0	0.00	1,171,647	9,236,852	0.37
I	4	0	152,000	152,000	\$2,863,730	0	0	0.00	1,007,760	7,944,825	0.36
J	4	0	152,000	152,000	\$2,838,462	0	0	0.00	1,007,760	7,944,825	0.36
K	4	62,400	49,999	112,399	\$2,299,407	0	0	0.00	877,593	6,918,635	0.33
Subtotal		235,200	899,998	1,135,198	\$ 23,710,000	\$ 0	\$ 0	0.00	\$ 8,025,363	\$ 63,269,133	0.37
Total		486,407	1,487,329	1,973,736	\$ 334,040,000	\$ 6,465,375	\$ 111,300,000	3.00	\$ 14,117,831	\$ 111,300,000	3.00

* Preliminary, subject to change

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

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

⁽³⁾ Allocated based on the fiscal year 2020-21 maximum Development Special Tax revenues.

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

Delinquency History

Under the provisions of the Special Tax Financing Law, the Development Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 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 of the Development Special Tax levy in Fiscal Year 2020-21, an amount equal to \$1,094,463, was 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 is obligated to follow, in the event of delinquency in the payment of Development Special Tax installments.

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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.

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

2020-21 Assessed Valuation: \$29,354,677 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/21</u>
Bay Area Rapid Transit District General Obligation Bonds	0.003%	\$64,153
San Francisco City and County General Obligation Bonds	0.010%	245,894
San Francisco Unified School District General Obligation Bonds	0.010%	103,747
San Francisco Community College District General Obligation Bonds	0.010%	48,362
City of San Francisco Community Facilities District No. 2020-1	100	0 (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$462,156
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
San Francisco City and County General Fund Obligations	0.010%	\$148,289
TOTAL OVERLAPPING GENERAL FUND DEBT		\$148,289
 COMBINED TOTAL DEBT		
		\$610,445 (2)

- (1) Excludes special tax bonds to be sold.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.57%
Combined Total Debt	2.08%

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 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of 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. 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’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. 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 (“LCC”) beneath the roadways and public spaces. 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. 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. 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 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, 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, its ability to complete the Mission Rock Utilities Systems may be impacted. 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 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 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.

Failure to Develop Properties. Phase 1A Horizontal Improvements commenced in January 2020 and vertical improvements began in December 2020. 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 is inherently less valuable than property 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 a Leasehold Interest due to the nonpayment of Development Special Taxes. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the 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 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, 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 financing 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 projected, which may or may not be available.

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 future development of properties without entitlements for office uses. All planned development for Phase 1A has received an allocation under the Annual Limit Program.

COVID-19 Pandemic

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

As of [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 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 Moscone Center, City College of San Francisco, and SF Market in the Bayview to serve anyone who meets the eligibility requirements regardless of health coverage, by appointment only. The high-volume sites are part of San Francisco's network of vaccination sites to facilitate the quick and efficient delivery of COVID-19 vaccines.

The impact of COVID-19 and public health orders is likely to evolve over time, which could adversely impact the development within the District and the Mission Rock Project as a whole, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction 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) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus sufficient to counteract the economic impact of the pandemic.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Also uncertain are the 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.]

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 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 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. Further, the value-to-lien ratio of individual parcels in a district may vary widely. 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 be received for such Leasehold Interest or, if a bid is received, that such bid will 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 2021B Bonds, 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

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, 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 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. 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 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 Development Special Tax installment payments in the future.

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 Bonds. Such payments will result in a mandatory redemption of 2021B 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 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2021B Bonds. See “THE 2021B 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 about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Historical seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Survey. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2042. Such earthquakes may be very destructive. In addition to the potential damage to buildings subject to the 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, 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. 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.

Risk of Sea Level Changes and Flooding

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

The Fourth National Climate Assessment, published by the U.S. Global Change Research Program in November 2018 ("NCA4"), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent

of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

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

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

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

In March 2020, a consortium of State and local agencies, led by the Bay 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 plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started 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. 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.

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 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 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 or acts of terrorism, could also cause a reduction in the

assessed value of taxable property within the City generally and/or specifically in the District. Such events could also damage critical City infrastructure and facilities in the District. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the “Rim Fire”), which area included portions of the City’s Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O’Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco’s drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

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.

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 2021B Reserve Fund for the 2021B Bonds may become depleted.

Hazardous Substances

A serious risk in terms of the potential reduction in the value of a parcel within the District is 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 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 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 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 Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

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

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not *ad valorem* taxes and therefore not payable by the FDIC, and 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 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 2021B Reserve Fund and perhaps, ultimately, a default in payment of the 2021B 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 Bonds are outstanding.

California Constitution Article XIIC and Article XIID

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

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

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Development Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Development Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2021B 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 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 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 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 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2021B 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 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 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 Bonds. The 2021B 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 Bonds or, if a secondary market exists, that the 2021B Bonds can or could be sold for any particular price.

CONTINUING DISCLOSURE

The City

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2021B Bonds (the “City Disclosure Certificate”), the City has covenanted for the benefit of owners of the 2021B 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.

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 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 1, 2021.

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 continuing disclosure undertaking by the Master Developer.

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

TAX MATTERS

Federal Tax Status. 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 2021B 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 2021B 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 2021B Bonds.

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

California Tax Status. In the further opinion of Bond Counsel, interest on the 2021B 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 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 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 Bonds, or as to the consequences of owning or receiving interest on the 2021B Bonds, as of any future date. Prospective purchasers of the 2021B 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 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2021B 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 Bonds, the ownership, sale or disposition of the 2021B Bonds, or the amount, accrual or receipt of interest on the 2021B 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 \$_____, representing the principal amount of the 2021B Bonds less an Underwriter’s discount of \$_____ and [plus/minus] a [net] original issue [premium/discount] of \$_____. The Underwriter intends to offer the 2021B 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 Bonds to the public. The Underwriter may offer and sell the 2021B Bonds to certain dealers (including dealers depositing 2021B Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may re-allow 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 Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2021B Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2021B 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 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 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 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 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 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.

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 Bonds.

The Master Developer

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Master Developer, 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 Official Statement or the payment of the Development Special Taxes.

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 Transit Center, in exchange for personal benefits provided by the restaurateur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction equipment from contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, the City Attorney and Controller announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

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

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

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

On September 24, 2020, the Controller issued an additional report noting that Mr. Nuru also solicited donations from private sources and directed those donations to a non-profit supporting the department of public works. Such arrangements, which were neither accepted or disclosed by the City, created a perceived risk of "pay-to-play" relationships. The report made recommendations to the Board of 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 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 General Manager for the PUC.

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 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.

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

MUNICIPAL ADVISOR

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

Compensation paid to the Municipal Advisor is contingent upon the successful issuance of the 2021B 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 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.

[Remainder of page intentionally left blank.]

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

CITY AND COUNTY OF SAN FRANCISCO

By: _____

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 Bonds, and the City has not undertaken in its Continuing Disclosure Certificate to update this information. The 2021B 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 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 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 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**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) in connection with the issuance of the above captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by the Mayor on May 18, 2020, as supplemented by Resolution No. 565-20 adopted by the Board of Supervisors on December 8, 2020 and approved by Mayor London N. Breed on December 12, 2020 (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 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) the principal amount and total debt service of the outstanding Bonds, as of each June 30 preceding the date of the Annual Report.

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

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

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

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

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

Planning Parcel	Market Rate Residential Square Footage	Office Square Footage	Assessed Value	Current FY Development Special Tax Levy	Current FY Maximum Development Special Tax Revenue	Allocated Bond Debt	Average VTL
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(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: _____, 2021

CITY AND COUNTY OF SAN FRANCISCO

Anna Van Degna
Director of the Office of Public Finance

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: _____
Name: _____
Title: _____

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

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

Name of City: CITY AND COUNTY OF SAN FRANCISCO

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

Date of Issuance: _____, 2021

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

Dated: _____, 20__

CITY AND COUNTY OF SAN FRANCISCO

By: _____ [to be signed only if filed]

Title: _____

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

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of [CLOSING DATE], 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 (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of April 1, 2021, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of June 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 mean an individual residential housing unit in a residential or mixed-use building that is not an Affordable Unit.

“MSRB” means the Municipal Securities Rulemaking Board.

“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 _____, 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 1, 2021, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) 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

With copy to San Francisco Giants
24 Willie Mays Plaza
San Francisco, CA 94107
Attn: General Counsel
Email: jbair@sfgiants

Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104
Attention: Municipal Bond Division
Email: egallagher@stifel.com

City or District:

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94201
Attention: Luke Brewer
Email: anna.vandegna@sfgov.org
Bridget.katz@sfgov.org
Luke.brewer@sfgov.org
nate.cruz@sfport.com

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

Seawall Lot 337 Associates, LLC,
a Delaware limited liability company

By: Mission Rock Partners, LLC,
a Delaware limited liability company,
its sole member

By: TSCE 2007 Mission Rock, L.L.C.,
a Delaware limited liability company,
its administrative member

By: _____

Name: _____

Title: _____

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021B Bonds. The 2021B 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 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *Information on such website is not incorporated by reference herein.*

Purchases of 2021B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021B 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 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 Bonds, except in the event that use of the book-entry system for the 2021B Bonds is discontinued.

To facilitate subsequent transfers, all 2021B 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 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 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021B Bond documents. For example, Beneficial Owners of 2021B Bonds may wish to ascertain that the nominee holding the 2021B 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 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 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 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 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 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.

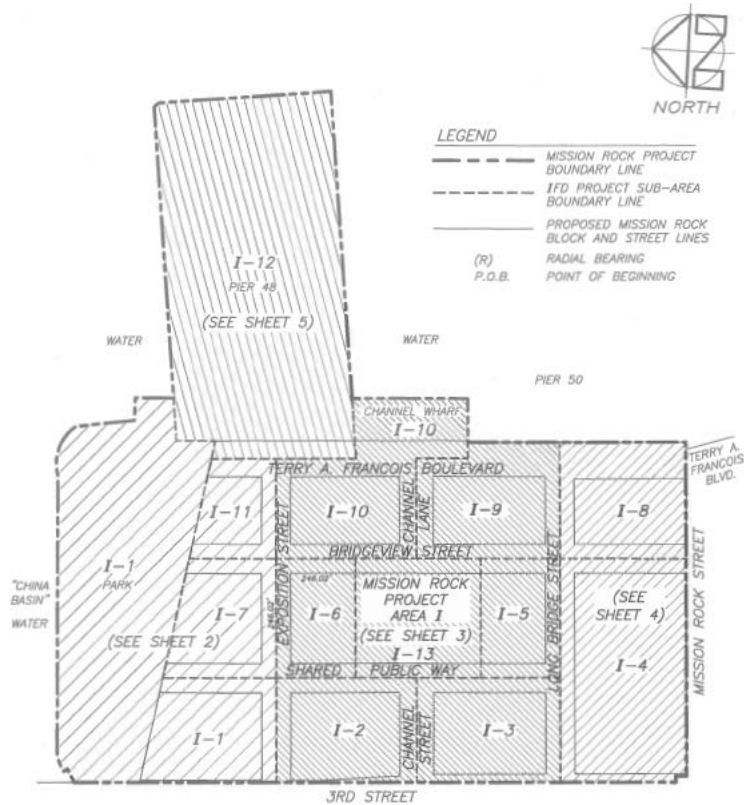
In a judicial validation action (Case No. CGC-16-551235), under Code of Civil Procedure Section 860 et seq. (the “Validating Act”), the San Francisco Superior Court ruled on July 26, 2016 that the IFD was validly established and that the IFP, when delivered, was legal, valid and binding.

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 (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:

Sub-Project Area	Tax Increment Limit
Sub-Project Area I-1	\$370,000,000
Sub-Project Area I-2	236,000,000
Sub-Project Area I-3	384,000,000
Sub-Project Area I-4	829,000,000
Sub-Project Area I-5	170,000,000
Sub-Project Area I-6	411,000,000
Sub-Project Area I-7	266,000,000
Sub-Project Area I-8	182,000,000
Sub-Project Area I-9	280,000,000
Sub-Project Area I-10	204,000,000
Sub-Project Area I-11	130,000,000
Sub-Project Area I-12	240,000,000
Sub-Project Area I-13	143,000,000

Waterfront Set-Aside. The IFD Law requires not less than 20 percent of the amount allocated to the IFD from Project Area I to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront. In 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.”

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 _____, 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 2021B Reserve Fund and any reserve account for Parity Bonds that are not 2021B Related Parity Bonds, [the 2021B 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 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 (b) to the reserve account for any Parity Bonds that are not 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 2021B 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.

Appraisal of Real Property

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

Vacant Land

Terry A. Francois Blvd.

San Francisco, San Francisco County, California 94158

Prepared For:

City and County of San Francisco

Effective Date of the Appraisal:

February 1, 2021

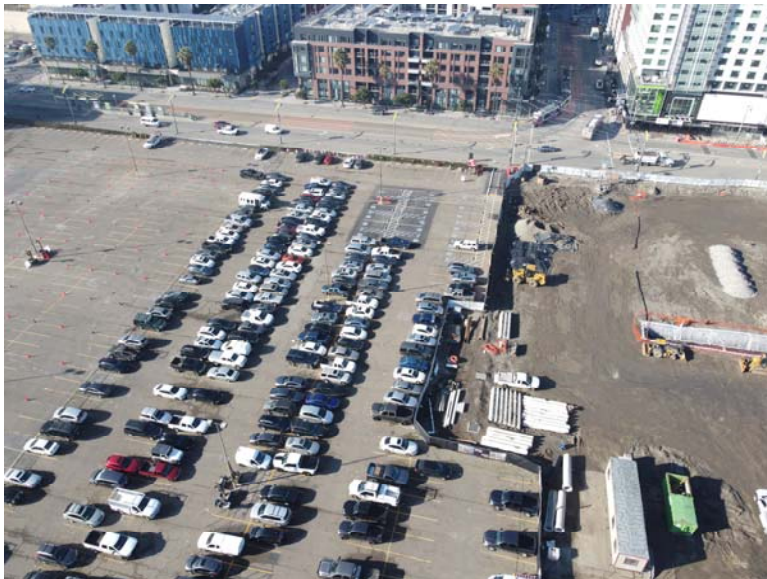
Report Format:

Appraisal Report – Standard Format

IRR - San Francisco

File Number: 192-2019-0160





City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Terry A. Francois Blvd.
San Francisco, California



March 31, 2021

Ms. Anna Van Degna
Director, Controller's Office of Public Finance
City and County of San Francisco
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102

SUBJECT: Market Value Appraisal
City and County of San Francisco Special Tax District No. 2020-1 (Mission
Rock Facilities and Services)
Terry A. Francois Blvd.
San Francisco, San Francisco County, California 94158
IRR - San Francisco File No. 192-2019-0160

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the leasehold interest in the taxable properties within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), under the assumptions and conditions set forth in the attached report. The client for the assignment is the City and County of San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City and County of San Francisco and Special Tax District No. 2020-1 in the marketing of the Special Tax Bonds of the Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2020 (“Bonds”) and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject comprises 11 of the 12 blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, and is located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, which is entitled for the development of 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units; 40% of the residential units will be

affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

Please note, the twelfth block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. However, the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds; therefore, Block D2 is excluded from this appraisal.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of the City and County of San Francisco. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

As a result of the analyses herein, the market value, by ownership, of the appraised properties, subject to a hypothetical condition, as of February 1, 2021 is presented in the table below.

Value Conclusions				
Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership				
Ownership	Tax Zone / Phase	Interest Appraised	Date of Value	Conclusion
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$28,770,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$56,840,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$30,390,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$185,020,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	February 1, 2021	\$23,870,000
Total Aggregate, or Cumulative, Value				\$324,890,000



Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of February 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

The outbreak of the Novel Coronavirus (COVID-19), declared an outbreak by the World Health Organization (WHO) on January 30, 2020 and subsequently reclassified as a worldwide pandemic on March 11, 2020, has created substantial uncertainty in the worldwide financial markets. Concerns about the ongoing spread of the COVID-19 Virus resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in 2020, along with the implementation of personal quarantine procedures.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and office and retail sectors continue to experience negative effects due to the substantial decline in social movement and activity.

The status of economic conditions is changing rapidly, creating great uncertainty in the markets. Our analysis of these and related issues is presented in the attached report. The value expressed herein represents our opinion based on the best available data reflective as of the date of value. While values are always subject to change over time, we caution the reader that in the current economic climate, market volatility creates the potential for a more significant change in value over a relatively short period of time. Please refer to the *COVID-19 Impact on Current Valuation* section of the attached report.



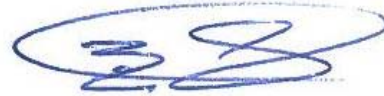
Ms. Anna Van Degna
City and County of San Francisco
March 31, 2021
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Respectfully submitted,


INTEGRA REALTY RESOURCES - SAN FRANCISCO



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Summary of Salient Facts and Conclusions

Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Address	Terry A. Francois Blvd. San Francisco, San Francisco County, California 94158
Property Type	Development Site - Proposed Mixed Use Project
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)
Tax ID	8719-006
Land Area	7.91 acres; 344,560 SF
Zoning Designation	MR-MU, Mission Rock Mixed Use
Highest and Best Use	Mixed use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	February 1, 2021
Date of the Report	March 31, 2021
Property Interest Appraised	Leasehold

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the City and County of San Francisco and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of February 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

General Information

Identification of Appraised Property

The subject property represents the taxable land areas within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The subject comprises 11 of the 12 blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, and is located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, which is entitled for the development of 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units; 40% of the residential units will be affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

The twelfth block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. Because the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds, Block D2 is excluded from this appraisal.

Property Identification

Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Address	Terry A. Francois Blvd. San Francisco, California 94158
Tax ID	8719-006
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)

A summary of the subject blocks and associated acreage is provided on the following page. The project is divided into two tax zones and will be developed over four phases, with Phase 1a coinciding with Tax Zone 1 (Phase 1b comprises China Basin Park, which is not taxable) and Phases 2, 3, and 4 comprising Tax Zone 2. The subject blocks are part of a larger 28-acre site, which includes Pier 48 as well as various proposed parks and opens spaces.

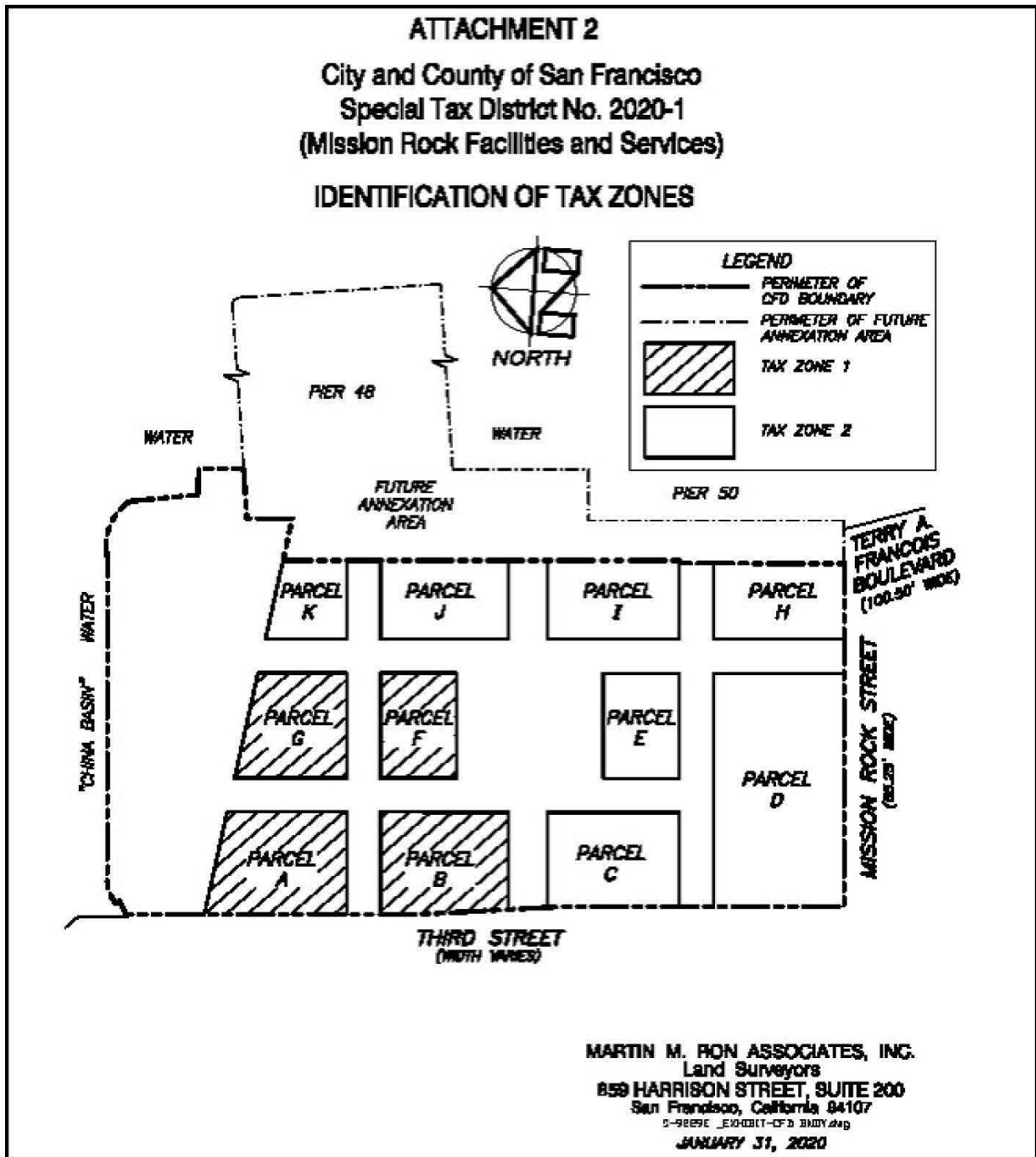


Block Overview					
Block	Phase	Tax Zone	Acreage	Square Feet	Use^
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
Total Taxable Land Area			7.91	344,560	
D2*	2	2	1.62	70,567	Parking

**Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.*

^Retail land uses are not subject to the lien of the special tax securing the Bonds .





Sale History

The underlying land supporting the subject property, and the larger 28-acre site of which the subject is a part, is owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission (“Port”). The Port has entered into a 30-year ground lease agreement with the master developer, known as Seawall Lot 337 Associates, LLC, which is the leasehold owner in the subject property. The ground lease permits the master developer to construct horizontal improvements within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The ground lease is terminated when the Port has issued the final certificate of occupancy for the project and accepted the final audit.

The ground leasehold interests in the four developable Blocks comprising Phase 1a of the Mission Rock Project, Block A, Block B, Block F and Block G, have each been conveyed from the Port and the master developer, Seawall Lot 337 Associates, LLC, under the Disposition and Development Agreement (DDA) pertaining to the (master) ground lease to the vertical developers pursuant to the Vertical Disposition and Development Agreement (VDDA). Under such agreement, each vertical developer is obligated to prepay the proportionate share of the (master) ground lease. Blocks A, B and F executed the parcel lease for vertical development in October 2020; whereas, Block G executed the parcel lease for vertical development in June 2020. The prepaid ground lease cost for Block A was \$11,300,000, Block B was \$4,000,000, Block F was \$23,700,000 and Block G was \$4,000,000. The determination of transfer price was through an independent appraisal of each Block, with a negotiation between the master developer, Seawall Lot 337 Associates, LLC, and buyer (vertical developers). Given the unique nature of each Block’s determined transfer price (at the time of sale), coupled with the significant development costs incurred and impact fees paid to date, prior transfers of the Block 1a parcels are not considered applicable to the estimates of current market value, subject to the hypothetical condition cited herein.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the leasehold interest in the taxable properties within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2020, as of the effective date of the appraisal, February 1, 2021. The date of the report is March 31, 2021. The appraisal is valid only as of the stated effective date.

Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of Property Rights Appraised

Leasehold interest is defined as, “The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.”

Lease is defined as: “A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.”

(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015))

Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client and intended user are the City and County of San Francisco and the associated Finance Team. The appraisal is not intended for any other use or user. No party or parties other than the City and County of San Francisco and the associated finance team may use or rely on the information, opinions, and conclusions contained in this report; however, this appraisal report may be included in the offering document provided in connection with the issuance and sale of the Bonds.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);

- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Numerous documents were provided for the appraisal, including: developer’s budget, tentative map, project renderings, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Francisco County Assessor’s office online resource.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the

neighborhood and market area, newspaper articles, and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining entitlements, completion of spinal infrastructure and/or recordation of final subdivision maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), subject to the Lien of the Special Tax securing the Bonds, the market value, by ownership, of the taxable components comprising Special Tax District No. 2020-1 were estimated using multiple approaches to value.

The valuation begins with employing extraction analyses to estimate of the market value of the land for each of the subject blocks. This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each block and deducts these costs from the market value as if stabilized to arrive at the value of the underlying land. Direct capitalization analyses are utilized to determine the market value of the proposed vertical (leasehold) improvements as if stabilized. As a test of reasonableness, we also consider improved office and multifamily sales, as well as commercial and multifamily residential land sales.

After the market value of the various land use components comprising the subject property is determined, the subdivision development method to value is also employed in the estimate of market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2) of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2020. The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses, and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered.

Under the subdivision development method to value, it is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project. The estimates of market values for the various land use components serve as the revenue component of the subdivision development method (DCF analysis). In addition to the expected revenue, the absorption period, expenses, and discount rate associated with the development and sell-off of the land components comprising the subject property to vertical

(office and multifamily residential) developers are utilized, the results of which provided an estimate of market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2). As the four Blocks comprising Phase 1a (Tax Zone 1), of which two (Blocks A and G) are under vertical construction, are held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks is considered on a proportionate share per Block.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Eric Segal, MAI, conducted an inspection of the subject property on January 14, 2021. Kevin Ziegenmeyer, MAI, and Laura Diaz also inspected the subject property.

Economic Analysis

Area Analysis - San Francisco

Introduction

The worldwide outbreak of the COVID-19 virus and the subsequent chain of events enacted in an effort to minimize the impacts of the pandemic are still in process and evolving. Healthcare and economic responses to this crisis are unfolding in the present, with limited quantifiable data available to gauge the future impact on the local, state and national economies. The following analysis is largely based on historical information as a means of identifying past demographic and general economic trends, both of which will be impacted as more time passes and data becomes available for analysis.

San Francisco is one of nine counties that comprise the greater San Francisco Bay Area. Spanning 47 square miles of peninsula land between the Pacific Ocean and San Francisco Bay, San Francisco County is unique in that it also defines the boundaries of the city of San Francisco. San Mateo County lies directly to the south, Marin County lies to the north, across the Golden Gate Bridge, and Alameda County lies to the east, across the Bay Bridge. San Francisco is the geographic and economic center of the Bay Area. Each day more than 400,000 workers commute to the city.

The topography of the area consists generally of rolling hills. The peninsula that San Francisco County rests on is surrounded by three bodies of water – the Pacific Ocean, the Golden Gate strait, and the San Francisco Bay. The area has a mild climate, with a relatively comfortable temperature range year-round. Rarely does the overall temperature rise above 75 degrees or dip below 45 degrees Fahrenheit. Earthquakes are a common occurrence in the Bay Area due to the proximity to the San Andreas and Hayward Faults. The last major earthquake occurred in 1989 and measured 7.1 on the Richter scale.

Population

The nine-county Bay Area is home to more than 7.79 million residents and has shown moderate growth over the past five years, with an average annual growth rate of 0.5%. San Francisco County has had an average growth of 0.8%. The following table shows recent population trends for San Francisco County, as well as the other counties that make up the Bay Area.

Population Trends							
County	2015	2016	2017	2018	2019	2020	%/Yr
Alameda	1,613,528	1,632,599	1,646,711	1,655,306	1,664,783	1,670,834	0.7%
Contra Costa	1,113,341	1,128,405	1,138,861	1,145,141	1,150,621	1,153,561	0.7%
Marin	262,743	263,327	263,018	262,652	262,240	260,831	-0.1%
Napa	141,010	141,607	141,444	140,528	139,970	139,088	-0.3%
San Francisco	863,623	872,723	880,646	888,575	891,021	897,806	0.8%
San Mateo	761,748	767,921	770,785	772,984	774,231	773,244	0.3%
Santa Clara	1,912,180	1,931,565	1,942,176	1,951,088	1,954,833	1,961,969	0.5%
Solano	426,881	430,530	435,546	437,361	438,832	440,224	0.6%
Sonoma	500,640	502,602	503,842	501,129	496,947	492,980	-0.3%
Total	7,595,694	7,671,279	7,723,029	7,754,764	7,773,478	7,790,537	0.5%

Source: California Department of Finance

Employment & Economy

The California Employment Development Department has reported the following employment data for the City/County of San Francisco in the recent past.

Employment Trends						
	2015	2016	2017	2018	2019	2020
Labor Force	541,400	555,300	563,800	569,300	583,200	570,100
Employment	521,700	537,000	547,300	555,600	570,400	526,700
Job Growth	16,200	15,300	10,300	18,600	23,100	(28,900)
Unemployment Rate	3.6%	3.3%	2.9%	2.4%	2.2%	7.6%

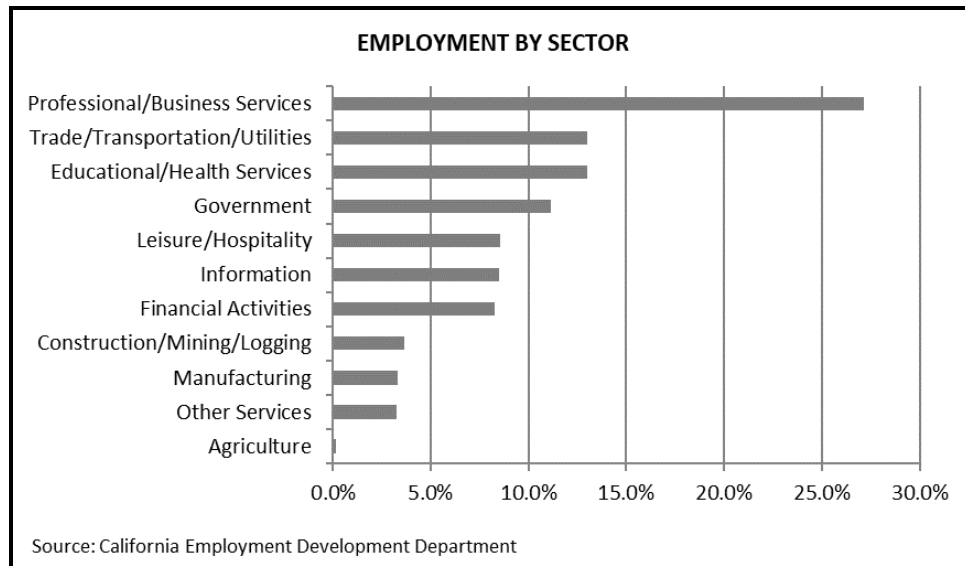
Source: California Employment Development Department

Most areas within the state and nation, including San Francisco County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines between 2011 and 2019. However, this downward trend has shifted as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, statewide Stay-At-Home Orders were issued by the governor on March 19th, which directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment.

The average annual unemployment rate in San Francisco County was 2.2% in 2019 and remained in the 2.3% to 3.1% range during the first quarter of 2020, spiking to 12.6% in April 2020. California Employment Development Department reported an unemployment rate of 6.4% in San Francisco County in December 2020, compared to 8.8% for California and 6.5% for the nation.

As of December 2020, it was reported 118,500 jobs (9.9%) were lost in the San Francisco Metro (San Francisco and San Mateo Counties) year-over-year. The greatest job loss was in the Leisure/Hospitality sector with 57,300 jobs lost, followed by the Trade/Transportation/Utilities sector with 18,000 jobs lost.

The chart on the following page indicates the percentage of total employment for each sector within the city/county.



As illustrated above, San Francisco’s largest employment sector is Professional and Business Services, accounting for roughly 27.2% of all employment, having outpaced all other major industries in terms of job growth prior to the pandemic. The remainder of employment is divided among all other industry sectors, with Educational and Health Services, Trade/Transportation/Utilities (which includes wholesale and retail trade) and Government each accounting for roughly 11% - 13% of the total. The following table shows the largest employers in the city/county as of 2019.

Largest Employers			
	Employer	Industry	Employees
1	City and County of San Francisco	Government	36,910
2	University of California San Francisco	Education	34,690
3	San Francisco Unified School District	Education	10,257
4	Salesforce	Technology	9,100
5	Wells Fargo & Co.	Financial Activities	7,296
6	Kaiser Permanente	Healthcare	6,659
7	United Airlines	Airline Carrier	6,153
8	Sutter Health	Healthcare	6,134
9	Uber Technologies, Inc.	Transportation	5,500
10	Gap, Inc.	Retail	4,500

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2020

Transportation

Access to and through San Francisco is provided by Interstate 280, U.S. Highway 101 and State Highway 1. Interstate 280 runs northeast to Interstate 80, which traverses the Bay Bridge, connecting to Oakland (Alameda County) in the East Bay and heading north through Solano County and the city of Sacramento before continuing on through the Sierra Nevada Mountains and Reno, Nevada. Interstate



280 and U.S. Highway 101 run relatively parallel south of San Francisco, along the peninsula through San Mateo County and Silicon Valley to San Jose (Santa Clara County). U.S. Highway 101 runs north along the eastern side of San Francisco and connects to Interstate 80 at the Bay Bridge. U.S. Highway 101 also leads from the northern edge of the county over the Golden Gate Bridge into Marin County and beyond. State Highway 1 travels along the Pacific coast of California from southern California to northern California where it merges with U.S. Highway 101 in Mendocino County.

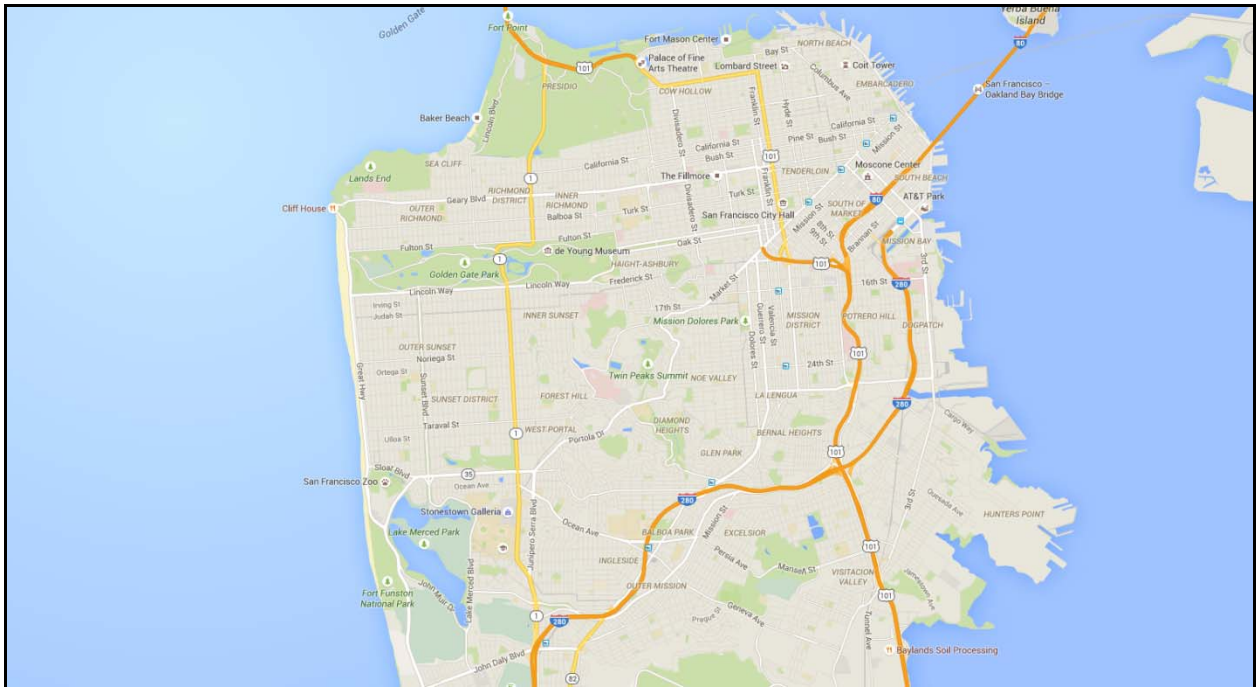
As indicated above, vehicular access to the city/county of San Francisco is provided by the Golden Gate Bridge from the north, the Bay Bridge from the east, and the southern peninsula (San Mateo and Santa Clara Counties) to the south. Public transportation is provided by Amtrak trains, bus service and the Bay Area Rapid Transit (BART), which links Pittsburg/Bay Point and Richmond (Contra Costa County), Dublin/Pleasanton and Fremont (Alameda County) and Millbrae and the San Francisco International Airport (San Mateo County) to the city/county of San Francisco. Cable-car, Muni and BART service provide public transportation within the city. BART and County Connection buses shuttle commuters to and from outlying areas. The aforementioned San Francisco International Airport lies about 12 miles south of the city.

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. The U.S. Census Bureau estimates a median household income for San Francisco County of \$112,449 in 2019 dollars (most recent data available). This is significantly higher than the state of California's median income of \$75,235. The county's income is the fourth highest among California counties, trailing only Santa Clara, San Mateo and Marin counties.

Neighborhoods

San Francisco is identified by many smaller submarkets or neighborhoods. The main neighborhoods are described in the following paragraphs based on information from onlyinsanfrancisco.com and Urban Bay Properties.



Castro/Upper Market: San Francisco’s historic F-Line streetcars are one of the best ways to reach the Castro and Upper Market areas. The Castro, and nearby Noe Valley, offer village-like amenities including pedestrian-friendly streets, Victorian homes in historic Eureka Valley, an array of trendy stores and outdoor cafes for the “see and scene” crowd. The upper stretch of Market Street coils around the lower reaches of Twin Peaks. Noted for their sweeping vistas of the Bay Area, these crests are popular with sightseers. Glen Park on the lower slopes of Diamond Heights has a canyon park and is near a BART station.

Chinatown: The entrance to Chinatown at Grant Avenue and Bush Street is called the “Dragon’s Gate.” Inside are 24 blocks of hustle and bustle, most of it taking place along Grant, the oldest street in San Francisco. This city within a city is best explored on foot; exotic shops, food markets, temples and small museums are comprised within its boundaries. The former central telephone exchange of the Pacific Telephone and Telegraph Company stands at 743 Washington Street. Now a bank, it is the first Chinese-style building constructed in San Francisco, and the exact site where California’s first newspaper was printed.

Civic Center: San Francisco’s widest street, Van Ness Avenue, runs down the middle of Civic Center. A short distance from Civic Center is Hayes Valley, which boasts galleries, antique shops, restaurants and book nooks. A stretch of Larkin Street, starting just beyond the Asian Art Museum’s front door at Larkin and McAllister up to O’Farrell, has been designated Little Saigon. Some 250 Vietnamese-owned businesses are concentrated in this and the nearby Tenderloin areas. The Polk Street district parallels Van Ness Avenue and extends all the way to Fisherman’s Wharf, where it terminates in front of the historic Maritime Museum. Catering to a diverse population, Polk Street is one of the oldest shopping districts in San Francisco.

Embarcadero/Financial District: Lined with deep-water piers, The Embarcadero is literally where one embarks. At the foot of Market Street is the Ferry Building, which houses a food hall, restaurants and a farmer's market. The Ferry Building is also the terminal for ferries to Marin County, Vallejo, Oakland and Alameda. Across the bay is Treasure Island, a man-made island that was the site of the 1939 Golden Gate International Exposition. Much of Jackson Square, one of 11 historic districts, has many buildings dating from the mid-1800s.

Fisherman's Wharf: Fisherman's Wharf is home to fishing boats, seafood stalls, steaming crab cauldrons, seafood restaurants and sourdough French bread bakeries, as well as souvenir shops and museums. The historic F-Line streetcar and two cable car lines terminate in the area and sightseeing boats and boat charters link to Alcatraz, Angel Island and other points around San Francisco Bay.

Haight-Ashbury: One of the most photographed scenes in San Francisco, Alamo Square's famous "postcard row" at Hayes and Steiner Streets is a tight formation of Victorian houses back-dropped by downtown skyscrapers. The corner of Haight and Ashbury Streets still has its tie-dyed roots; vintage clothing, books and records are abundant here and along lower Haight Street. Locals will point out Buena Vista Park, with its city views, and, for architectural highlights, Masonic, Piedmont and Delmar Streets. Parnassus Heights is home to the University of California, San Francisco.

Japantown/Fillmore: Founded in 1906, Japantown is the oldest Japanese district in the United States and one of only three remaining. This small slice of Japanese life is near the Fillmore, the "Harlem of the West," which is witnessing a revival of its jazz heritage and is the setting for an annual open-air jazz festival.

Marina/Presidio: The Golden Gate Bridge is one of the world's most famous landmarks. Its southern approach via State Highway 1/U.S. Highway 101 traverses some of the city's most scenic and historic areas including the Presidio of San Francisco and the Marina, site of the 1915 Panama-Pacific International Exposition. The outdoor cafes of Union Street in Cow Hollow, former dairy land, are ideal spots for people watching and gazing up at the mansions of Pacific Heights. Outer Sacramento Street and Laurel Heights contain a variety of shopping areas.

Mission District: Boasting some of the best weather in the city, the Mission District, Bernal Heights and Potrero Hill take advantage of an abundance of fog-free days. New restaurants and night spots are a draw while Mission Dolores, 16th and Dolores Streets, is the oldest structure in San Francisco. Many of the city's pioneers are buried in an adjacent cemetery. The largest concentration of murals in the city adorns buildings, fences and walls throughout the District. Potrero Hill's Dogpatch neighborhood is one of 11 historic Districts in the city.

Nob Hill: Once the home of the silver kings and railroad barons, the "nabobs," Nob Hill's noble tenants include Grace Cathedral, a replica of Notre Dame in Paris; Huntington Park, site of many art shows and graced by a replica of a 16th century Roman fountain; Nob Hill Masonic Center, an architectural dazzler hosting various musical events; the Cable Car Barn, where the cable cars are stored when not in service, and grand hotels, including the Mark Hopkins (Intercontinental Hotel) and the famous Top Of The Mark restaurant/bar and the Fairmont. Russian Hill, named for burial sites of Russian hunters who were active in California waters in the early 1800s, is most famous for the winding curves of Lombard Street.

North Beach: North Beach is transformed into one of San Francisco's most electric playgrounds with live music and dancing. Many local residents practice tai chi in Washington Square. Coit Tower atop Telegraph Hill offers marvelous views of the city. Thirty local artists painted murals on its ground floor walls in 1933.

Richmond District: Laid out in a grid of multifamily houses all the way to the Great Highway and Ocean Beach, the area is bordered by Golden Gate Park, Lincoln Park/Presidio and Lone Mountain. Shopping is concentrated along major thoroughfares, including Geary Boulevard and Clement Street. The Richmond District sprouted a second Chinatown along Clement Street in the early 1970s thanks to the numerous Asian restaurants and retail stores.

Soma/Yerba Buena: Yerba Buena Gardens, "the largest concentration of art west of the Hudson River," is an oasis in the heart of the city. Moscone Center and more than a dozen museums are located here as well as a memorial to Dr. Martin Luther King, Jr. The University of California San Francisco, Mission Bay is the largest biomedical university expansion in the United States. The home of the San Francisco Giants, AT&T Park, is nearby. The South Beach area, recently transformed into a mixed-use waterfront neighborhood, includes the restored warehouses in the South End Historic District and several marinas.

Union Square: Virtually every fashion label in the world has set up shop in and around Union Square, a landmark park in the heart of the downtown shopping and hotel district. Granite plazas, a stage, a café and four grand entrance corner plazas bordered by the park's signature palms, pay tribute to the Square's distinctive history and offer a forum for civic celebrations. The cable cars head up Powell Street from here and flower stands populate every corner. Thousands originally from Laos, Cambodia and Vietnam have given the Tenderloin, a 20-square-block district west of Union Square, new life. A landmark church, an experimental theatre house, jazz and blues clubs, restaurants and cafes point to a neighborhood renaissance.

Mission Bay: Established as a redevelopment area by the City and County of San Francisco in 1998, this neighborhood was primarily undeveloped for several years, with warehouses, shipping yards and factories the primary land uses in the area. Now, since the construction of AT&T Park, home to the San Francisco Giants baseball team, the Mission Bay and Central Waterfront area of San Francisco is developing as a biotech research hub for the Bay Area. California's Stem Cell Research headquarters is located in Mission Bay, as is a new University of California San Francisco (UCSF) Mission Bay campus. Newly constructed and proposed residential lofts and condos are also part of the neighborhood resurgence.

Bayview/Candlestick Point/Hunters Point: This area is primarily south of Interstate 280 and is home to the former Hunters Point shipyard. The Point, located within the former shipyard, is hyped as "America's largest art colony," and hosts several open art events and exhibitions during the year. The Bayview Opera House is the city's first opera house. Candlestick Point was the former home of Candlestick Park stadium.

Recreation & Culture

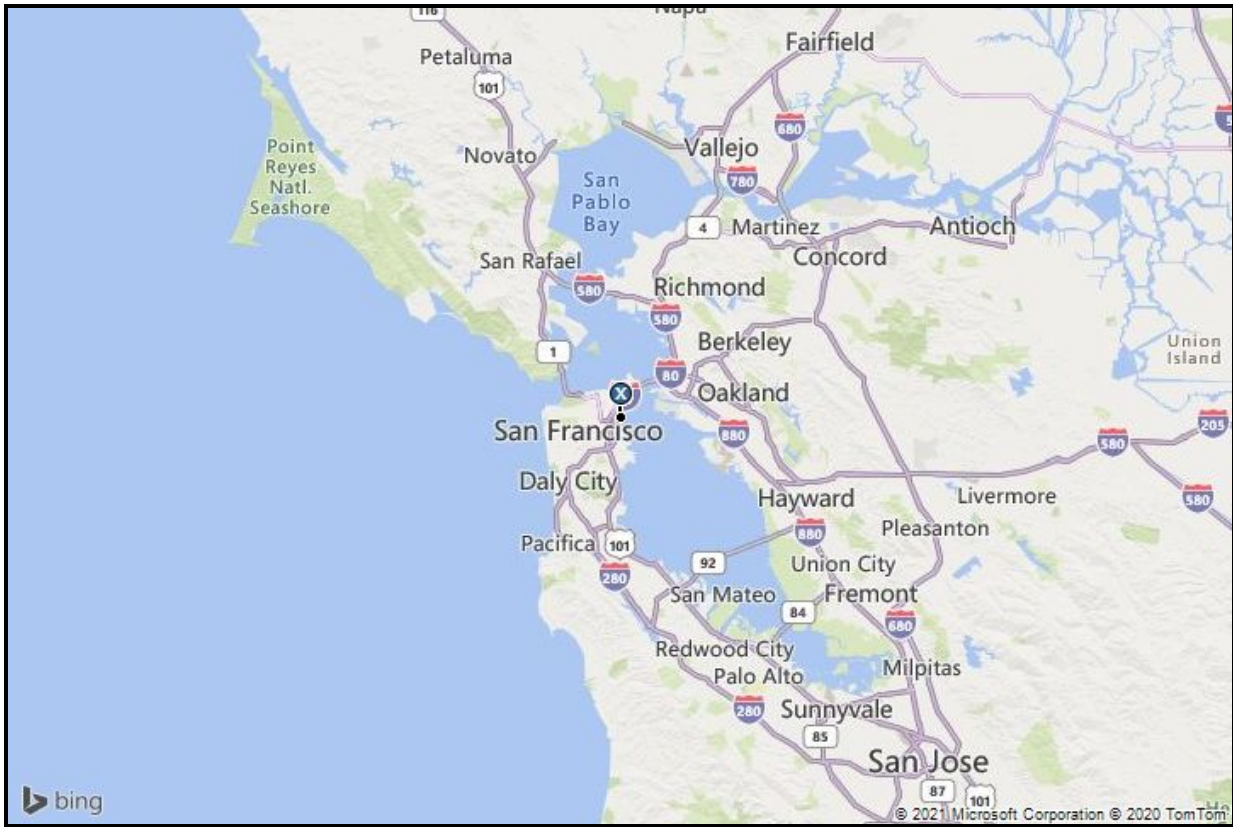
San Francisco is a city rich with cultural and recreational opportunities that attract residents and visitors alike. The city is home to live theater, symphony, ballet, opera, many diverse restaurants, professional sports teams, numerous public parks, a national recreation area, museums, beaches and a wide variety of residential neighborhoods. The city's main professional sports teams are the San Francisco 49ers (NFL football) and San Francisco Giants (major league baseball).

San Francisco is known for drawing tourists from around the globe with its wide array of attractions. Major points of interest include Alcatraz Island, Angel Island, Fisherman's Wharf, the Embarcadero, the Aquarium of the Bay, and a city zoo. The 1,000-acre Golden Gate Park is San Francisco's largest park and offers a treasure trove of attractions, including Strybing Arboretum and Botanical Gardens, a biodiversity hub with 6,000 plant species and a towering display of California redwoods; the Japanese Tea Garden; a children's playground; the Asian Art Museum; MH de Young Memorial Museum; and the California Academy of Sciences.

Conclusion

San Francisco is one of the largest metropolitan areas in the U.S. and serves as a hub for international commerce, financial services and tourism. The city is densely built-out with a limited supply of developable land. After a period of contraction in the economy and real estate markets around 2008-2010, the region experienced improvement in employment and economic conditions, and most real estate sectors showed signs of recovery or expansion. However, employment conditions declined sharply in April 2020 following stay-at-home mandates and non-essential business closures, and the near-term outlook is uncertain as a result of the COVID-19 pandemic. A better understanding of the potential impacts will be gained as economic policies aimed at financial relief and resuming business operations are implemented. The historical stability of the local economy bodes well for the long-term outlook for the region.

Area Map



Surrounding Area Analysis

Boundaries

The subject is located in the Mission Bay neighborhood of San Francisco. The approximate boundaries of the Mission Bay district are described as follows:

North	Townsend Street
South	Mariposa Street
East	San Francisco Bay
West	Interstate 280

A map identifying the location of the property follows this section. The subject property specifically is located within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The boundaries of the district are provided below.

North	McCovey Cove
South	Mission Rock Street
East	Terry A. Francois Boulevard
West	3 rd Street

Access and Linkages

The subject's neighborhood has adequate street and freeway access. 3rd and 4th Streets are north/south arterials connecting the subject's neighborhood to Market Street, the Civic Center, and Union Square. Brannan and Bryant Streets function as major northeast/southwest thoroughfares running through the South of Market (SoMa) area, south of I-80. Folsom and Harrison Streets run in a similar direction north of the subject neighborhood, but north of I-80. Just north of Mission Bay, San Francisco's Embarcadero provides north/south access along the San Francisco Bay waterfront.

Interstate 80 (the Oakland-San Francisco Bay Bridge), which provides access to Oakland and the East Bay, is accessible from Bryant Street at 2nd Street, 4th/5th Streets, and 7th Street, just outside the subject neighborhood. Primary interstate access to the subject's immediate neighborhood is provided by I-280/ U.S. Highway 101 from Mariposa Street, several blocks south of the subject. Highway 101 runs north/south through the city, before connecting San Francisco to Marin County to the north and San Mateo and Santa Clara counties to the south. Interstate 280 forms the southern boundary of Bernal Heights before intersecting with Highway 101 and continuing northward to Interstate 80.

The subject is located approximately two miles east of the Civic Center Station and just under two miles south of the Montgomery Street Station, where both Bay Area Rapid Transit (BART) and MUNI are available. MUNI, which provides bus, light rail, cable car, and electric street car services throughout San Francisco, also offers multiple bus stops within a quarter mile of the subject property. In addition, the Caltrain station at 4th Street is approximately half a mile north of the subject property, along King Street. Caltrain provides commuter rail service between San Francisco and Gilroy in the South Bay. The subject is approximately one and a half miles southeast from the new Salesforce

Transit Center, a \$6 billion project intended to serve as the primary bus terminal (completed in Phase 1) and future rail terminal for the Bay area.

The local market perceives public transportation as average to good compared to other areas in the region. While automobile use is prevalent, the primary mode of transportation in San Francisco is bus and train service. In fact, the City's current development policy discourages excess parking at new developments in an effort to promote public transportation and bicycle use.

The San Francisco International Airport is located approximately 12 miles south of the subject property; travel time is about 20-40 minutes, depending on traffic conditions and mode of transportation. The Oakland International Airport is located approximately 18 miles east of the subject property. The San Francisco Financial District, the economic and cultural center of the region, is approximately two miles from the property.

The following map depicts public transit options in the subject neighborhood, including planned transit improvements.



Demand Generators

Primary employers in the Financial District are located within approximately two miles of the property and represent significant concentrations in the utilities, retail, financial services, healthcare and technology industries. The nearby SOMA neighborhood has become the premier location for technology employers, with a combination of large, established technology firms, growth stage firms and newer start-ups. In addition, the 43-acre UC San Francisco medical and research campus, located just southwest of the subject along 3rd Street, provides jobs at the campus and surrounding office and retail developments. In addition to its strong employment base, the area is easily accessible to the Financial District and Union Square submarkets, all within 15 minutes driving time. Access to employment centers in other submarkets is a major demand driver.

Oracle Park is located just north of McCovey Cove from the subject property, within walking distance. The subject property enjoys views of the baseball stadium and the San Francisco Bay. The new Chase Center, completed in 2019 and home to the Golden State Warriors, is located approximately half a mile south of the subject property between 3rd Street and Terry A. Francois Boulevard. These demand generators support the demographic profile described in the following section.

Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics				San Francisco
2021 Estimates	.5-Mile Radius	1.0-Mile Radius	1.5-Mile Radius	County
Population 2010	9,944	29,962	66,046	805,235
Population 2021	16,008	47,354	92,018	888,361
Population 2026	16,998	50,364	97,400	919,486
Compound % Change 2010-2021	4.4%	4.2%	3.1%	0.9%
Compound % Change 2021-2026	1.2%	1.2%	1.1%	0.7%
Households 2010	5,054	15,515	33,923	345,811
Households 2021	8,229	25,137	48,445	387,190
Households 2026	8,722	26,747	51,422	402,008
Compound % Change 2010-2021	4.5%	4.5%	3.3%	1.0%
Compound % Change 2021-2026	1.2%	1.2%	1.2%	0.8%
Median Household Income 2021	\$196,574	\$193,404	\$136,508	\$125,036
Average Household Size	1.8	1.7	1.7	2.2
College Graduate %	72%	72%	63%	59%
Median Age	35	37	40	39
Owner Occupied %	34%	36%	27%	35%
Renter Occupied %	66%	64%	73%	65%
Median Owner Occupied Housing Value	\$1,312,126	\$1,431,775	\$1,425,621	\$1,399,513
Median Year Structure Built	2006	2006	2001	1943
Average Travel Time to Work in Minutes	37	36	34	37

Source: Environics Analytics

As shown above, the current population within a 1.0-mile radius of the subject is 47,354, and the average household size is 1.7. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to City and County of San Francisco overall, the population within a 1.0-mile radius is projected to grow at a faster rate.

Median household income is \$193,404, which is higher than the household income for the City and County of San Francisco. Residents within a 1.0-mile radius have a considerably higher level of educational attainment than those of the City and County of San Francisco, while median owner-occupied home values are also higher.

Land Use

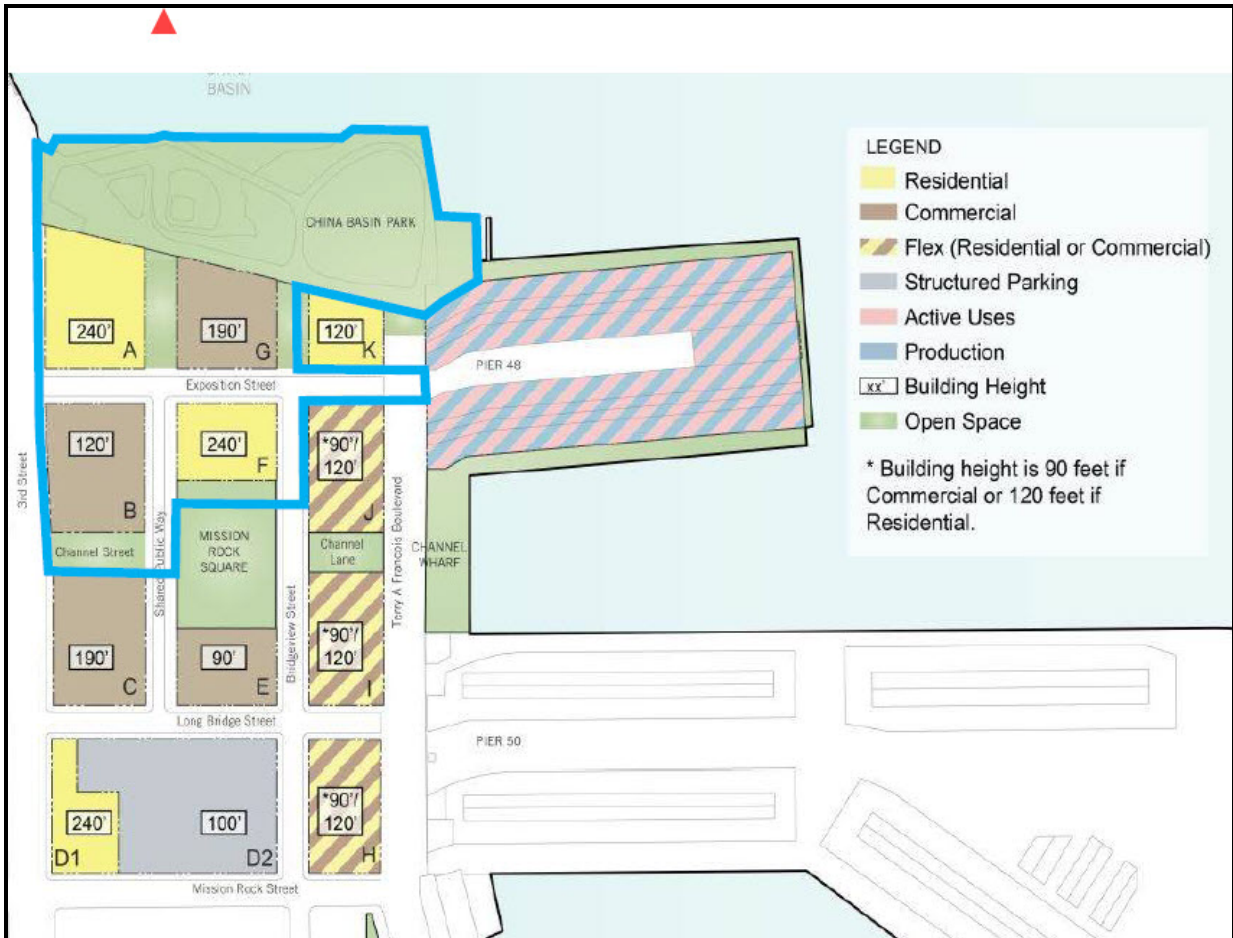
The area is urban in character and in the redevelopment phase of its life cycle. Land uses immediately surrounding the subject reflect a mix of residential and commercial properties, along with some public open spaces. Typical ages of building improvements range from new to greater than 50 years. As noted in the previous demographics table, the median year built for structures within a five-minute drive time is 2007, significantly newer than the median age for structures in San Francisco overall. New development in the past five years has included multiple multifamily residential and mixed-use projects, as well as construction of new hospital and research/development improvements at and around UCSF.

Other land use characteristics are summarized as follows:

Surrounding Area Land Uses	
Character of Area	Urban
Predominant Housing Age (Both Ownership and Rental)	New to 15 years
Predominant Quality and Condition	Average to above average
Approximate Percent Developed	80%
Percent Developed by Land use	50% Multifamily; 0% Single Family; 50% Commercial
Infrastructure/Planning	Average
Prospective Change in Land Use	On-going; redevelopment of subject
Prevailing Direction of Growth	Infill

Subject's Immediate Surroundings	
North	McCovey Cove and Oracle Park
South	Multifamily residential, retail/office use, police station
East	Pier 48, Pier 50, San Francisco Bay
West	Multifamily residential, retail/office use

The following map includes depicts proposed land uses within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).



Phase 1a (and 1b, comprises China Basin Park) of the project is outlined in blue. Blocks H, I, and J, which are designated as flex in the rendering above, will include residential use on Block H and office use on Blocks I and J. Block D2 will include a parking garage which is intended to serve the entire project with up to 3,000 parking spaces available for rent. The project will also include several parks, open spaces, and paseos.

A summary of parks and open space within the Special Tax District boundary is provided in the following table.

Parks & Open Space

Name	Acreage	Square Feet
China Basin Park	4.27	186,001
Channel Street	0.27	11,761
Channel Lane	0.22	9,583
Mission Rock Square	1.11	48,352
	5.87	255,697

**Excludes Channel Wharf (0.48 acres) & Pier 48 (8.02 acres), which will be annexed later.*

The following graphic is a conceptual plan for the China Basin Park adjacent to McCovey Cove.

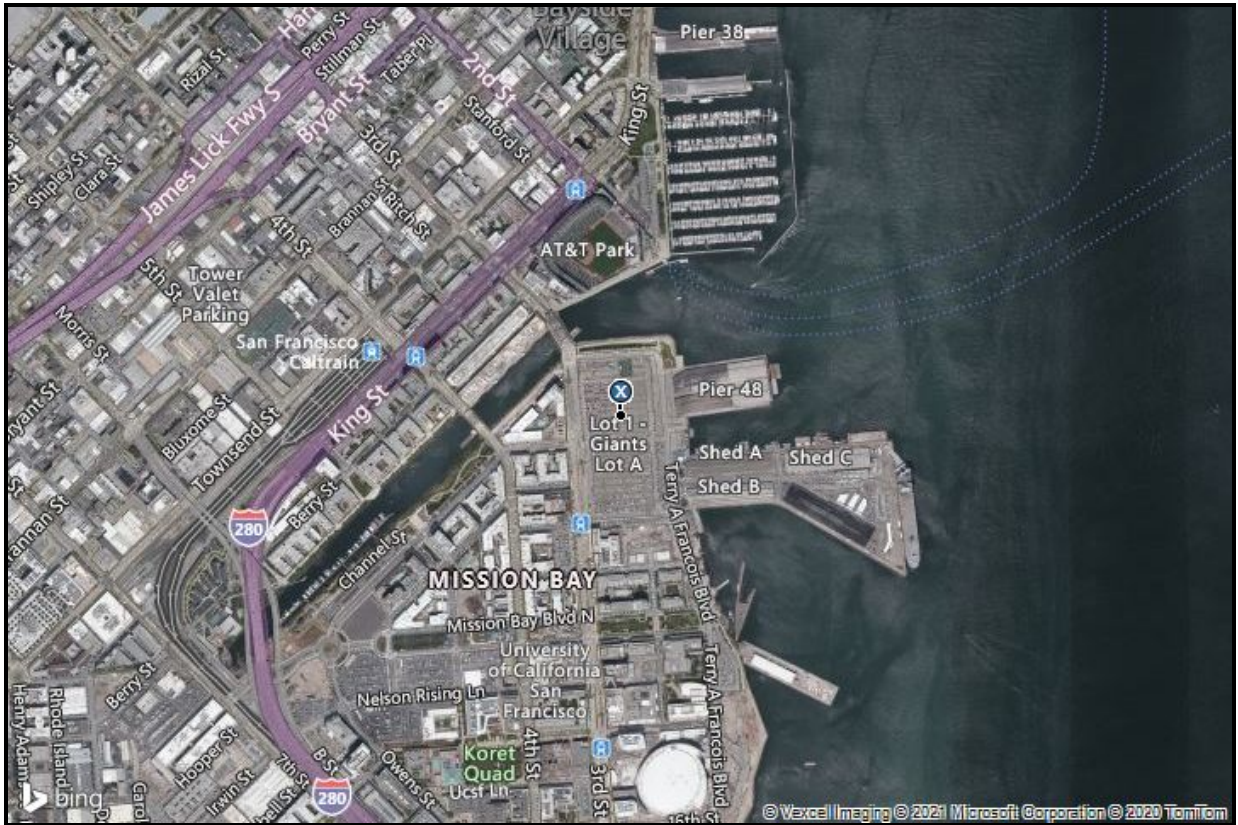


Outlook and Conclusions

The area is in the redevelopment stage of its life cycle. In addition to the subject proposal, the neighborhood has seen significant development in the past five to ten years, including multifamily (for rent and for sale) projects, new office, biomedical, and research and development improvements, hospital development, and sports arena construction. Prior to the current COVID-19 environment, property values were increasing in the area. While the ongoing COVID-19 pandemic is having a negative impact on commercial property values, it is anticipated property values will stabilize and recover over the next several years.



Surrounding Area Map



AT&T Park has been renamed Oracle Park.



Multifamily Market Analysis

It is noted this section of the report contains both historical and recent market information that reflects the impact of recent events related to the worldwide COVID-19 outbreak. However, in light of the fact we are still actively fighting this pandemic, market data to accurately quantify the short-or long-term impact on the commercial real estate market is still limited. Healthcare and economic responses to this crisis are still unfolding and changing. Integra Realty Resources is monitoring these responses and is committed to keeping our clients and the intended users of our appraisals as informed and up-to-date as possible. Please refer to the *COVID-19 Impact on Current Valuation* section presented following this market analysis section of the report.

The subject is located within the San Francisco apartment market area, defined as the city/county limits, as highlighted in the map below.



The San Francisco Bay Area multifamily market experienced strong demand during the last expansion cycle as tech companies expanded rapidly in the region. The significant improvement in the economy over the past several years, particularly in terms of job growth and unemployment rates, coupled with high single-family home prices and a lack of single-family home construction in the region, led to a surge in new multifamily construction. Prior to the pandemic, demand kept pace with development, resulting in vacancy rates throughout most of the areas in or below the 5% range. However, market conditions have begun to decline following the coronavirus outbreak and containment mandates.

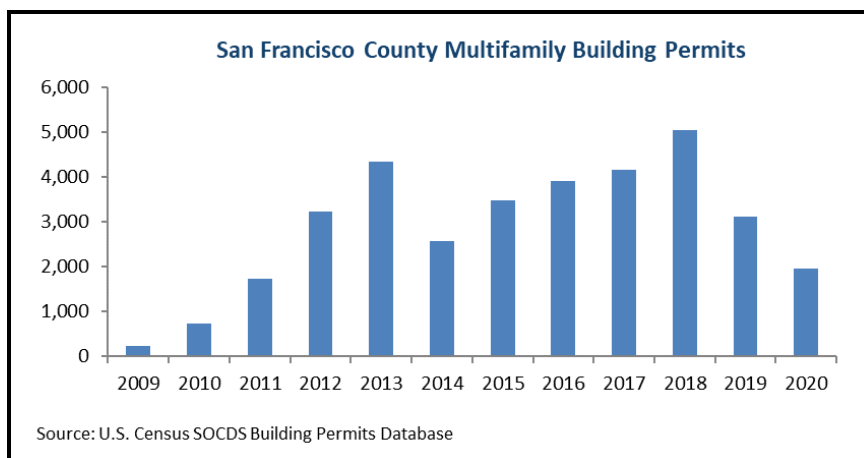
The following is an excerpt from market research reports published by Costar summarizing the current state of the market.

“Graduates in STEM education fields—science, technology, engineering, and mathematics—who had moved to the market in droves, attracted to its heavy concentration of leading tech companies and start-ups, recently moved out, to cheaper and cities and towns throughout the country. Without the restaurants, nightlife, shops, museums, and parks that make San Francisco a desirable live/work/play environment, its high cost of living was no longer worth it

for some with the ability to relocate. Renters working from home were attracted to more suburban, outdoor-friendly areas, and some younger millennials moved back home, at least temporarily. Job losses also plagued the apartment market. Employment in retail, hospitality, restaurants, and entertainment venues has been devastated. The loss of so many jobs combined with an exodus resulting from a forced adoption of remote work led to a substantial outflow of apartment renters in 2020. The trajectory of the market in 2021 will largely depend on how many renters come back when offices reopen, and how quickly the draws of a large vibrant city are restored. Distribution of the coronavirus vaccine and plans to reopen offices in the late summer and fall has already ushered back some apartment rental demand. However, San Francisco's moratorium on residential evictions related to financial impacts caused by the coronavirus has forestalled some occupancy losses... Affordability has been a growing concern among renters for years, and likely exacerbated occupancy losses amid the coronavirus shutdown. San Francisco still ranks as the most expensive market in the country despite a substantial drop in asking rents during the pandemic, and high housing costs have been a primary driver of its growing domestic migration outflow."

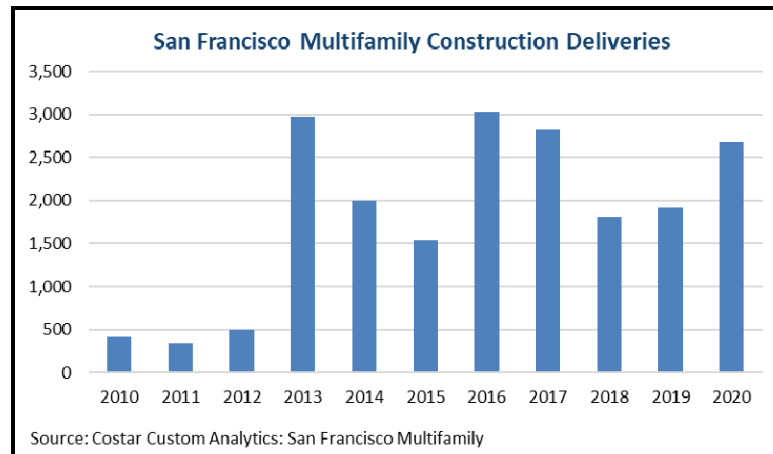
New Construction

The following chart indicates the number of multifamily building permits issued over the past decade in San Francisco County according to US Census Bureau data. It is noted these figures include for-rent apartments and for-sale condominiums within projects with five or more units.



Permit activity for multifamily projects was low during the recession years, with increases beginning in 2011/2012 as developers began responding to improving market conditions. In recent years, the majority of new developments have been concentrated in the South of Market (SoMa), Mission Bay/China Basin/Potrero Hill and Haight-Ashbury/Castro/Noe Valley/Mission submarkets.

The following illustrates new construction deliveries over the past ten years.



Among the more significant residential projects recently completed is The Avery, a luxury high-rise project located two blocks from the new Salesforce Transit Center, completed at the end of 2019. This project is 56 stories tall, with 548 residential units and 17,000 square feet of ground floor retail. Included in the residential tower are 118 luxury condos on the upper floors and 280 luxury and 150 affordable on the middle to lower floors at Avery 450. The Landing, a 263-unit project in the Potrero Hill neighborhood was completed in the third quarter 2019 and 500 Folsom was completed in the fourth quarter 2019, offering 545 units in the South of Market submarket. Mason on Mariposa at 1601 Mariposa Street, a 299-unit, four-story project in the Potrero Hill neighborhood, The Madelon, a 272-unit project at 2000 Bryant Street in the Mission District, and 200 units in Common City Gardens at 333 12th Street, were completed during the first half of 2020. Most recently, 1550 Mission Street, a redevelopment of the former Goodwill Store, delivered 550 units in the third quarter and 50 Jones Street delivered 303 units in the Mid-Market neighborhood.

While new construction in the pipeline remains elevated, the past 12-month period has shown a decline in total units completed compared to the peak 2016 and 2017 levels. As construction costs have continued to increase, developers have been re-evaluating the feasibility of new development and there have been fewer new projects breaking ground since mid-2018. Some of the significant apartment projects under construction are summarized as follows:

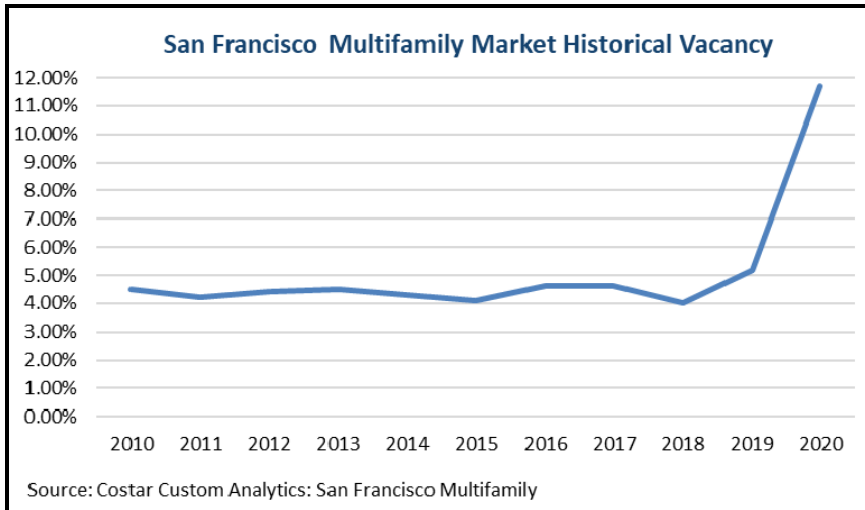
San Francisco Multifamily Projects Under Construction			
Project	Number of Units	Submarket	Anticipated Completion
HQ / 1532 Harrison Street	136	Mission District	Q2 2021
Alexan Bryant / 955 Bryant Street	185	Mission Bay	Q2 2021
Trinity Place / 1177 Market Street	501	South of Market	Q3 2021
Chorus / 30 Otis Street	416	Haight-Ashbury	Q3 2021
The Tenderloin / 361 Turk Street	146	Civic Center	Q3 2021
830 Eddy Street	126	Civic Center	Q3 2021
1028 Market Street	186	Mid-Market	Q4 2021
1140 Harrison Street	372	South of Market	Q4 2021
1298 Howard Street	129	South of Market	Q4 2022

Source: CoStar, Kidder Mathews Real Estate Market Review Report

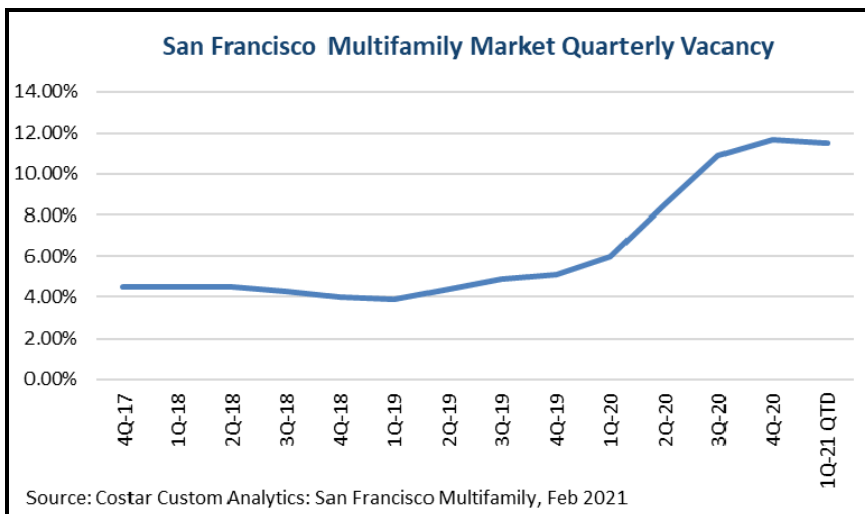


Vacancy

Historically speaking, the apartment market in San Francisco has typically maintained relatively low vacancy and over the last decade, the region’s average vacancy rate has remained generally under 5%, with a significant increase in 2020 to 11.7%, as indicated in the following table.

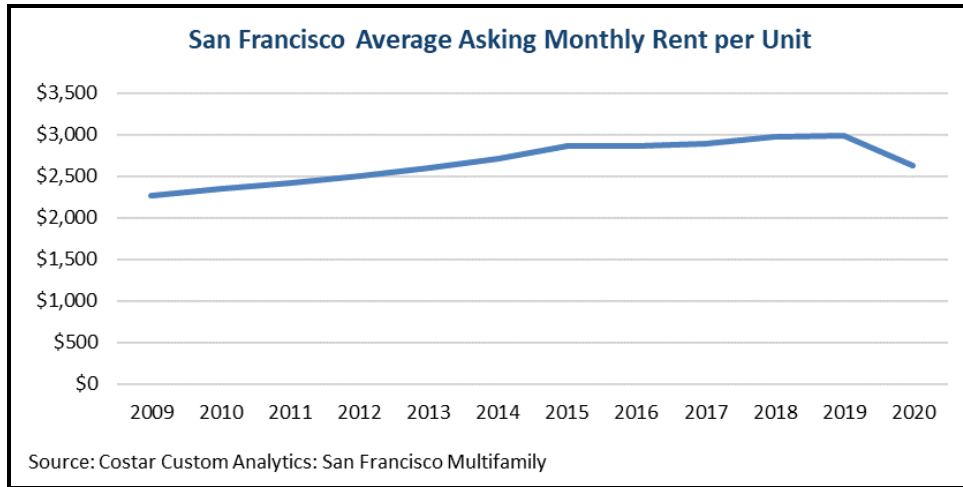


Over the past few years, the rate has ranged from 4.0% to 5.2% during 2017 through 2019 and began increasing in the first quarter of 2020, with a reported rate of 6.0%. The rate further increased each subsequent quarter in 2020, following the recent events of the pandemic, as illustrated below. As of the fourth quarter 2020, the overall average vacancy was reported at 11.7%, an 80-basis point increase over the third quarter 2020 and a 660-basis point increase year-over-year. The average vacancy rate, by quarter, over the past three years is presented in the following table.



Rental Rates

The following chart highlights trends in the average asking monthly rental rate for multifamily units in the San Francisco market area, as reported by Costar. Guarded reliance should be placed on reported average asking rental rates due to the number of variables impacting these figures.



According to this report, the average asking monthly rental rate as of the fourth quarter 2020 was \$2,623, a decrease from \$2,673 in the third quarter and 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 pandemic stay-at-home orders. In addition, rent concessions have increased substantially. Luxury apartments have been most heavily impacted and have offered the greatest discounts, as they face a slow leasing environment as well as additional competition from newly constructed projects.

Submarket Data

New construction activity in 2018 was concentrated in the South of Market submarket, where 80% of all new units were delivered. This trend continued during 2019 and 2020, and is expected to continue into 2021, with significant development also occurring in Haight-Ashbury/Castro/Noe Valley/Mission and Mission Bay/China Basin/Potrero Hill.

Average asking rental rates ranged from \$2,018 per unit/month in the Bayview/Visitacion Valley submarket to \$3,499 per unit/month in the Marina/Pacific Heights/Presidio submarket. In terms of vacancy, a rate of 0% was reported for Treasure/Yerba Buena Island, with the next lowest vacancy in the Bayview/Visitacion Valley submarket at 3.5%. The highest overall vacancies were reported in the Sunset/Lakeshore and South of Market submarkets, at 19.0% and 18.6%, respectively. Each submarket except Treasure/Yerba Buena, had increases in vacancy year-over-year, ranging from 130 basis points in Bayview/Visitacion to 13.5% in Sunset /Lakeshore. Average asking rents decreased anywhere from 1.1% to 20.2%, with Mission Bay/China Hill/Potrero and South of Market showing the largest declines at 17.5% and 20.2% year-over-year, respectively.

The following table highlights recent market activity for the submarkets that make up the San Francisco market.



San Francisco Multifamily Market Summary					
Submarket	Inventory (Units)	12-Mo Deliveries	Under Construction	Asking Rents	Vacancy
Bayview / Visitacion Valley	5,758	0	167	\$2,018	3.5%
Civic Center / Tenderloin	13,959	303	387	\$2,141	10.6%
Downtown San Francisco	26,737	0	370	\$2,532	11.5%
Haight-Ashbury/Castro/Noe Valley/Mission	26,219	1,250	996	\$2,679	9.8%
Marina/Pacific Heights/Presidio	15,315	0	0	\$3,499	8.6%
Mission Bay/China Basin/Potrero Hill	8,983	460	357	\$3,059	13.2%
Richmond/Western Addition	25,706	123	126	\$2,263	9.4%
South of Market	15,169	284	1,336	\$2,958	18.6%
Sunset/Lakeshore	10,520	0	8	\$2,642	19.0%
Treasure/Yerba Buena Island	624	0	105	\$2,494	0.0%
San Francisco Market Total	148,990	2,420	3,852	\$2,653	11.5%

Source: Costar Custom Analytics: San Francisco Multifamily, Feb 2021

Sales Activity

The strong market fundamentals and economy in the San Francisco market have historically made it an attractive capital investment market. As rental rates steadily increased following the recession of 2008, capitalization rates decreased and pricing increased, making San Francisco the most expensive multifamily market in the country. Prior to the coronavirus outbreak, capitalization rates held steady in the high 3% to low 4% range and were among the lowest in the country. Properties with value-add potential were in demand as investors looked to renovate and compete with nearby luxury rentals.

The first quarter 2020 showed signs of moderation as rental rate growth diminished and vacancy rates began stabilizing with new inventory added. The subsequent quarters in 2020 showed declining sales volume and average price per unit, as well as a slight increase in the average capitalization rate due to the effects of the pandemic. Sales volume in 2020 totaled \$1.4 billion, compared to \$2.8 billion in 2019 and \$2.5 billion in 2018. Average selling price per unit was \$459,735 in 2020, compared to \$569,865 in 2019 and \$458,815 in 2018.

Looking forward, deal volume is expected to continue to be impacted by coronavirus-related policies and the resultant recession, as uncertainty and caution among investors and lenders continues, putting further pressure on sales indicators.

Conclusion

Over the past several years, the San Francisco multifamily market thrived, with steady rent increases and very low vacancy rates. New construction activity was strong, and significant projects are still in progress and scheduled for completion over the next two to three years. The market began showing signs of stabilization in the 12-18 months prior to the pandemic.

While underlying economic factors were in place for steady market conditions in the regional multifamily market, the COVID-19 pandemic has significantly disrupted the economy, bringing an end to what had been the longest economic expansion in U.S. history. Mandatory shelter-in-place orders and closure of all businesses that were not classified as "essential" went into effect March 19, 2020 to prevent the spread and reduce the impact of the virus. Employment conditions declined sharply following these policies and market activity declined.

Over the past several months, guidelines have been revised by the State for gradually reopening the economy to reintroduce activities and sectors in a phased manner and with necessary modifications to protect public health and result in a lower risk for COVID-19 transmission in a community. However, restrictions continue to be in effect, with ongoing modifications at the regional and county level based on specified criteria for containing COVID-19.

The near-term outlook for the San Francisco multifamily market remains uncertain. The market has historically experienced strong growth during expansion cycles, but also significant decline during recession cycles. Strong fundamentals in place prior to the recent events surrounding COVID-19, coupled with the market's historical performance trends, position the market for recovery.

Office Market Analysis

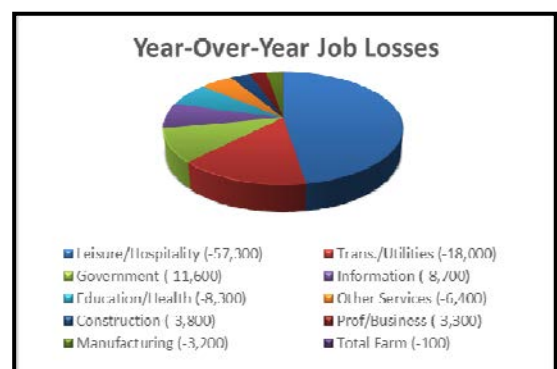
It is noted this section of the report contains both historical and recent market information that reflects the impact of recent events related to the worldwide COVID-19 outbreak. However, in light of the fact we are still actively fighting this pandemic, market data to accurately quantify the short-or long-term impact on the commercial real estate market is still limited. Healthcare and economic responses to this crisis are still unfolding and changing. Integra Realty Resources is monitoring these responses and is committed to keeping our clients and the intended users of our appraisals as informed and up-to-date as possible. Please refer to the *COVID-19 Impact on Current Valuation* section presented following this market analysis section of the report.

The technology sector has remained the primary catalyst for growth in the San Francisco office market over the most recent expansionary cycle, with unemployment reaching the lowest levels in 20 years. After significant new construction deliveries and very strong absorption in 2018, net absorption began declining and reached negative levels in the fourth quarter 2019, with further declines each quarter in 2020. Vacancy, which had been on a downward trend since late 2017, likewise increased each quarter in 2020. Average asking rental rates had been increasing for several years and continued to increase in the first and second quarters 2020, though at a more tempered pace, but decreased in the third and fourth quarters.

Employment

The Bay Area has experienced strong job growth in recent years and the San Francisco metropolitan area (San Francisco and San Mateo Counties) was at near full employment, with an unemployment rate of less than 2%. The year 2019 was one of sustained economic growth in the United States, continuing into the first part of 2020, until the coronavirus outbreak and the subsequent policies and mandates enacted in an effort to prevent the spread. Stay-at-home mandates issued on March 19th directed residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures left just "essential" businesses open. The closure of non-essential businesses has had a significant impact on employment.

According to the latest data from the California Employment Development Department (EDD), the total number of jobs in the San Francisco-Redwood City-South San Francisco Metropolitan Division (San Francisco and San Mateo Counties) declined 9.9% year-over-year as of December 2020, with 118,500 jobs lost. The biggest losses were in Leisure/Hospitality (57,300 jobs lost); Trade/Transportation/Utilities (18,000 jobs lost); and Government (11,600 jobs lost). The chart to the right illustrates the year-over-year job losses by industry.



The California Employment Development Department reports that San Francisco County had an unemployment rate of 3.1% as of March 2020, which increased drastically to 12.6% in both April and May 2020. As of December 2020, the unemployment rate was 6.4%, which is above the year-ago estimate of 1.9%.

Vacancy and Absorption

The San Francisco office market experienced a downturn in market conditions during and after the Great Recession of 2008/2009. However, conditions improved and activity increased beginning in 2011, with signs of recovery and expansion up until the recent events surrounding the coronavirus.

Office vacancy in the region was on a steady moderate decline from the period of roughly 2011 to the beginning of 2016, at which point it increased and remained in the mid-7% to mid-8% range until 2018, when it started slowly declining again. The average vacancy steadily declined through 2018 and 2019, with increases beginning in the first quarter 2020. The following chart illustrates recent vacancy trends in the region.



The second quarter 2020 reflected the effects of a full quarter of the restrictions enacted in response to the coronavirus outbreak. Overall vacancy in the second quarter 2020 increased significantly to 9.9%, which was 320 basis points higher than the first quarter. The third quarter 2020 recorded an average vacancy rate of 14.1%, which is 420 basis points higher than the second quarter and 880 basis points higher than a year ago and the fourth quarter had an average vacancy of 16.7%, 260 basis points greater than the third quarter and 11.3% higher than the year prior. Sublease space continues to be the major source of new vacancy and accounts for 52% of all vacancy in the market.

Reports indicate leasing activity in the market declined to historic lows in the second, third and fourth quarters, with 425,000 square feet leased in the second quarter, 424,000 square feet in the third quarter, and 295,000 square feet leased in the fourth quarter. Each of these figures is significantly lower than the 1.1 million square feet of leases transacted during the first quarter. The year-end total of 2.2 million square feet is the lowest on record since the early 1990's. It is noted that Cushman & Wakefield data does not include renewals in leasing statistics. Tenant demand was reported at 4.0 million square feet, which is below the historic quarterly average of 4.5 million square feet since 2000.

Annual net absorption has been predominantly positive for the past decade, except for 2009 and 2017 which posted negative net absorption. The following chart summarizes net absorption over the past three years.



Net absorption jumped to over 2.2 million square feet the first quarter of 2018, continuing strong throughout 2018 and closing the year with over 4.8 million square feet of positive net absorption. The strong net absorption in 2018 was due to the completion of several large projects, which were mostly pre-leased. Specifically, absorption was positively impacted by the delivery of Salesforce Tower, the tallest building in San Francisco with 61 floors and 1.4 million square feet of rentable area; Salesforce, Accenture and WeWork subsequently moved in and the remainder of the space was pre-leased. Two additional projects were completed in the third quarter 2018 – 510 Townsend and 100 Hooper, pre-leased to Stripe and Adobe, respectively.

The first half of 2019 posted 915,000 square feet of positive net absorption, due in part to the completion of Park Tower, which was pre-leased to Facebook, and The Exchange at 16th Street, pre-leased to Dropbox. The third quarter had net absorption of 6,756 square feet and fourth quarter declined to negative levels. The slowdown in activity was due to several factors: some tenants had fulfilled their current space needs; a few larger tenants had put expansions on hold; new construction deliveries had been limited and the shortage of large-block spaces was impacting leasing activity.

Net absorption has been negative each quarter in 2020. The first quarter posted 477,857 square feet of negative net absorption and this declined to negative 2,766,026 square feet in the second quarter, reflecting the effects of the shelter-in-place order. Activity in the market essentially paused as businesses reassessed their operations and implemented work-from-home policies. The third quarter had negative net absorption of 3,626,504 square feet and the fourth quarter had negative 2,486,054 square feet.

Additional factors contributing to the declining absorption include tech firms banking vacant space for future growth, tenants leaving the market in search of more affordable alternatives and small and mid-sized tenants vacating their spaces. Many of these smaller businesses were faced with lost income due to the coronavirus shutdown and struggling to maintain operations.

The following table shows current vacancy and absorption data by submarket.

San Francisco Office Market Summary				
Submarket	Total SF (millions)	Vacancy 4Q 2020	Net Absorption 4Q 2020	Net Absorption YTD
North Financial District	26.31	17.6%	(752,273)	(2,893,268)
South Financial District	27.92	12.3%	(474,244)	(1,797,620)
Jackson Square	2.04	24.8%	(38,011)	(386,720)
Mid-Market	4.97	17.6%	(359,925)	(642,100)
Mission Bay	1.77	26.5%	(252,230)	(468,629)
North Waterfront	3.36	22.8%	(202,840)	(573,548)
Showplace Square / Potrero Hill	4.07	16.4%	(120,600)	(510,591)
SOMA	7.99	21.8%	(257,735)	(1,379,699)
The Presidio	1.03	3.7%	(17,051)	(14,571)
Third Street Corridor	0.34	6.8%	0	(23,017)
Union Square	3.08	21.6%	(12,925)	(411,642)
Van Ness Corridor	0.73	19.3%	1,780	(37,107)
Total	83.62	16.7%	(2,486,054)	(9,138,512)

Source: Cushman & Wakefield Marketbeat Reports

The CBD posted the greatest loss in space in the fourth quarter, with 752,273 square feet lost in the North Financial District and 474,244 square feet lost in the South Financial District. Every submarket except the Van Ness Corridor had negative net absorption in the fourth quarter and every submarket had negative net absorption for the year in total. Vacancy has also increased in each submarket except Van Ness Corridor, with the highest vacancy found in the Mission Bay and Jackson Square submarkets and the lowest in The Presidio and Third Street Corridor.

Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, which is influenced by the quality and quantity of space available at the time. Guarded reliance should be placed on average asking rates given the number of variables impacting these figures.

According to market research reports, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and have been flat to slightly increasing since then. As of the fourth quarter of 2020, the region's average asking rate was \$6.26 psf/month (full service), down from \$6.54 psf/month in the third quarter and from \$6.87 psf/month the previous year. The average asking rate was \$6.44 psf/month in the CBD, and \$6.55 psf/month for Class A properties in the CBD, while the non-CBD submarkets had an overall average asking rate of \$5.98 psf/month and \$6.50 psf/month for Class A space.

New Construction

The San Francisco office market delivered 3.7 million square feet of new office product in 2018, which is the largest delivered in over 20 years. The highest concentration was in the South Financial District, with 1.8 million square feet delivered. Most of the space delivered pre-leased and, as of the end of the year, all newly constructed space had been leased.

Deliveries in 2019 totaled approximately 1.8 million square feet, based on data in the Kidder Mathews Market Trends report and there were no new construction deliveries during the first quarter 2020. During the second quarter 2020, the 466,000 square foot office tower at 49 South Van Ness was completed in the South of Market submarket, which was preleased to the City of San Francisco as the location of a one-stop permit center, including San Francisco's Public Works, Planning and Building inspection departments, among others. There were no construction deliveries reported in the third and fourth quarters of 2020.

Reports vary in their estimates of product under construction, ranging from 3.1 to 4.8 million square feet in the pipeline. Projects under construction have been delayed due to the coronavirus economic shutdown. Office construction was halted, as it was considered non-essential, and was allowed to resume May 4, 2020. Nearly 2.5 million square feet that were slated for delivery in the second quarter have shifted to 2021 delivery.

Similar to 2018 and 2019, the South Financial district has the largest concentration of development in the pipeline. Also noteworthy is the new headquarters for Uber with over one million square feet set to deliver in the second quarter 2021 in Mission Bay near the Chase Center.

One of the largest proposed office projects is 1.25 million square feet at First Street Tower, part of the Oceanwide Center. The Oceanwide Center is a proposed 2.4 million square foot, mixed-use project to include office space, hundreds of residential units and a 169-room hotel. The project was in the early stages of development when it announced plans to halt construction on the residential and hotel components. At the end of 2019, the entire property was listed on the market and a buyer was announced in January. That buyer backed out and a new buyer is now in the due diligence phase of the sale. As of the fourth quarter 2020, the foundation has been completed but vertical construction has been temporarily suspended.

The next wave of major construction in the market is expected to be in the Central SoMa District, where a 2018 revision to zoning will allow for taller buildings, which will effectively extend the downtown core. Several projects totaling 2.9 million square feet of office space have been awarded Prop M allocations. These include the first phase of 598 Brannan Street, which will include 700,000 square feet of office space; Phase I of the 2.2 million square foot, mixed-use Flower Mart project, and 88 Bluxome Street, a 1.1 million square foot, mixed-use development. The projects have an expected delivery of 2023 at the earliest but may be further pushed back due to COVID-19-related delays.

The following highlights significant projects that have been recently completed or are under construction.

Significant New Construction Office Projects			
Project	Submarket	Size (SF)	Status
Recently Completed			
Park Tower / 250 Howard Street (Facebook)	South Financial	751,500	Completed Q1 2019
The Exchange at 16th St / 1800 Owens (Dropbox)	Mission Bay	750,370	Completed Q2 2019
Pacific Medical Buildings / 1100 Van Ness	Van Ness Corridor	234,000	Completed Q2 2019
49 South Van Ness (City of San Francisco)	South of Market	466,000	Completed Q2 2020
Under Construction			
1655 and 1715 Third Street (Uber Headquarters)	Mission Bay	593,755	Under Construction / Delivery Q2 2021
633 Folsom (Asana)	South Financial	268,000	Under Construction / Delivery Q2 2021
1455 and 1515 Third Street (Uber Headquarters)	Mission Bay	422,980	Under Construction / Delivery Q2 2021
5M / 415 Natoma Street	South of Market	640,000	Under Construction / Delivery Q2 2021
One De Haro / 1 De Haro Street	Showplace Square	126,537	Under Construction / Delivery Q3 2021
Pier 70 / Bldg 12	Mission Bay	145,000	Under Construction / Delivery Q3 2021
First Street Tower / 50 1st Street	South Financial	1,250,000	Under Construction / Delivery Q1 2023

Source: CoStar; Cushman & Wakefield; Kidder Mathews Market Trends

Looking Ahead

Market trends suggest the San Francisco office market had been in an expansion stage over the past few years. There had been steady job growth, resulting in strong leasing and absorption activity, declining vacancy rates, and significant new office development.

While underlying economic factors were in place for steady market conditions in the regional office market, the COVID-19 pandemic has significantly disrupted the economy, bringing an end to what had been the longest economic expansion in U.S. history. Mandatory shelter-in-place orders and closure of all businesses that were not classified as "essential" went into effect March 19, 2020 to prevent the spread and reduce the impact of the virus. Employment conditions declined sharply following these policies and market activity declined.

Over the past several months, guidelines have been revised by the State for gradually reopening the economy to reintroduce activities and sectors in a phased manner and with necessary modifications to protect public health and result in a lower risk for COVID-19 transmission in a community. However, restrictions continue to be in effect, with ongoing modifications at the regional and county level based on specified criteria for containing COVID-19.

While the near-term outlook for the San Francisco office market is uncertain, economic and market fundamentals in place prior to the recent events surrounding COVID-19 position the market for stability over the long term.

COVID-19 Impact on Current Valuations

As of Monday, January 25, 2021, Governor Newsom lifted the State of California's Stay At Home order, effective immediately; the order had been in place since December 5, 2020. California reverted to the previously established color tiered system as each county was moved back to the Purple Tier – Widespread. The four-tier colored system assists in the gradual reopening of the economy as movement through each tier is intended to reintroduce activities and sectors in a phased manner with necessary modifications to protect public health, and result in a lower risk for COVID-19 transmission and outbreak in a community.

As of the effective appraisal date, San Francisco remained in the Purple Tier. Under the Purple Tier, the following sectors are allowed to resume and/or continue operations with the following modifications in conjuncture with state mandated social distancing, masking when applicable, and increased surface sanitization:

- **Retail:** Allow indoor operation at 25% capacity, and 50% of capacity for standalone grocery stores. Additionally, special hours should be instituted for seniors and others with chronic conditions or compromised immune systems.
- **Shopping centers:** Allow indoor access at 25% capacity. Additionally, special hours should be instituted for seniors and others with chronic conditions or compromised immune systems.
- **Hotels and lodging:** Allow for COVID-19 mitigation and containment measures, treatment measures, provide accommodation for essential workers, or providing housing solutions, including measures to protect homeless populations. Leisure travel is now open.
- **Entertainment production:** Industries, studios, and other related establishments such as establishments that provide content for professional broadcast can operate.
- **Libraries:** Are now allowed open for indoor activities with a maximum 25% capacity
- **Personal Care Services:** Nail salons, hair salons, barbershops, electrolysis operations, etc. can operate indoors.
- **Professional sports:** Can take place without live audience
- **Restaurants:** Are open for to-go/ take out orders, as well as outdoor seating under tents. Indoor seating is still prohibited. Additionally, bars, pubs, breweries, and distilleries offering sit-down meals may operate outdoors as long as no more than two sides are enclosed with non-permeable walls.
- **Family Entertainment Centers: bowling alleys, miniature golf, batting cages, etc:** outdoor use only
- **Gyms and Fitness centers:** outdoor use only
- **Movie theaters:** outdoor use only
- **Museums, zoos and aquariums:** outdoor use only
- **Places of Worship:** Maximum 25% capacity or 100 people, whichever is fewer
- **Playgrounds, dog parks, skate parks, and recreational facilities**

Metro Area Overview – Office Market

The following is an excerpt from Costar’s most recent report on the San Francisco Metro office market (fourth quarter 2020), which includes San Francisco and San Mateo Counties.

“The tech sector drove demand for office space in San Francisco to new heights over the past decade, but the coronavirus pandemic has rocked some of the market's major tenants and sent the economy into a recession. Sublease availability was already rising before the coronavirus outbreak, and now overall demand for space in the market is falling quickly as remote work gains traction. Leasing volume quickly dropped to roughly 85% of its pre-pandemic level and has yet to show signs of a rebound heading into the new year. The market is saturated with coworking space that could be vacated quickly due to social distancing concerns, and corporate occupiers are closely evaluating their use of physical space and location while monitoring their mobile workforce's productivity.

Beyond business closures and lost jobs, the emerging trend of working from home could have significant ramifications on San Francisco's tech-heavy office demand, if it holds following the pandemic. Tech firms have been leaders in announcing longer-term mobile work options. For example, Jack Dorsey's Twitter and Square announced working from home will remain an option indefinitely, while Shopify, Coinbase, and Slack rank among the other local office users that are providing a permanent mobile option. Twitter has listed a portion of its downtown headquarters for sublease, but also confirmed plans to retain it for long-term growth.

Larger players, including Facebook, Uber, and Google announced policies for remote-based work until summer 2021. Facebook CEO Mark Zuckerberg envisions a measured rise towards a 50% mobile workforce over the next 5-10 years. Remote-based hiring will ramp up, while over the long term, he estimates 20% to 30% of Facebook's existing workforce could become remote. A Bay Area Council survey of CEOs found that almost a fifth of companies are planning to transition to full remote policies and 89% are planning at least partial remote work policies.

Occupancy losses were steep and consistent on a quarterly basis through 2020 since the pandemic's effects took hold in 20Q2. The forecast for a return to slightly positive net absorption in the latter half of 2021 is aided by several large tenants moving into new buildings preleased in the prior expansion cycle. This year's deliveries will be headlined by the Mission Bay headquarters of Uber, and Facebook taking occupancy of two new outposts: Burlingame Point and Menlo Gateway II. Many of the market's largest tenants, including Salesforce, Facebook, and Google, are mature corporations boasting strong balance sheets that are well-positioned to survive the recession with limited losses, but the office market has already endured sharp losses and some unprofitable consumer reliant businesses including Uber are facing dire economic circumstances, while others like Airbnb and Twitter are shifting to a more remote-based or geographically dispersed employment model.

Fundamentals are deteriorating as business leaders respond to the sharp economic downturn and implement necessary social distancing measures. The pace of rent growth in the market,

on a same-store basis unaffected by new premium inventory, had already slowed dramatically before the coronavirus hit. Now, with landlords adjusting to weaker tenant demand and discounted sublease availabilities flooding the market, asking rents are heading lower at the fastest pace in the nation.

Despite the recent downturn in rent trends and elevated tenant risk, San Francisco will likely remain a premier market for office investment over the long term. Following a nearly frozen office investment market in the two quarters immediately following the outbreak of the pandemic, a bevy of banner deals in the works closed in 20Q4, boosting transaction volume back up to pre-pandemic levels. Institutional investors and large owner-users are still active, but overall deal velocity is down to a decade-long low. Sales activity has faced a slowdown as many investors and lenders froze during the lockdown, and are now assessing a rapidly changing landscape with far greater uncertainty.

Asset values have edged lower based on falling rent potential and weaker tenant credit. Cap rates could drift higher as investors seek higher returns deemed necessary to take on greater risk, and rent losses are affecting operating income projections as underwriters adjust to evolving circumstances, sending CoStar's estimated price of all properties in the market lower.”

Metro Area Overview – Multifamily Market

The following is an excerpt from Costar’s most recent multifamily market report (fourth quarter 2020) for the San Francisco metro area, which includes San Francisco and San Mateo Counties.

“The tech industry fueled extraordinary demand for housing in San Francisco during the longest economic expansion cycle on record, while simultaneously heightening the market's vulnerability to an economic downturn in the process.

Amid the coronavirus pandemic, some rapidly scaling startups have failed, or slashed staff and abandoned offices. While many mature and profitable tech employers in the market, including Google and Facebook, are expected to retain or even strategically grow their workforces through the pandemic, a slowdown in Bay Area-based hiring, and a shift towards remote-based work has led to an outflow of renters from San Francisco.

Graduates in STEM education fields—science, technology, engineering, and mathematics—who had moved to the market in droves, attracted to its heavy concentration of leading tech companies and start-ups, recently moved out, to cheaper cities and towns throughout the country. Without the restaurants, shops, museums and parks that make San Francisco a desirable live/work/play environment, its high cost of living was no longer worth it for some of those with the ability to relocate. Renters working from home were attracted to more suburban, outdoor-friendly areas, and younger millennials may be moving back home, at least for the time being.

Beyond the emerging threat that a shift to remote-based work poses to expensive markets like San Francisco, job losses plagued the apartment market. Employment in retail, hospitality,

restaurants, and entertainment venues has been devastated. The loss of so many jobs combined with an exodus resulting from a rise in mobile-based work led to a substantial outflow of apartment renters in 2020. Demand for apartments is projected to weaken further in the forecast model over the next few quarters as furloughed renters and those with lost income streams struggle to renew leases.

San Francisco's moratorium on residential evictions related to financial impacts caused by the coronavirus has forestalled some occupancy loss. Also, direct payments to taxpayers from the federal government and enhanced unemployment benefits have helped mitigate the downfall for a limited time, but the additional benefits passed in the CAREs act expired back in July. Owners including Irvine Co and Essex Property Trust have proactively reached out to tenants, offering financial support and payment plans to renters facing hardship.

Most new developments hitting the market have been targeted towards the high end in order to maximize returns, and the luxury, amenity-rich buildings were well-received by a growing population of wealthy retirees and well-paid millennials from around the country and world, prior to the coronavirus pandemic. Developers patient enough to navigate San Francisco's drawn-out building approval process had been rewarded with the brisk lease-up of new projects, at premium rental rates during the 2010's expansion cycle, but lease-up has slowed significantly since the pandemic hit.

New communities in lease-up face significant challenges as prospective renters worry about their economic livelihood and reconsider where to locate, at least for the time being. A slowdown in foreign immigration has also slowed demand, as immigration from China and India was robust and over the past decade.

Affordability has been a growing concern among renters for years, and likely exasperated occupancy losses amid the coronavirus shutdown. San Francisco ranks as the most expensive market in the country. Middle and lower-income residents particularly had already moved out of the market prior to the pandemic, even leading to a slight decline in overall population recently according to U.S. census bureau estimates (or negligible growth according to the California State Department of Finance).

Asset pricing rose to historic levels during the expansion cycle based on the market's sound fundamentals and strong historical rent growth, but pricing is now on the downswing in conjunction with rent potential. The majority of institutional investors in the US will continue to target global gateway cities like San Francisco in the long run though. Furthermore, some private buyers are still competing for properties as the cost of capital remains relatively low and value-add deals still provide opportunities for attractive returns. Cap rates remain among the lowest among all markets in the country. However, with restrained credit conditions and reduced volume, cap rates are finally facing slight upward pressures.”

Impact to Valuation

As part of this appraisal, we considered the impacts of the current COVID-19 environment on the subject's underlying land. Multifamily rental rates in the subject's market area have declined 20% to 30%, and office vacancy rates have increased across most San Francisco submarkets, with additional space available for sublease. 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.

As part of our analysis, we conducted interviews regarding the San Francisco market with developers, brokers, and other market participants. Major developers in the local market with projects in the pipeline indicated they generally have not reset their revenue projections for commercial space in light of the COVID-19 pandemic, as they expect market conditions to recover prior to the completion of construction. Though, it is important to note some developers have modified project timelines and disposition periods.

Other market participants noted the primary risk associated with significant development like the subject property involves the timing of recovery and construction, rather than the immediate impact to the office, retail, and multifamily real estate markets. Further, regarding the current office climate, those we interviewed noted large institutional landlords are generally not accepting new office leases at a COVID-19 discount. Increased vacancy over the near term is preferable to locking in space at a reduced rental rate. Conversely, landlords associated with smaller Class B properties are sometimes willing to accept reduced rental rates. Some brokers also expressed the opinion that capitalization rates for office properties are expected to increase 50 to 150 basis points in the near term in order to facilitate a sale.

In the upcoming valuation section, income capitalization approaches are utilized to determine the market value of the subject Blocks as if complete and stabilized; from this, extraction analyses are employed to determine the value of the underlying land. Based on our analysis of the local market and our market participant interviews, and considering the development timeline for construction and delivery of vertical office and multifamily residential product on the subject property, we will utilize pre-pandemic rental rates in developing opinions of market values of the subject Blocks as if stabilized. The market participants we spoke with consider the current impact of the pandemic to be temporary, and are not adjusting revenue in their modeling practices for proposed projects in San Francisco. In addition, in the past few months (post onset of the pandemic), the City and County of San Francisco has received interest in other redevelopment properties from multiple developers, who are considering pre-COVID-19 rental rates in their modeling.

While the upcoming valuation will rely on pre-pandemic data in determining market rent for the subject property, we consider the impact of the current pandemic in our concluded disposition period (absorption schedule) for the developable master-developer owned Blocks. Further, we have also considered the impact of the current pandemic on the selected internal rate of return.

This heightened uncertainty forms the basis of defined risk. Considering the subject's relative sensitivity to the COVID-19 risks as of the effective date of the valuation, Integra rates the relative risks of the subject property as of the effective date as follows:

Risk Analysis

Property Type Sensitivity to Risk	<p>Multifamily – moderate, as the emphasis on density complicates social distancing. Tenants may struggle to pay rent as unemployment rises. However, housing is a necessity and the subject offers a large inclusionary housing component in a market deficient in housing supply. Multifamily rents have declined in the subject submarket as a result of the pandemic. However, the construction of Phase I of the subject project is not expected to be completed for at least 24 months, allowing time for the market to recover.</p> <p>Office – moderate, as many businesses are impacted by the downturn and may need rent deferment. Office vacancy rates in San Francisco have increased, and there is evidence of rents decreasing. However, as with the multifamily market, the schedule of the subject development allows time for recovery. In addition, it is our understanding, based on market participant interviews, that institutional landlords are not signing new office leases at reduced COVID-19 rental rates. These landlords would prefer a short-term vacancy to a long-term leases below pre-COVID-19 market rents.</p> <p>Retail—high, many retail businesses continue to be impacted by reduced capacity and San Francisco’s phased reopening schedule. The exception is grocery stores and retailers selling essential items.</p>
Property Location Sensitivity to Risk	<p>Low—the subject is in the Mission Bay neighborhood of San Francisco. There are long term investments in the area, including recently constructed housing, bio-medical, office, and hospital space at and around UCSF, and the new Chase Center.</p>
Cost of Capital Impact/Risk	<p>Medium—Though capital is still available, investments in commercial properties have slowed. Lenders are wary to lend to commercial properties given the uncertainties about near term and long-term outcomes.</p>

The above present term COVID-19 risks are expected to be mitigated for the subject property due to timeline of the proposed development. The first of the subject improvements are scheduled to be delivered two to three years after the effective appraisal date.



Property Analysis

Land Description and Analysis

Location

The property is bounded by McCovey Cove to the north, Terry A. Francois Boulevard to the east, Mission Rock Street to the south, and 3rd Street to the west.

Land Area

The following table summarizes the subject's land area, which includes only the 11 taxable blocks within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

Land Area Summary

Tax ID	SF	Acres
8719-006	344,560	7.91
Total	344,560	7.91

Block Overview

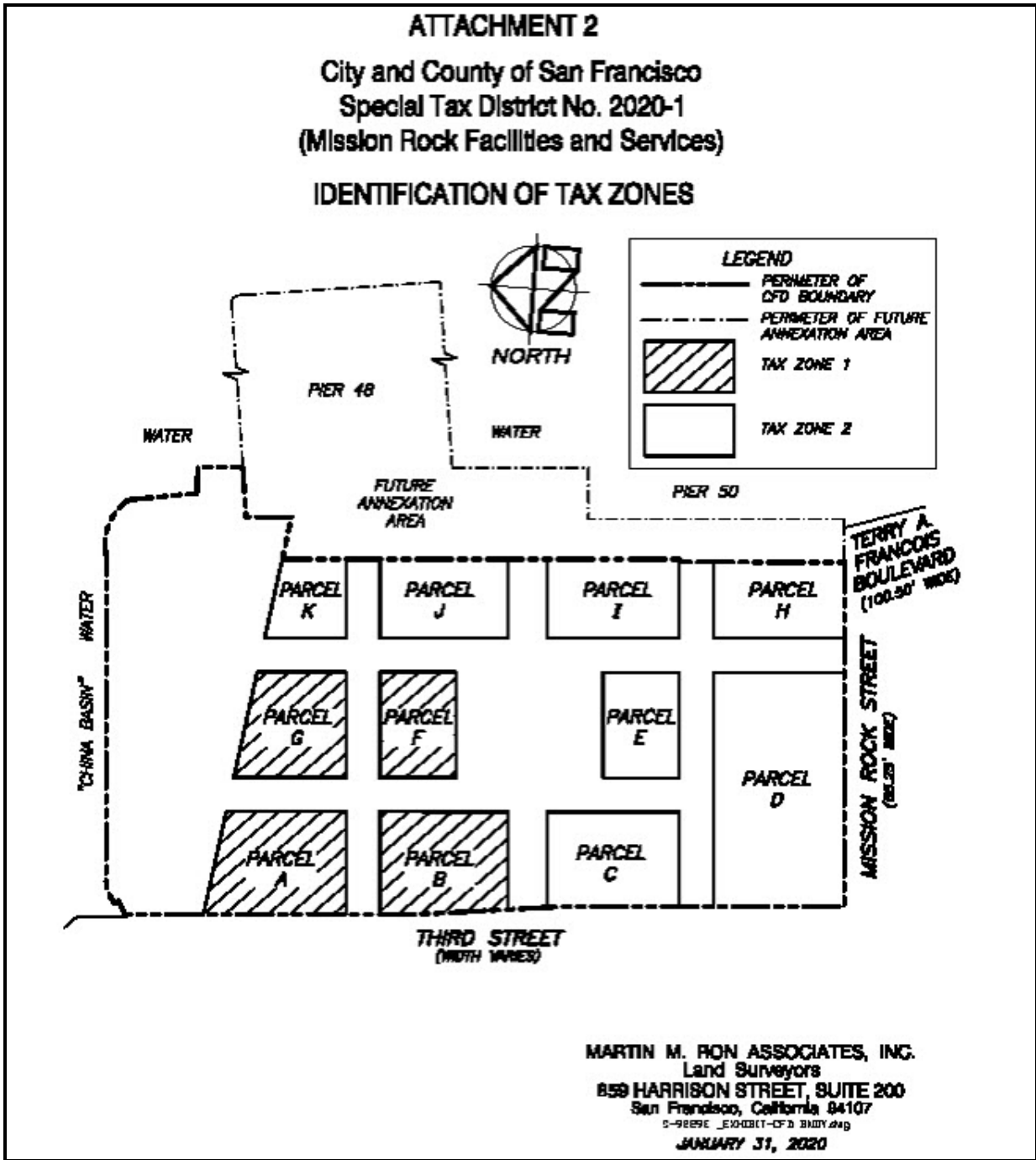
Block	Phase	Tax Zone	Acreage	Square Feet	Use^
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
Total Taxable Land Area			7.91	344,560	
D2*	2	2	1.62	70,567	Parking

**Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.*

^Retail land uses are not subject to the lien of the special tax securing the Bonds .

Shape and Dimensions

The overall site is rectangular in shape, as are the majority of the subject blocks. Site utility based on shape and dimensions is average. A map of the Special Tax District boundaries is recreated on the following page.



Note: Parcel D is divided into Block D1, which is projected to include taxable residential units, and Block D2, which is projected to include the parking structure for the Mission Rock Project. Block D2 is not subject to the lien of the special tax securing the Bonds and, therefore, excluded from the appraised properties.

Topography

The site is generally level and at street grade. The topography does not result in any particular limitations on development.



Off-site Improvements

At the time of inspection, some site work was ongoing in the vicinity of China Basin Park. In addition to roads and street improvements, infrastructure will include development associated with parks, open spaces, paseos, and utility infrastructure and upgrades.

On-site Improvements

Development of the subject property has not yet begun.

Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

Flood Hazard Status

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	0602980119A (Preliminary Flood Insurance Rate Map)
Date	November 12, 2015
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

According to documents provided, the minimum design elevations for the subject improvements will accommodate potential future sea level rise estimates for the San Francisco Bay.

Environmental Hazards

We did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. A Draft Environmental Impact report, dated April 26, 2017, was provided for our review. The following excerpts reflect the conclusions of the Hazards and Hazardous Materials section of the report.

- “The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the management or release of hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the disturbance of subsurface hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.

- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for the public or environment related to development of hazardous materials site included in a list compile pursuant to Government Code Section 65962.5.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not impair implementation of or physically interfere with an adopted emergency response or evacuation plan.”

This appraisal assumes that the subject property is not adversely affected by environmental hazards.

Seismic Hazards

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. However, the subject is located in a liquefaction zone. (California Division of Mines and Geology, Official Map of Alquist-Priolo Earthquake Fault Zones, San Francisco North Quadrangle (2000)).

Ground Stability

A Draft Environmental Impact report, dated April 26, 2017, was provided for our review. The following excerpts reflect the conclusions of the Geology and Soils section of the report.

- “The proposed project, in combination with other development within the city, would not substantially increase the risk of exposure for people or structures to seismic hazards.
- The proposed project, in combination with other development within the city, would not substantially increase soil erosion potential.
- The proposed project, in combination with other development within the city, would not substantially increase soil hazards.
- The proposed project, in combination with other development within the city, could result in impacts to paleontological resources. However, the project’s contribution would be less than cumulatively considerable.”

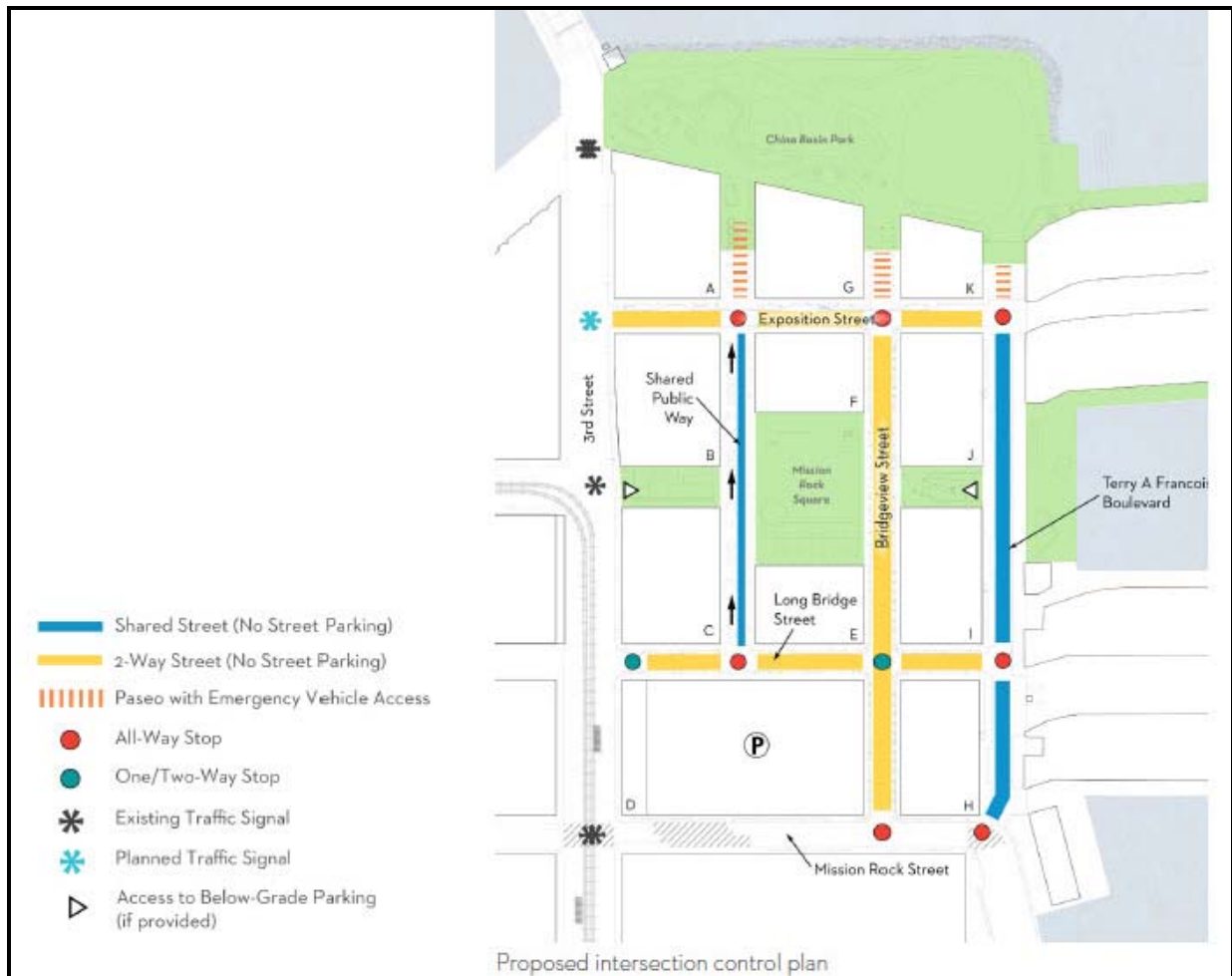
This appraisal assumes that the subject’s soil bearing capacity is sufficient to support the proposed improvements.

Streets, Access and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage - As Proposed				
Street	Terry A. Francois Blvd	Mission Rock Street	3rd Street	Exposition Street
Frontage Feet	1,193	612	1,193	612
Paving	Asphalt	Asphalt	Asphalt	Asphalt
Curbs	Yes	Yes	Yes	Yes
Sidewalks	Yes	Yes	Yes	Yes
Direction of Traffic	North/South	East/West	North/South	East/West
Condition	Good	Good	Good	Good
Traffic Levels	Low	Low	Moderate	Low
Visibility	Good	Good	Good	Good

The following graphic depicts the proposed roadway infrastructure within the boundaries of the Special Tax District.



Utilities

The availability of utilities, which will be extended to the subject Blocks, is summarized in the following table.

Utilities	
Service	Provider
Potable Water	San Francisco Public Utilities Commission
Non-Potable Water	Mission Rock Utilities (MRU)
Sewer	San Francisco Public Utilities Commission
Electricity	San Francisco Public Utilities Commission
Natural Gas	Pacific Gas & Electric
Thermal Energy (District-Scale)	Mission Rock Utilities
Local Phone	Comcast and AT&T

The Master Developer is required to develop a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) Systems, which will serve the Mission Rock Project, but be owned by Mission Rock Utilities, Inc.

The black water recycling system will be an advanced water recycling facility that will treat the wastewater collected from toilets, showers and sinks to meet the non-potable water needs of buildings in the Mission Rock Project, as well as associated open space.

The thermal district energy system will supply hot and cold water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings in the Mission Rock Project, which will replace the need to have this type of equipment inside each building. The initial system will utilize cooling towers using non-potable water from the black water recycling system, and eventually integrate a bay water energy exchange system for both heating and cooling.

The above-referenced facilities will be located separately in two of the first four buildings being constructed as part of Phase 1a. The bay water energy exchange system is expected to be constructed after the Mission Rock Project is fully built out.

Long-term utility service agreements require each property to be a customer of these utility systems; utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs.

According to the Master Developer, the MRU Systems are anticipated to be 100% debt-financed in phases. For the initial phase of financing, the California Pollution Control Financing Authority issued bond anticipation notes (BANs) in the amount of \$25 million for the benefit of Mission Rock Utilities, which serve as interim financing, and are expected to be refinanced with permanent financing. The Master Developer entered into a note payment agreement to guaranty the repayment of the principal on the bond anticipation notes issued to fund the MRU systems. Permanent financing may take the form of the proceeds of a subsequent series of Bonds, long-term revenue bonds issued by the California Pollution Control Financing Authority, some other form of financing or some combination

thereof. The valuation of the appraised property presented herein does not consider the \$25 million in bond anticipation notes; the costs associated with completing the MRU Systems is reflected in the valuation.

Zoning

The subject is zoned MR-MU, Mission Rock Mixed Use, by the City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

Zoning Summary	
Zoning Jurisdiction	City and County of San Francisco
Zoning Designation	MR-MU
Description	Mission Rock Mixed Use
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Mixed use, multifamily residential, commercial, office, retail uses
Category	Zoning Requirement
Minimum Lot Area	None
Maximum Street Frontage (Feet)	30 to 100 ft; varies by block
Maximum Building Height	40 to 240 ft;
Maximum Site Coverage	None
Maximum Floor Area Ratio	None
Parking Requirement	Off-street parking not required; at build out, total parking not to exceed 3,100 spaces

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. The following is an excerpt from the San Francisco zoning code which describes the purpose of the subject special use district.

“A Special Use District entitled the Mission Rock Special Use District (SUD), the boundaries of which are shown on Sectional Map SU08 of the Zoning Maps of the City and County of San Francisco, is hereby established to facilitate the City’s long-term goal of development of a new Mission Rock neighborhood. The purpose of this SUD is to implement the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative approved by City voters on November 3, 2015 (Proposition D), and give effect to the Development Agreement (DA), Disposition and Development Agreement (DDA) and related transactional documents as approved by the Board of Supervisors in ordinances in File Nos. 171313 and 180092, which will provide benefits to the City such as, among other things, development of a mixed-use, transit-oriented community on the waterfront near public transit, major new housing, including a significant amount of affordable housing, increased public access and open spaces, extensive infrastructure improvements, shops, restaurants, cafes, neighborhood-serving retail, community spaces, commercial/office and light industrial/production space, preservation and renovation of historic Pier 48, job creation, responsiveness to climate change and resulting sea level rise, and the generation of revenue to fund public improvements.”

A zoning map is provided below.



Permitted building heights vary by block, and design elements vary by frontage type. The following graphics depict allowable building heights and frontage types.





It should be noted, on-site parking is not required for any of the proposed subject improvements. The subject entitlements allow for up to 3,100 spaces within the Special Tax District boundaries. Block D2, which is excluded from this valuation, will include a parking garage with approximately 3,000 spaces available for rent and will serve the entire Special Tax District. The parking garage will also be available for users of Oracle Park. This type of parking arrangement is common in San Francisco. Multifamily projects often offer on-site parking available for an additional monthly fee, with the expectation that many residents will not require parking. Office projects also offer limited on-site parking, with parking ratios much lower than suburban properties.

Inclusionary Housing

As a condition of the subject's entitlements, 40% of the residential units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following tables show the subject's restricted units by floorplan for Blocks A and F, along with the maximum allowable rents for those apartments. This level of detail was not available for the subject's other residential blocks.

Block A Restricted Rents - BMR Units

Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	2	\$1,781	3	\$2,427	3	\$3,074	\$20,065	\$2,508
One Bedroom	6	\$2,043	27	\$2,782	19	\$3,521	\$154,271	\$2,967
Two Bedroom	3	\$2,256	21	\$3,087	15	\$3,920	\$130,395	\$3,343
Three Bedroom	0	\$2,466	2	\$3,390	1	\$4,314	\$11,094	\$3,698
	11		53		38		\$315,825	\$3,096

Block F Restricted Rents - BMR Units

Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	5	\$1,781	10	\$2,427	1	\$3,074	\$36,249	\$2,266
One Bedroom	6	\$2,043	29	\$2,782	16	\$3,521	\$149,272	\$2,927
Two Bedroom	2	\$2,256	17	\$3,087	9	\$3,920	\$92,271	\$3,295
Three Bedroom	0	\$2,466	1	\$3,390	1	\$4,314	\$7,704	\$3,852
	13		57		27		\$285,496	\$2,943

It should be noted, the subject's below market units are not subject to the special taxes associated with the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2020. The construction of the below market units is a developer obligation under the subject's entitlements.

Assembly Bill 1482

Moving forward, rent growth will be impacted by the recent enactment of rent control laws. On October 8, 2019, Governor Gavin Newsom signed AB 1482 making California the third state to enact a statewide rent control measure impacting residential rental housing. The bill is retroactively effective

as of March 15, 2019 and will extend until January 1, 2030. Some key points of the bill are noted as follows:

- The bill prohibits an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or unit more than 5% plus the percentage change in the cost of living (regional Consumer Price Index from April 1 of the prior year, to April 1 of the current year), or 10%, whichever is lower.
- If the same tenant remains in occupancy of a unit over any 12-month period, the gross rental rate cannot be increased in more than two increments over that 12-month period.
- This law is retroactive to March 15, 2019. If there have been gross rent increases between March 15, 2019 and January 1, 2020 that exceed the limits stated above, the applicable rent shall be the rent on March 15, 2019. It is noted the owner shall not be liable to the tenant for any corresponding rent overpayment.
- There are several exemptions including for property owners that are not a corporation, Trust or LLC (with corporate members). Also, if the property was issued their initial Certificate of Occupancy within last 15 years, it is not subject to the new law.
- After a tenant has continuously and lawfully occupied a residential property for 12 months, the owner of the property cannot terminate the tenancy without just cause, which is required to be stated in the written notice to terminate tenancy.

Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

Timeline

Backbone infrastructure work for Phase 1a began in 2020. Phase 4 infrastructure is not scheduled to be complete until 2027. The following table depicts the developer's timeline for horizontal improvements and infrastructure.

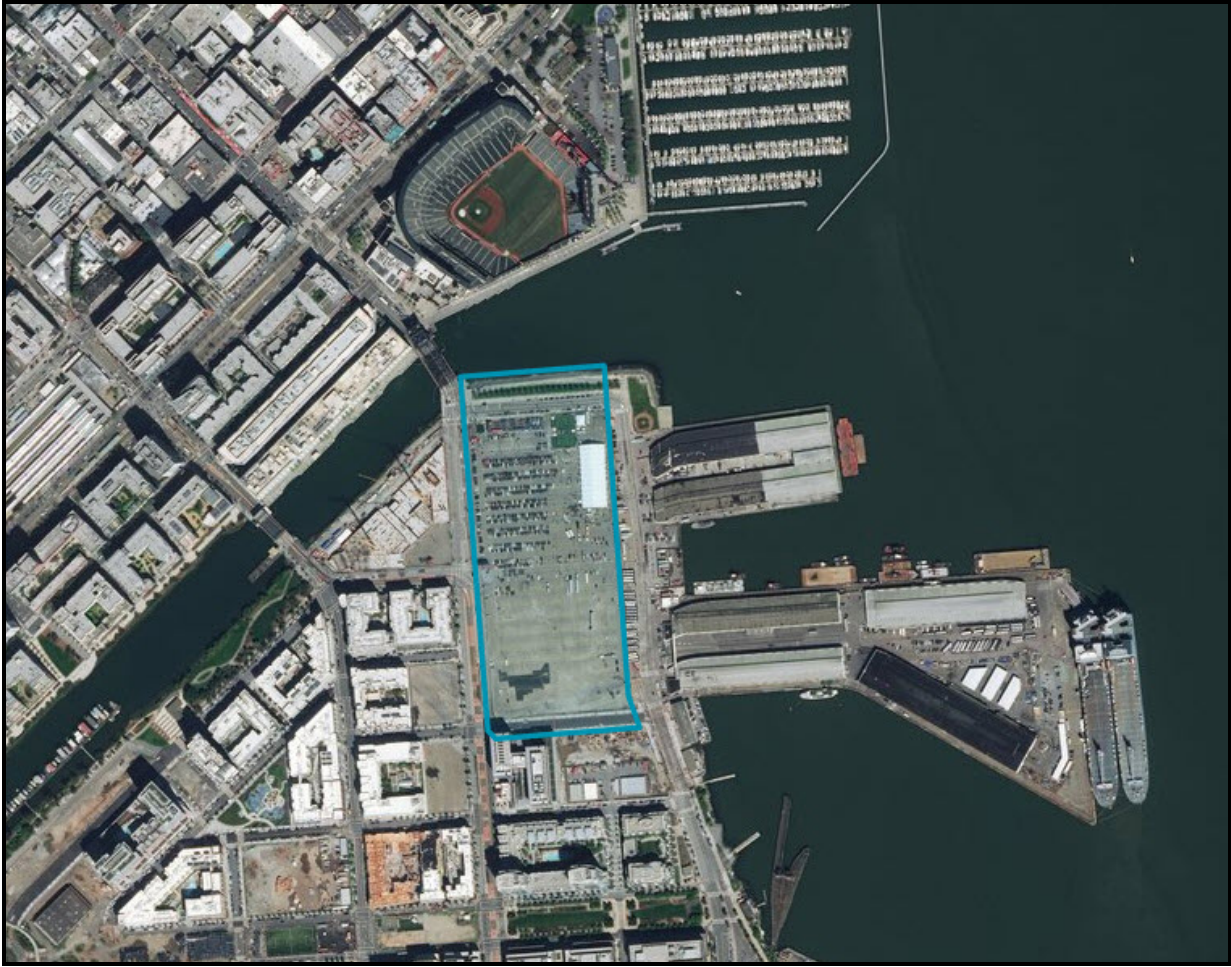
Developer's Timeline - Horizontal Improvements				
Phase	Acreage	Blocks	Contstruction	Construction
			Start	Finish
1	3.25	A, B, F, G	Sep-20	Jul-23
2	1.48	C, D	Aug-22	Sep-24
3	0.58	E	Jul-23	Jun-25
4	2.60	H, I, J, K	Dec-24	Oct-27

Construction of Phase 1a vertical improvements on Blocks G and A began December 2020 and January 2021, respectively; the timeline for Blocks B and F is anticipated to begin May 2021 and July 2021, respectively. All four Blocks in Phase 1a are scheduled to be complete and stabilized between June 2023 and August 2024.

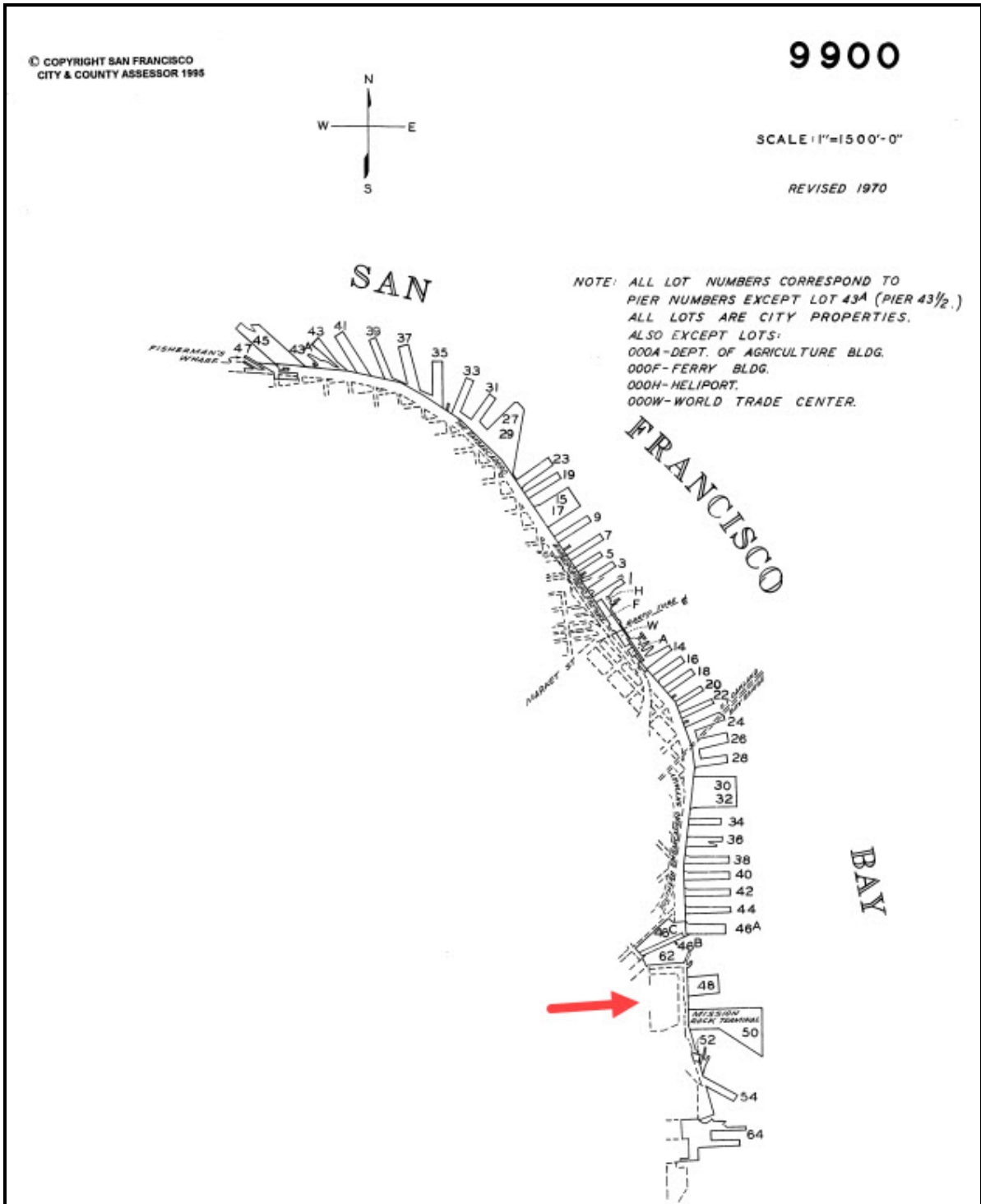
Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted under the subject's entitlements include mixed uses, multifamily residential, office, and retail uses. We are not aware of any other particular restrictions on development.

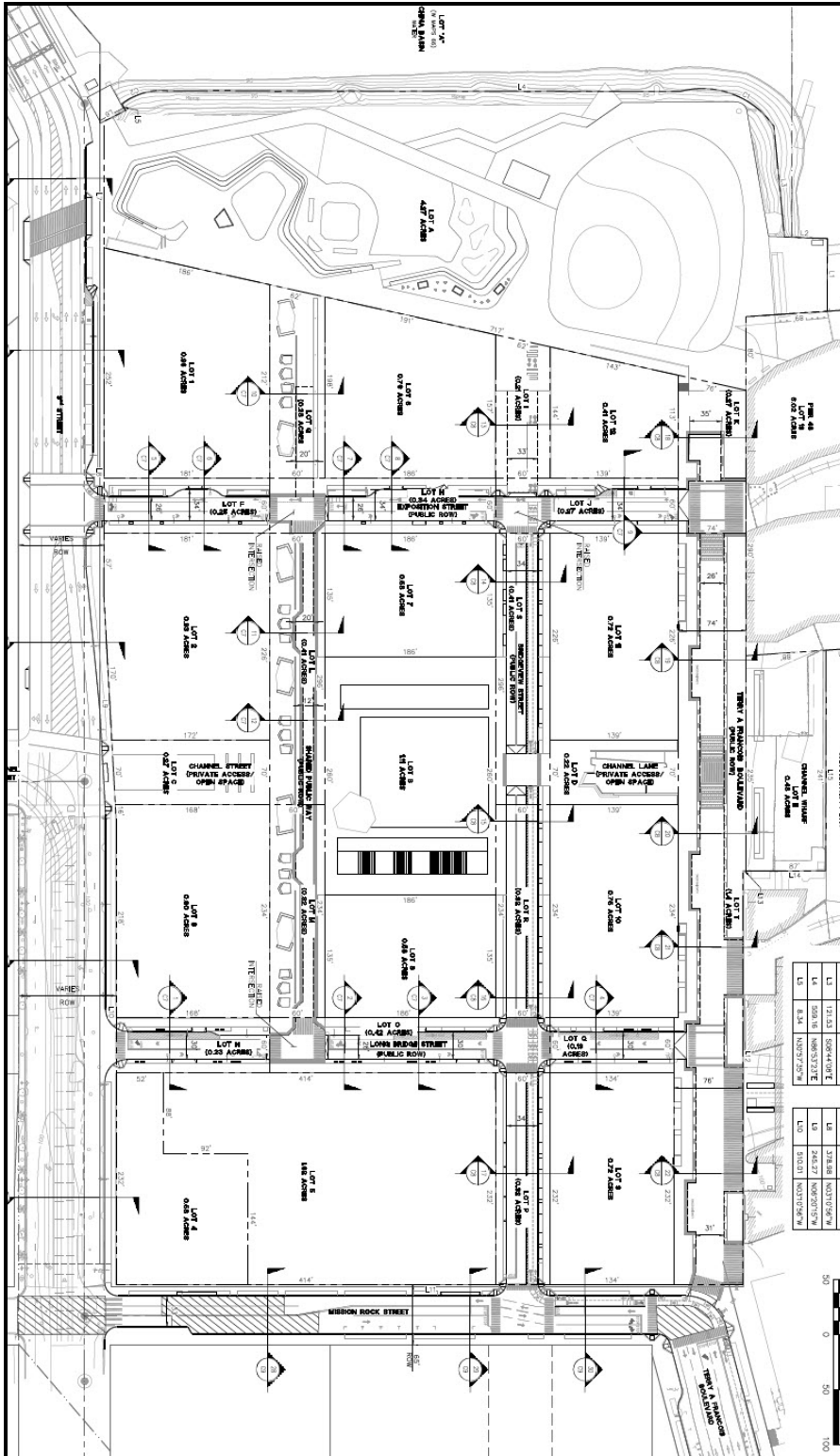
Assessor Aerial



Plat Map



Tentative Map



Proposed Improvements Description

Overview

The subject improvements will include a mix of residential, retail, and office uses within 11 blocks. A summary of the proposed improvements is provided in the following tables.

Overview of Improvements

Block	Phase	Tax Zone	Rentable			Primary Use	Gross			Rentable		
			Gross SF	SF			Office SF [^]	Retail SF	Residential SF	Office SF [^]	Retail SF	Residential SF
A	1a	1	393,869	293,202		Residential	85,105	24,332	284,432	58,136	20,931	214,135
B	1a	1	283,700	294,106		Office	265,191	18,509	-	274,005	20,101	-
F	1a	1	315,217	220,161		Residential	-	40,179	275,038	-	44,197	175,964
G	1a	1	307,058	321,355		Office	290,300	16,758	-	302,920	18,435	-
C	2	2	354,826	329,988		Office	324,548	30,278	-	300,013	29,975	-
D1	2	2	240,494	193,552		Residential	-	-	240,494	-	-	193,552
D2*	2	2	9,388	10,327		Parking/Retail	-	9,388	-	-	10,327	-
E	3	2	141,330	131,437		Office	126,880	14,450	-	115,542	15,895	-
H	4	2	200,315	162,256		Residential	-	19,816	180,499	-	21,798	140,458
I	4	2	151,932	141,297		Office	131,953	19,979	-	119,320	21,977	-
J	4	2	151,982	141,344		Office	131,506	20,476	-	118,820	22,524	-
K	4	2	130,469	105,680		Residential	-	8,391	122,078	-	9,230	96,450
Totals			2,680,580	2,344,705			1,355,483	213,168	1,102,541	1,288,756	235,390	820,559

[^] Rentable office square footage includes usable outdoor space measured per BOMA standards

Block D2 is referenced in the table above but is excluded from this valuation, and the retail square footage is not included in the overall total for the subject property. Tables depicting additional detail for the subject's office and residential improvements are provided below.

Office Overview

Block	Phase	Rentable		Gross		Gross		Acreage	FAR
		Gross SF	SF [^]	Office SF	Office SF [^]	Retail SF	Retail SF		
A*	1a	109,437	79,067	85,105	58,136	24,332	20,931	0.96	2.62
B	1a	283,700	294,106	265,191	274,005	18,509	20,101	0.93	7.00
G	1a	307,058	321,355	290,300	302,920	16,758	18,435	0.78	9.04
C	2	354,826	329,988	324,548	300,013	30,278	29,975	0.90	9.05
E	3	141,330	131,437	126,880	115,542	14,450	15,895	0.58	5.59
I	4	151,932	141,297	131,953	119,320	19,979	21,977	0.75	4.65
J	4	151,982	141,344	131,506	118,820	20,476	22,524	0.72	4.85
		1,500,265	1,438,594	1,355,483	1,288,756	144,782	149,838		

* Gross SF excludes residential component

Residential Overview											
Block	Phase	Rentable		Gross	Rentable	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage	FAR
		Gross SF	SF	Residential	Residential SF						
A*	1	284,432	214,135	284,432	214,135	283	181	102	36%	0.96	6.80
F	1	315,217	220,161	275,038	175,964	254	157	97	38%	0.58	12.48
D1	2	240,494	193,552	240,494	193,552	259	114	145	56%	0.58	9.52
H	4	200,315	162,256	180,499	140,458	192	128	64	33%	0.72	6.39
K	4	130,469	105,680	122,078	96,450	131	92	39	30%	0.41	7.31
						1,119	672	447	40%		

* Gross SF excludes office/retail component

As previously noted, 40% of the subject's overall residential units reflect inclusionary housing. The allocation of inclusionary housing units for residential Blocks A and F are detailed below.

Apartment Unit Mix - Blocks A & F			
Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	92	32.5%
	Two Bedroom	72	25.4%
	Three Bedroom	8	2.8%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

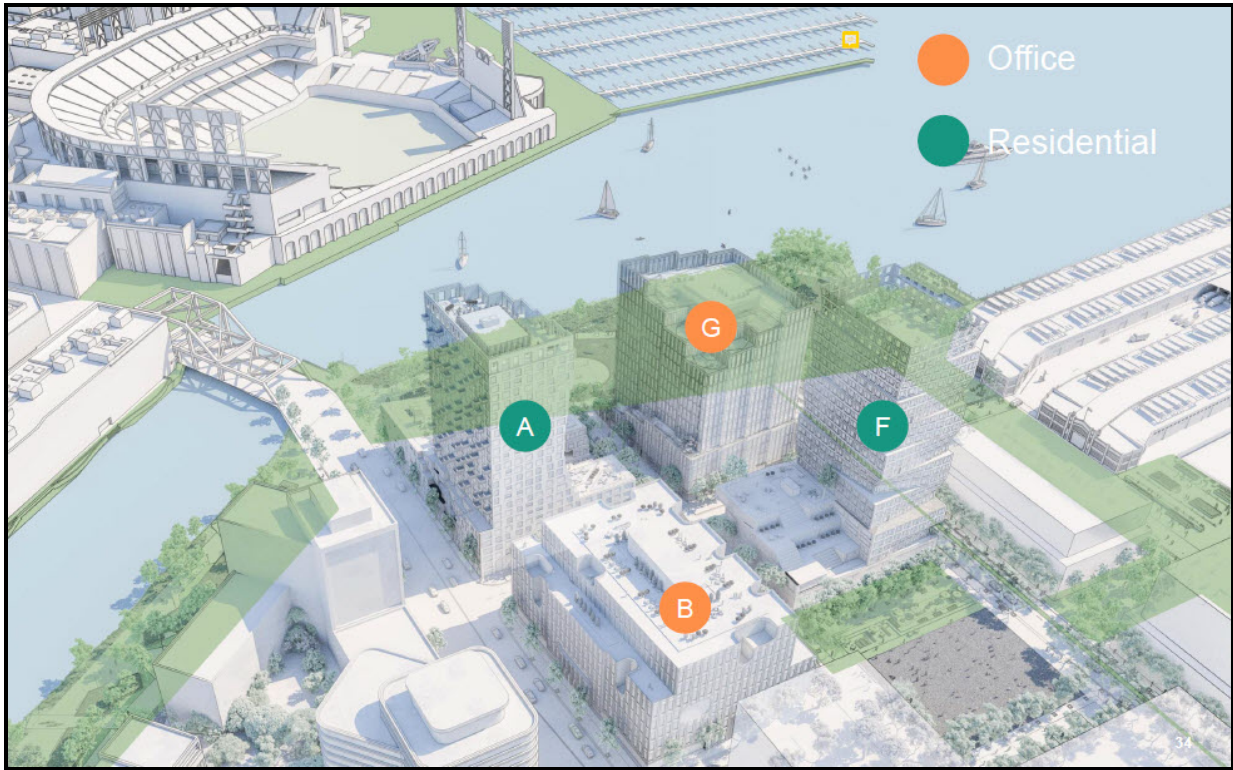
Further detail regarding average square footage for each layout will be provided in the upcoming *Income Capitalization Approach* sections. A complete interior finish profile was not provided and is assumed to be of a typical quality for the area, which is generally good to excellent overall quality. In addition, the improvements are expected to reflect Class A, steel frame construction within mid to high-rise improvements. For example, based on the schematics provided, the improvements associated with Block A will include 24 stories and the Block F building will offer 23 stories. It should also be noted, Block G (which primarily consists of office space) is preleased to Visa Inc., a national credit tenant. Visa is currently rated Aa3 by Moody's and AA- by Standard & Poor's.

For the reader's reference, renderings and schematics for the subject improvements are shown on the following pages.

Proposed Improvements – Phase 1



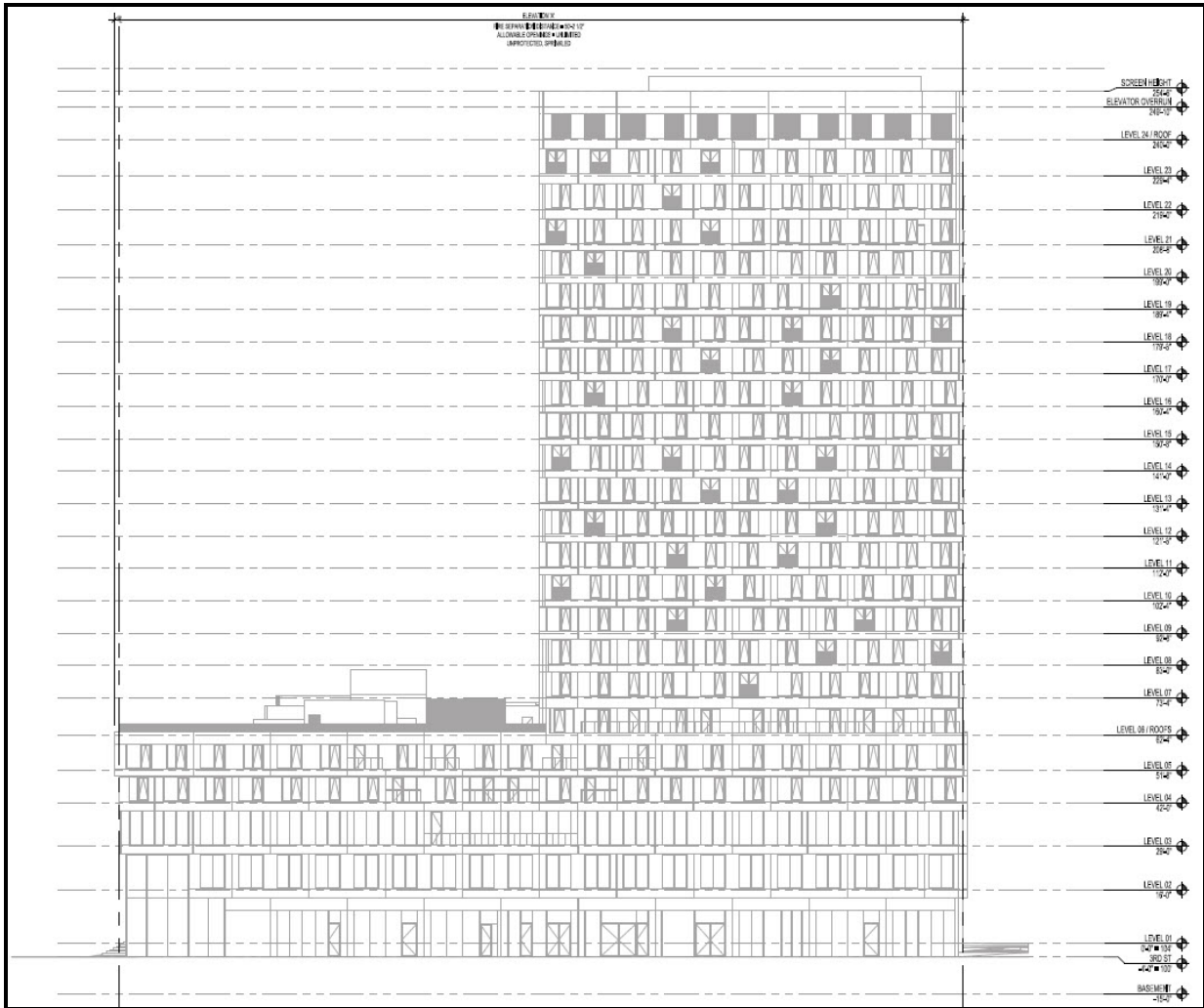
Proposed Improvements – Phase 1



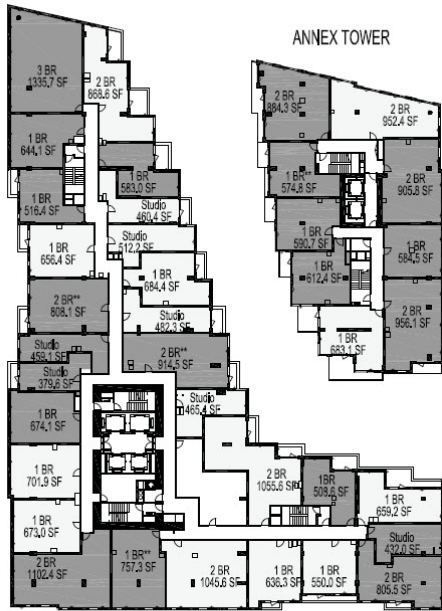
Block A – Residential Use



Block A – Residential Use

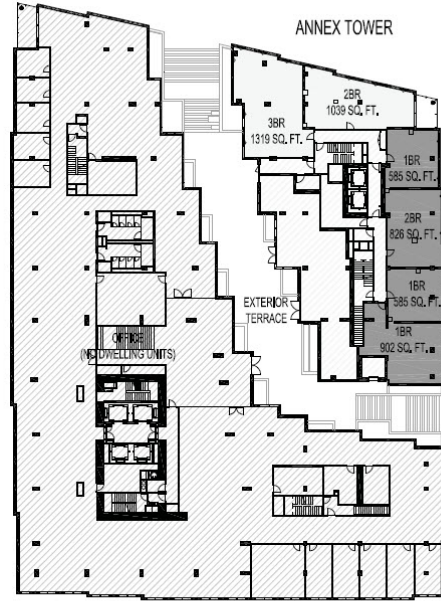


Block A – Residential Use – Sample Floorplans



TOWER (HIGH-RISE)

LEVEL 05



TOWER (HIGH-RISE)

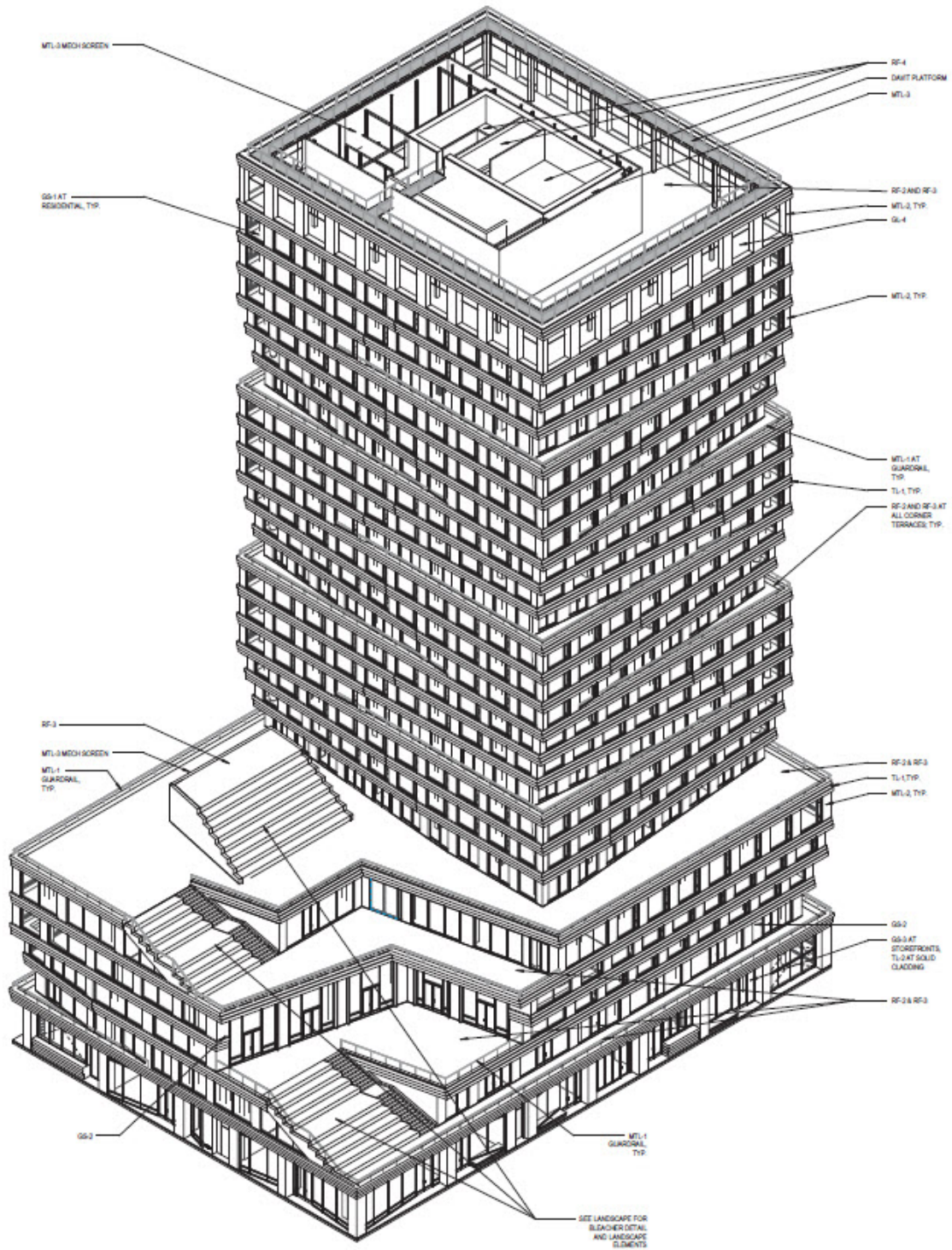
LEVEL 02



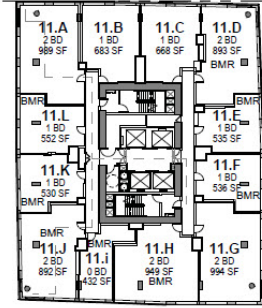
Block F– Residential Use



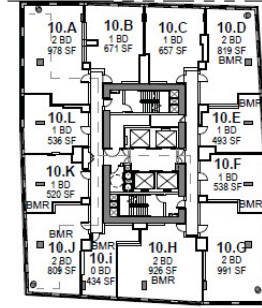
Block F– Residential Use



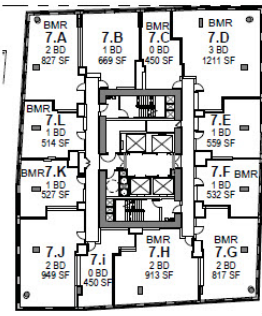
Block F– Residential Use – Sample Floor Plans



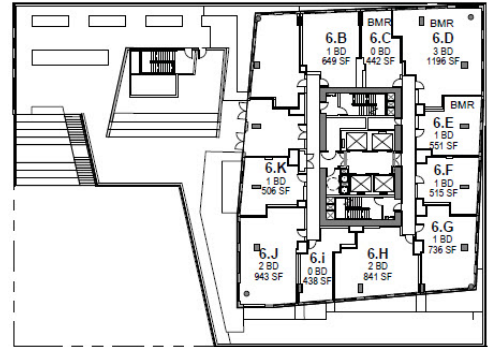
LEVEL 11



LEVEL 10



LEVEL 7



LEVEL 6



Block B – Office Use



Block G – Office Use





Aerial – Facing North



Aerial – Facing North



Aerial – Facing North



Aerial – Facing West



Aerial – Facing South



Aerial – Facing East





3rd Street – Facing North



3rd Street – Facing South



Mission Rock Blvd – Facing West



Mission Rock Blvd – Facing East

Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted as subdivision and development continues. According to the San Francisco County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.19846368%. This tax rate does not include the Special District Tax, which is discussed below.

The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate long term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District [City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)] was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses.

According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property comprising Phase 1a of the Special Tax District is presented in the following table (for the Fiscal Year 2020-21).

Aggregate Calculation of Special District Tax - Phase 1a, Tax Zone 1							
Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax
A	1a	0.96	Base Development Tax - Market-Rate Residential	Residential	\$8.75	139,723	\$1,222,576
			<i>Offset by Ad Valorem Tax</i>				(\$1,222,576)
			Base Development Tax - Office Use	Office	\$6.63	85,105	\$564,246
			<i>Offset by Ad Valorem Tax</i>				(\$553,183)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	139,723	\$195,612
			Base Contingent Special Services Tax - Office	Office	\$1.40	85,105	\$119,147
			Base Special Tax - Office Use	Office	\$1.92	85,105	\$163,402
			Shoreline Special Tax - Office Use	Office	\$1.82	85,105	\$154,891
						\$644,115	
B	1a	0.93	Base Development Tax - Market-Rate Residential	Residential	\$8.75	-	-
			Base Development Tax - Office Use	Office	\$6.63	265,191	\$1,758,216
			<i>Offset by Ad Valorem Tax</i>				(\$1,723,742)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.40	265,191	\$371,267
			Base Special Tax - Office Use	Office	\$1.92	265,191	\$509,167
			Shoreline Special Tax - Office Use	Office	\$1.82	265,191	\$482,648
					\$1,397,556		
F	1a	0.58	Base Development Tax - Market-Rate Residential	Residential	\$8.75	110,548	\$967,295
			<i>Offset by Ad Valorem Tax</i>				(\$967,295)
			Base Development Tax - Office Use	Office	\$6.63	-	-
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	110,548	\$154,767
			Base Contingent Special Services Tax - Office	Office	\$1.40	-	-
			Base Special Tax - Office Use	Office	\$1.92	-	-
			Shoreline Special Tax - Office Use	Office	\$1.82	-	-
					\$154,767		
G	1a	0.78	Base Development Tax - Market-Rate Residential	Residential	\$8.75	-	-
			Base Development Tax - Office Use	Office	\$6.63	290,300	\$1,924,689
			<i>Offset by Ad Valorem Tax</i>				(\$1,886,950)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.40	290,300	\$406,420
			Base Special Tax - Office Use	Office	\$1.92	290,300	\$557,376
			Shoreline Special Tax - Office Use	Office	\$1.82	290,300	\$528,346
					\$1,529,881		
Totals		3.25					\$3,726,319

Please note, the square footages provided in the preceding table sometimes vary from the information provided by the developer. This appraisal relies on documents provided by the developer (entitled MR Parcel Detail v4), which are assumed to be the most accurate and current information available.

In addition, reportedly 65% of the ad valorem taxes may be used to offset the Development Special Tax for Office Use and Development Special Tax for Residential Use (refer to the income capitalization section later in this Appraisal Report for a demonstration of pro forma ad valorem tax calculation).

It's worth noting, the Base Development Tax offset only occurs when the Assessed Value is final, which is consistent with the valuation of the vertical leasehold improvements upon completion of construction and stabilized occupancy presented in the *Valuation* section herein.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

Highest and Best Use As If Vacant

Legally Permissible

The site is zoned MR-MU, Mission Rock Mixed Use. Permitted uses include mixed use, multifamily residential, commercial, office, retail uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property, which encompasses 11 of the 12 developable blocks within the Mission Rock development, is fully entitled for the development of 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units (40% of which will be affordable). The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only mixed use is given further consideration in determining highest and best use of the sites, as though vacant.

Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including mixed residential/retail and office/retail uses.

Financially Feasible

Based on our analysis of the market, there is currently adequate demand for both multifamily residential and office uses in the subject's market area. Proposition M restricts the amount of office space that may be constructed in San Francisco each year. A total of 950,000 square feet of office development potential becomes available for allocation annually. This restricts the amount of new supply coming into the market; as such, the vast majority of new office projects are preleased prior to construction in San Francisco. As will be demonstrated in the upcoming extraction analyses, the land value for the subject's office blocks is positive, which demonstrates that office development is financially feasible.

The subject's residential blocks include a significant inclusionary housing component which limit the financial feasibility of the proposed improvements. In addition, residential constructions costs continue to rise rapidly and have outpaced rental rate growth in recent years. As such, residential

construction for two of the subject's blocks is not currently financially feasible; in other words, the value of the land becomes negative when construction costs are deducted from the market value of the property as if stabilized.

However, the subject reflects a master planned community entitled for both office (with allocations approved through Prop M) and residential use with ground floor retail. Conversations with the developer indicate the office uses are expected to offset the residential construction. Further discussion of the costs associated with the residential improvements will be provided in the upcoming analysis. However, the overall residual land value of the subject property is positive, meaning the project on the whole is financially feasible.

Maximally Productive

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value mixed residential/retail and office/retail uses. Accordingly, it is our opinion that mixed use, developed to the normal market density level permitted by zoning and the subject entitlements, is the maximally productive use of the property. Although current COVID-19 environment casts uncertainty on the market, particularly for retail use, impacts of the pandemic are presently expected to be short term. The subject improvements will not begin coming online until 2022.

Conclusion

Development of the site for mixed use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

As Improved (Proposed)

As of the effective appraisal date, backbone infrastructure has not yet commenced at the subject property, and the subject site currently houses a surface parking lot. The planned infrastructure improvements are necessary for future development. The proposed improvements are planned in accordance with the subject entitlements and are consistent with the highest and best use of the subject property as if vacant.

Most Probable Buyer

The subject reflects a complex, interconnected, and multi-use development situated in a dense urban infill location in San Francisco. Given the intricacies of the project and the approved entitlements, coupled with the fact certain land uses (residential) are highly dependent on the financial contributions of the balance (office) of the developable land uses, the highest and best use of the subject is for development by a single developer familiar with the unique aspects of the subject property and location, rather than subdivision and development by multiple developers at this stage. Taking into account the size and characteristics of the property, the probable buyer of the subject property overall is a sophisticated land developer with highly specialized knowledge of the local market.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis, and the subdivision development method.**

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

This analysis begins with income capitalization approaches to determine the market value of the subject blocks as if complete and stabilized. As discussed in the previous *"COVID-19 Impact on Current Valuations"* section, we have opted to analyze pre-pandemic data to determine market rent for the subject property. Next, extraction analyses are employed to determine the value of the underlying land. Finally, the subdivision development method is used to estimate the market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2). The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered. As the four Blocks comprising Phase 1a (Tax Zone 1), of which two (Blocks A and G) are under vertical construction, held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks is considered on a proportionate share per Block.

Income Capitalization Approach – Office Use

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization method, either direct capitalization or discounted cash flow analysis, or both, to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we use only direct capitalization to determine the market value as if stabilized of the proposed improvements for the subject's taxable Blocks. A direct capitalization analysis will be presented for all blocks within Phase 1a, as well as for all proposed office improvements in future phases. A summary of the subject's office improvements is recreated below; the analysis for Block B will be presented first.

Office Overview

Block	Phase	Gross SF	Rentable SF [^]	Gross Office SF	Rentable Office SF [^]	Gross Retail SF	Rentable Retail SF	Acreage	FAR
A*	1a	109,437	79,067	85,105	58,136	24,332	20,931	0.96	2.62
B	1a	283,700	294,106	265,191	274,005	18,509	20,101	0.93	7.00
G	1a	307,058	321,355	290,300	302,920	16,758	18,435	0.78	9.04
C	2	354,826	329,988	324,548	300,013	30,278	29,975	0.90	9.05
E	3	141,330	131,437	126,880	115,542	14,450	15,895	0.58	5.59
I	4	151,932	141,297	131,953	119,320	19,979	21,977	0.75	4.65
J	4	151,982	141,344	131,506	118,820	20,476	22,524	0.72	4.85
		1,500,265	1,438,594	1,355,483	1,288,756	144,782	149,838		

* Gross SF excludes residential component

Market Rent Analysis

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases. Block G is currently the only pre-leased improvement, with Visa planning to occupy 100% of the office space. However, as details of this lease have not been disclosed, the upcoming analysis relies on market rent for all of the subject space.

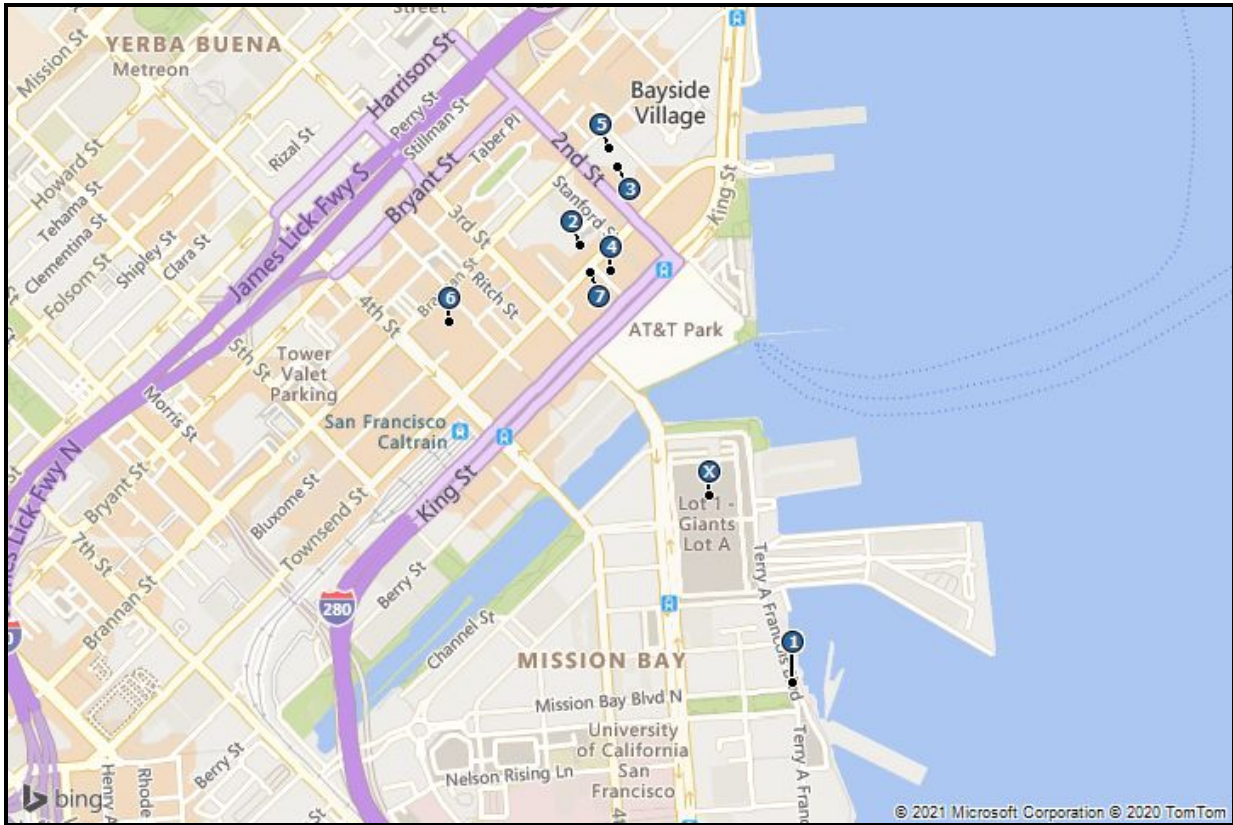
To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, building class, size, and transaction date. Market rent will be estimated for the subject's proposed office and supporting retail space.

Office Space Rental Analysis

Comparable rentals considered most relevant to analyze the subject's office space are summarized below.

Summary of Comparable Rentals - Office										
No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	TI/SF	Lease Type
1	500 Terry Francois 500 Terry Francois Blvd. San Francisco San Francisco County CA	Yr Blt. 2008 Stories: 6 RA: 280,848 Parking Ratio: 1.0 /1,000	Wix.com	34,459	Apr-21	120	\$84.00	Fixed	\$25.00	Triple Net
<i>Comments: Lease renewal; tenant received three months of free rent and a \$25 psf TI allowance. Starting rent is \$84 psf on a triple net basis. Tenant operating expenses are estimated at \$25 per square foot.</i>										
2	144 Townsend Street 144 Townsend St. San Francisco San Francisco County CA	Yr Blt. 1922 Stories: 3 RA: 45,000 Parking Ratio: -	User Testing	45,000	Jun-20	63	\$84.00	Fixed	\$0.00	Full Service
<i>Comments: Sublease of entire building, executed post-COVID. The commencement date is unknown. Building was delivered as is with no TI; however, the tenant was given 6 months of half-rent. FF&E was also included.</i>										
3	625 2nd St. 625 2nd St. San Francisco San Francisco County CA	Yr Blt. 1905 Stories: 4 RA: 134,847 Parking Ratio: 0.7 /1,000	GitHub	35,330	May-20	62	\$74.00	Fixed	\$20.00	Modified Gross
<i>Comments: Renewal of office space in a building located at the corner of Brannan St. and 2nd St. in the China Basin area of San Francisco. Tenant is GitHub which was acquired by Microsoft in 2018.</i>										
4	139 Townsend St. 139 Townsend St. San Francisco San Francisco County CA	Yr Blt. 1909 Stories: 5 RA: 58,452 Parking Ratio: 0.1 /1,000	Wilson, Sonsini, Goodrich	19,790	May-20	88	\$90.00	Fixed	\$40.00	Modified Gross
<i>Comments: Renewal of office space in a building located along Townsend St. in the China Basin area of San Francisco.</i>										
5	275 Brannan Street 275 Brannan San Francisco San Francisco County CA	Yr Blt. 1909 Stories: - RA: 54,763 Parking Ratio: -	GitHub	57,120	Apr-20	108	\$92.50	Fixed	\$20.00	Full Service
<i>Comments: Renewal of Office space in an office building located at the corner of Brannan and Colin P. Kelly Jr. St. in the China Basin area of San Francisco.</i>										
6	475 Brannan 475 Brannan St. San Francisco San Francisco County CA	Yr Blt. 1907 Stories: 4 RA: 243,133 Parking Ratio: 1.0 /1,000	Fastly	70,000	Oct-19	88	\$95.00	Fixed	\$50.00	Modified Gross
<i>Comments: New lease of office space in an office building located along Brannan St. in the China Basin area of San Francisco.</i>										
7	153 Townsend St. 153 Townsend St. San Francisco San Francisco County CA	Yr Blt. 2002 Stories: 9 RA: 167,985 Parking Ratio: 2.2 /1,000	Brex, Inc.	35,577	Apr-19	23	\$91.00	Fixed	\$0.00	Triple Net
<i>Comments: Renewal of office space in an office building along Townsend St. in the China Basin area of San Francisco.</i>										

Comparable Rentals Map – Office Space





Lease 1
500 Terry Francois Boulevard



Lease 2
144 Townsend Street



Lease 3
625 2nd St.



Lease 4
139 Townsend St.



Lease 5
275 Brannan Street



Lease 6
475 Brannan



Lease 7
153 Townsend St.

Rental Analysis Factors

The following elements of comparison are considered in our analysis of the comparable rentals.

Rental Analysis Factors

Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

The comparables vary in expense structure, with the properties reflecting a mix of triple net, modified gross, and full service leases. Triple net leases, in particular, are common in the subject's submarket and Visa's lease in Building G also reportedly includes a triple net expense structure. Therefore, we have adjusted comparables to reflect triple net leases, in which the landlord is only responsible for management. A summary of expense responsibilities is presented on the following page.

Subject Expense Structures

Space Type Lease Type	Office		Retail	
	Triple Net		Triple Net	
	Owner	Tenant	Owner	Tenant
Real Estate Taxes		x		x
Insurance		x		x
Utilities		x		x
Repairs/Maintenance		x		x
Cleaning/Janitorial		x		x
Grounds		x		x
Security		x		x
General/Administrative		x		x
Management	x		x	
Base Development Tax - Office		x		NA
Base Contingent Special Services Tax - Office		x		NA
Base Special Tax - Office		x		NA
Shoreline Special Tax - Office		x		NA
Ground Lease		x		x

As will be discussed in further detail later in this report, the subject's office space is subject to various special taxes in relation to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). It is assumed the tenant will reimburse for these expenses. This is also consistent with the Visa lease on Block G. Retail space is not subject to any special taxes. The subject ground lease payments are also assumed to be reimbursed by the tenants. The ground lease and special taxes will be detailed in the expense section of this analysis. However, based on conversations with the developer and market participants, it is our belief the subject's triple net expenses do not vastly exceed its competitors.

Analysis of Comparable Rentals – Office Space

The comparable rentals are compared to the subject and adjusted to account for material differences that affect market rental value. The following table summarizes our analysis of each comparable.

Rental Analysis Summary - Office

No.	Property Name; Tenant	Leased SF	Rent/SF	Overall Comparison to Subject	Comments
1	500 Terry Francois Boulevard Wix.com	34,459	\$84.00	Slightly Inferior	Constructed in 2008. Subject will reflect new construction.
2	144 Townsend Street User Testing	45,000	\$84.00	Superior	Adjusted downward for full service expense structure. This is offset by the older effective age.
3	625 2nd St. GitHub	35,330	\$74.00	Inferior	Adjusted downward for modified gross expense structure. This is offset by the significantly older effective age.
4	139 Townsend St. Wilson, Sonsini, Goodrich & Rosati	19,790	\$90.00	Similar	Adjusted downward for modified gross expense structure but upward for effective age. This is also one of the smaller comparables, at under 20,000
5	275 Brannan Street Github	57,120	\$92.50	Superior	Adjusted downward for full service expense structure; somewhat offset by significantly older effective age.
6	475 Brannan Fastly	70,000	\$95.00	Superior	Adjusted downward for modified gross expense structure and proximity to 4th and King St.
7	153 Townsend St. Brex, Inc.	35,577	\$91.00	Slightly Inferior	Constructed in 2002 compared to the subject's newly constructed improvements.
8	The Exchange Dropbox	735,700	\$62.00	Inferior	Constructed in 2018 and most similar to the subject in terms of effective age. The size of this

Market rent is the rental income that a property would most probably command in the marketplace. A number of comparable office properties within the subject's market area were surveyed in order to determine market rent. The comparable properties presented above are considered the most similar to the subject that we could accurately confirm.

In addition to expense structure, factors considered when adjusting the comparables consisted of lease conditions, market conditions, and differences in physical characteristics. In equating the comparables to the subject, all are considered reasonable indicators of market rent. The subject improvements will reflect new construction, making them superior to many of the comparables with older effective ages. After analysis, the comparables indicate that a rental rate of \$82.00 per square foot per year, triple net, is applicable to the subject's office space.

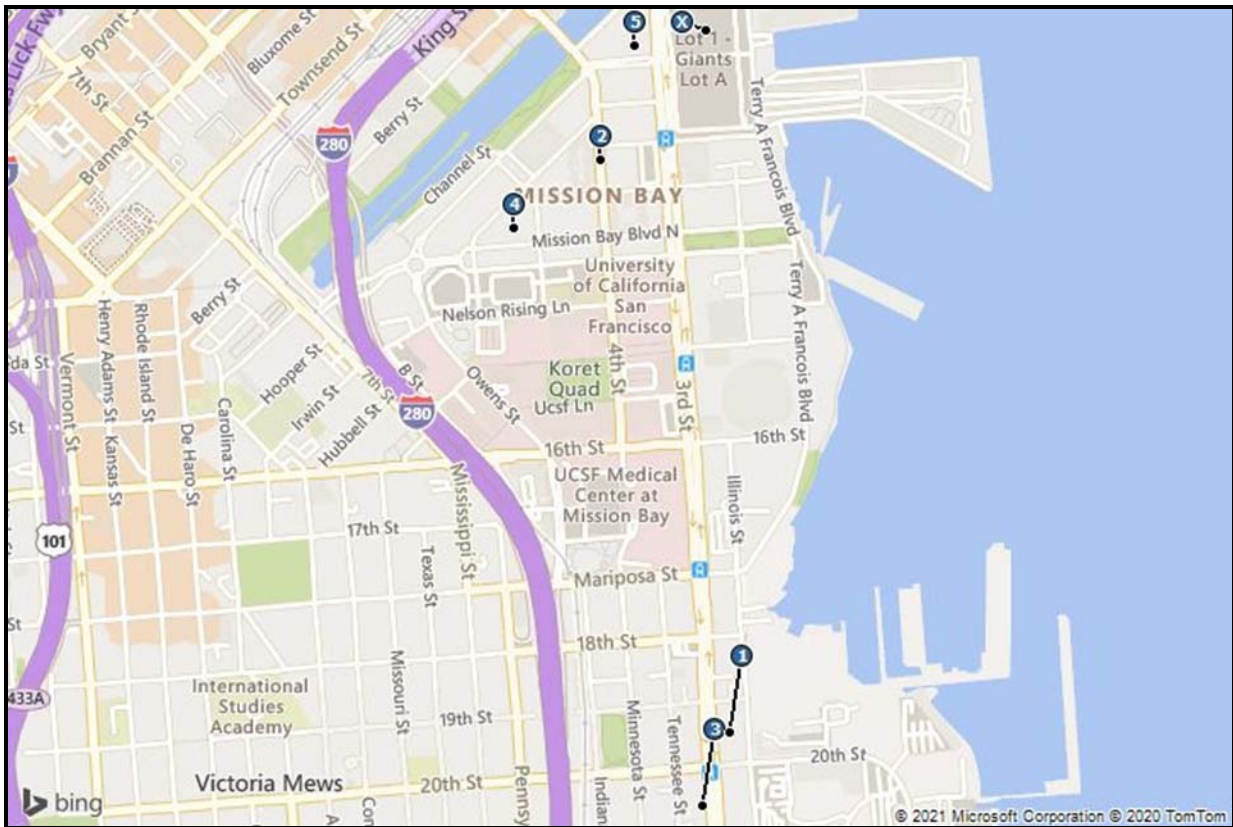
Retail Space Rental Analysis

Though the majority of the subject's commercial improvements will feature office space, each improvement also offers a retail component. Comparable rentals considered most relevant to the subject's retail space are summarized in the following table.

Summary of Comparable Rentals - Retail

No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	Lease Type
1	Potrero Launch 2235 3rd St. San Francisco San Francisco County CA	Yr Blt. 2012 Stories: 4 RA: 242,185 Parking Ratio: –	Active Listing	1,840	Oct-20	NA	\$52.00	None	Modified Gross
<i>Comments: Active listing for a ground floor commercial suite in the Potrero Launch mixed-use apartment/commercial building.</i>									
2	1180 4th Street 1180 4th St. San Francisco San Francisco County CA	Yr Blt. 2014 Stories: 6 RA: 143,269 Parking Ratio: 0.3 /1,000	Curo Pet	3,400	Sep-20	120	\$39.00	None	Triple Net
<i>Comments: Ground floor commercial suite within the 1180 4th Street mixed-use LIHTC apartment/retail building. Lease includes two 5-year options. Escalations, concessions, and TI allowance not reported.</i>									
3	2360-2364 2360-2364 3rd St. San Francisco San Francisco County CA	Yr Blt. 1939 Stories: 2 RA: 9,522 Parking Ratio: –	Translation	2,550	Aug-19	30	\$52.50	None	Modified Gross
<i>Comments: This is a lease renewal for 2,550 SF of retail space. Tenant received no free rent and no TI allowance.</i>									
4	MB360 701 China Basin St. San Francisco San Francisco County CA	Yr Blt. 2015 Stories: 6 RA: 379,080 Parking Ratio: –	Healthy Spot	2,495	May-18	120	\$45.00	Fixed	Triple Net
<i>Comments: New ten-year lease with 3% annual escalations. Tenant received a \$75 psf TI allowance.</i>									
5	One Mission Bay 1000 Third St. and 110 San Francisco San Francisco County CA	Yr Blt. 2018 Stories: 6 RA: 382,279 Parking Ratio: 0.9 /1,000	Little Creatures Brewery	6,400	May-18	120	\$48.00	Fixed	Triple Net
<i>Comments: Ten-year lease of newly constructed space within One Mission Bay. Tenant received a \$140 psf TI allowance. Tenant's NNN reimbursements are estimated at \$14 per square foot.</i>									

Comparable Rentals Map – Retail Space





Lease 1
Potrero Launch



Lease 2
1180 4th Street



Lease 3
2360-2364



Lease 4
MB360



Lease 5
One Mission Bay

Analysis of Comparable Rentals – Retail Space

Our analysis of the comparable rentals is summarized in the following table.

Rental Analysis Summary - Retail					
No.	Property Name;	Leased SF	Rent/SF	Overall	Comments
1	Potrero Launch Active Listing	1,840	\$52.00	Superior	Adjusted downward for modified gross expense structure and listing status. Adjusted upward for effective age.
2	1180 4th Street Curo Pet	3,400	\$39.00	Inferior	Adjusted upward for effective age.
3	2360-2364 Translation	2,550	\$52.50	Similar	Adjusted downward for modified gross expense structure and upward for inferior effective age.
4	MB360 Healthy Spot	2,495	\$45.00	Inferior	May 2018 commencement date. Constructed in 2015, while the
5	One Mission Bay Little Creatures Brewery	6,400	\$48.00	Similar	May 2018 commencement date. The 2018 construction date makes it

After analysis, the comparables indicate that a rental rate of \$50.00 per square foot per year, triple net, is applicable to the subject's retail space.

Market Rent Conclusion

Based on the preceding analysis of comparable rentals, we conclude market lease terms for the subject as follows.

Concluded Market Lease Terms						
Space Type	SF	Market		Rent		Lease
		Rent	Measure	Escalations	Lease Type	Term (Mos.)
Office	274,005	\$82.00	\$/SF/Yr	3% annually	Triple Net	60
Retail	20,101	\$50.00	\$/SF/Yr	3% annually	Triple Net	36

Stabilized Income and Expenses – Block B

Potential Gross Rent

Potential gross rent is based on market rents, as shown in the following table. Income is projected for the 12-month period following the effective date of the appraisal.

Potential Gross Rent - Block B

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Office	274,005	\$82.00	\$22,468,410
Retail	20,101	\$50.00	\$1,005,050
Total Subject	294,106	\$79.81	\$23,473,460

Expense Reimbursements

Reimbursement income is based upon a triple net expense structure that requires tenants to reimburse the owner for all operating expenses except management.

Vacancy & Collection Loss

Please refer to the *Office and Retail Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Market conditions had been improving over the past several quarters prior to the outbreak of COVID-19. As discussed, Block G is 100% pre-leased to Visa, which is a credit tenant. This leasing activity is expected to positively impact other proposed office improvements at the subject. In addition, the San Francisco office market is subject to Proposition M, which limits the amount of office space that may be constructed each year. This creates supply constraints; as such, new construction typically comes online preleased. Based on the current market for office and mixed use office/retail properties in the subject's area, and the expected impact of the Visa lease, a stabilized vacancy and collection loss factor is estimated at 5.0%. This will be deducted from potential gross income to account for potential vacancy and credit/collection loss.

Expenses

To estimate pro forma operating expenses for the subject property, we considered expense data from comparable properties throughout San Francisco. Note that a replacement reserve expense has not been estimated for the subject property, since the overall capitalization rates extracted from the sales data did not include this as an expense. Management is estimated at 2% of effective gross income.

Additionally, for property taxes we have calculated the taxes by applying the subject's tax rate to the market value estimate via the income capitalization approach. The premise is that taxes would be reassessed upon the sale of the property.

As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco

Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office (and multifamily residential) land uses. The subject property is encumbered with special taxes due to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), which office tenants are expected to reimburse.

In addition, the subject is encumbered with a ground lease. According to the developer, the ground lease payments for Phase 1a parcels have been pre-paid as part of the transfer of the leasehold interest from the Port of San Francisco/master developer to the vertical developer. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1a blocks. However, ground lease rent will be considered for blocks in Phases 2, 3, and 4 in accordance with the allocation below.

Ground Lease Allocation

Block	Phase	Tax Zone	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1a	1	0.96	41,818	10.1%	\$211,663	Prepaid
B	1a	1	0.93	40,511	9.8%	\$205,049	Prepaid
F	1a	1	0.58	25,265	6.1%	\$127,880	Prepaid
G	1a	1	0.78	33,977	8.2%	\$171,976	Prepaid
C	2	2	0.90	39,204	9.4%	\$198,434	
D1	2	2	0.58	25,265	6.1%	\$127,880	
E	3	2	0.58	25,265	6.1%	\$127,880	
H	4	2	0.72	31,363	7.6%	\$158,748	
I	4	2	0.75	32,670	7.9%	\$165,362	
J	4	2	0.72	31,363	7.6%	\$158,748	
K	4	2	0.41	17,860	4.3%	\$90,398	
D2	2	2	1.62	70,567	17.0%	\$357,182	
Totals			9.53	415,127	100%	\$2,101,200	
Total Ground Lease Rent less D2						\$1,744,018	

This analysis is concerned with Block B. The expense comparables and our operating expense conclusions for the subject are presented in the following tables.

Operating History and Projections - Block B

	IRR Projection
Income	
Base Rent	\$23,473,460
Expense Reimbursements	8,943,146
Potential Gross Income*	\$32,416,606
Vacancy & Collection Loss @ 5.0%	-1,620,830
Effective Gross Income	\$30,795,776
Expenses	
Real Estate Taxes	\$4,974,599
Ad Valorem Tax - Base Development Tax Offset	-1,758,216
Insurance	352,927
Utilities	808,792
Repairs/Maintenance	735,265
Cleaning/Janitorial	367,633
Grounds	88,232
Security	147,053
General/Administrative	588,212
Management	615,916
Base Development Tax - Office	1,758,216
Base Contingent Special Services Tax - Office	371,267
Base Special Tax - Office	509,167
Shoreline Special Tax - Office	482,648
Ground Lease	0
Total Expenses	\$10,041,709
Net Operating Income	\$20,754,067
Operating Expense Ratio	32.6%

*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss. Historical income is the actual income that has been collected by the property owner.

As discussed, the “Base Development Tax – Office” is offset by the ad valorem taxes, and the ground lease has been pre-paid. The following page provides expense comparables in San Francisco.

Expense Analysis per Square Foot						
	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	1982, 1986	1972				2022
SF	207,317	214,968	136,432	91,308	192,574	294,106
Prevailing Lease Type	Full Service					Triple Net
Operating Data Type	In Place	In Place	In Place	In Place	In Place	
Year	2019	2018	2018	2018	2018	IRR Projection
Real Estate Taxes	\$1.66	\$4.72	\$12.67	\$8.37	\$1.56	\$16.91
Ad Valorem Tax - Base Development Tax Offset	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$5.98
Insurance	\$0.00	\$2.23	\$0.77	\$0.62	\$1.18	\$1.20
Utilities	\$2.91	\$1.23	\$2.36	\$2.26	\$3.02	\$2.75
Repairs/Maintenance	\$2.06	\$4.66	\$4.17	\$3.57	\$4.08	\$2.50
Cleaning/Janitorial	\$0.88	\$1.32	\$1.41	\$2.06	\$3.06	\$1.25
Grounds	\$0.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.30
Security	\$1.67	\$4.41	\$4.92	\$0.51	\$6.66	\$0.50
General/Administrative	\$2.92	\$2.10	\$3.32	\$1.70	\$2.30	\$2.00
Management	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2.09
Base Development Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.98
Base Contingent Special Services Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.26
Base Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.73
Shoreline Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.64
Ground Lease	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$12.61	\$20.68	\$29.64	\$19.08	\$21.86	\$34.14
Operating Expense Ratio	45.3%	29.5%	35.7%	33.7%	42.8%	32.6%

The comparables are not encumbered by special taxes specific to the Special Tax District and are also not subject to ground lease payments. However, the most prominent difference in expenses between the subject and comparables is the higher ad valorem taxes associated with the subject. This is because the definition of market value assumes a sale, and our tax projection for the subject is based upon the market value conclusion. The majority of expense comparables have not transferred recently.

Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We have compiled capitalization rate information for a variety of office properties in San Francisco that were leased at the time of sale, many of which also include ground floor retail. Information from the overall capitalization rate comparables is presented in the following table.

Capitalization Rate Comparables

No.	Property Name	Year Built	Sale Date	Rentable Area	% Occup.	Effective Price/SF	Cap Rate
1	510 Townsend Street	2017	11/23/2020	295,333	100%	\$1,231.49	4.90%
2	Townsend Building	1903	7/10/2020	137,625	100%	\$1,017.26	5.20%
3	North Building	2002	11/25/2019	127,074	100%	\$1,056.47	5.11%
4	808 Brannan St.	1930	4/30/2019	61,000	100%	\$983.61	5.50%
5	260 Townsend Street	1984	3/18/2019	66,682	100%	\$989.77	5.30%
6	345 Brannan Street	2015	12/21/2018	110,000	100%	\$1,327.27	5.06%
7	400 Montgomery	1901	8/13/2019	84,602	92%	\$916.05	5.75%
8	255 California Street	1959	6/6/2019	195,192	91%	\$832.51	4.00%
9	808 Brannan St.	1930	4/30/2019	61,000	100%	\$983.61	5.50%
Average (Mean) Cap Rate:							5.15%

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality were taken into account when equating sales and rent comparables to the subject in order to determine market value. The same is true when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

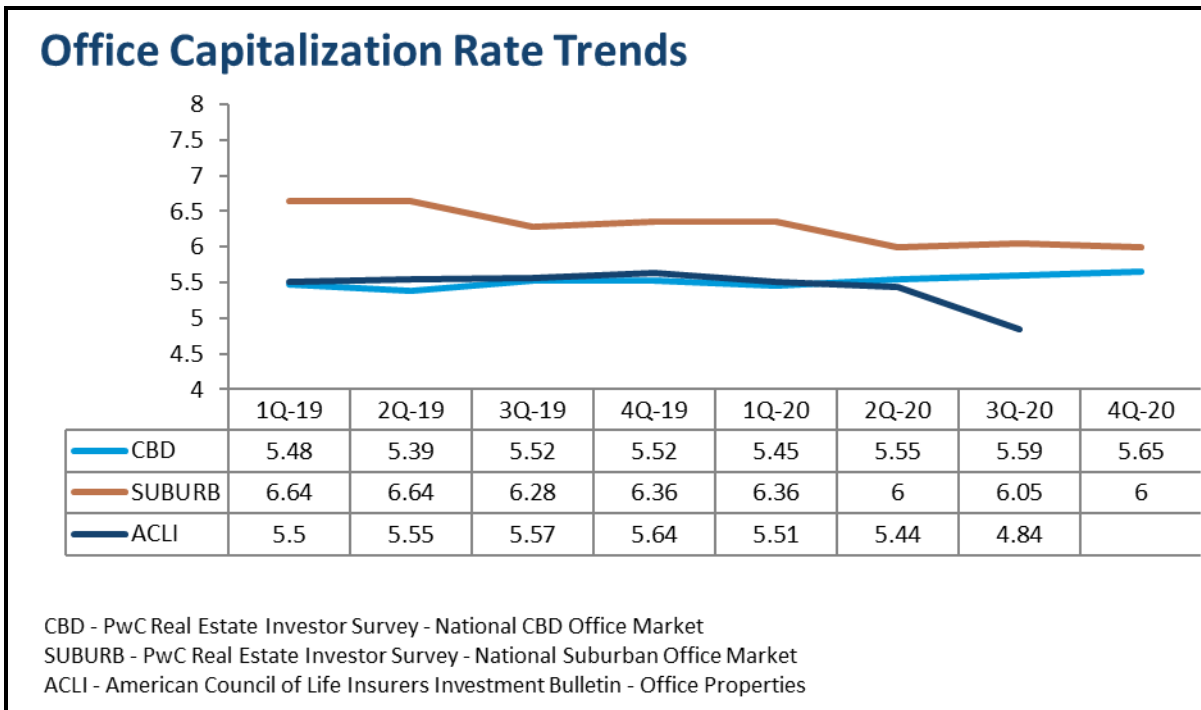
The subject's office improvements will reflect new construction and Block G is already pre-leased to a National credit-rated tenant. The subject is expected to fall toward the middle of the comparable range. It should be noted Comparables 1, 2, 5, 7, and 8 in the table above reflect capitalization rates based upon net operating income at the time of sale. Cap rates for Comparables 3, 4, 6, and 9 are based upon appraiser estimates of market rent and expenses.

To determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys and conducted a band of analysis, presented below and on the following page.

Capitalization Rate Surveys – Office Properties

	IRR-ViewPoint 2020 National CBD Office	IRR-ViewPoint 2020 National Suburban Office	PwC 4Q-20 National CBD Office	PwC 4Q-20 National Suburban Office	ACLI 3Q-20 National Office
Range	5.00% - 11.00%	5.50% - 9.75%	3.75% - 8.00%	4.00% - 7.50%	NA
Average	7.31%	7.54%	5.65%	6.00%	4.84%

Source: IRR-Viewpoint 2020; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

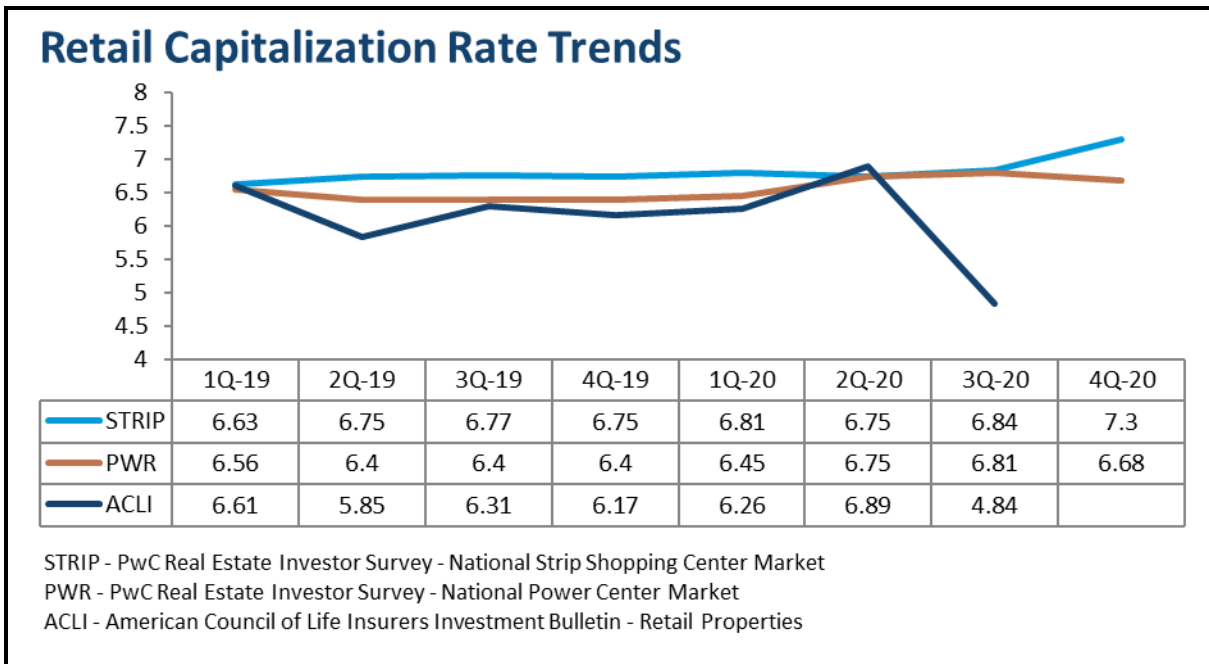


Capitalization Rate Surveys – Retail Properties

	IRR-ViewPoint 2020 Natl Neighborhood Retail	IRR-ViewPoint 2020 Natl Community Retail Center	PwC 4Q-20 National Strip Shopping Center	PwC 4Q-20 National Power Center	ACLI 3Q-20 National Retail
Range	5.25% - 9.50%	5.00% - 8.50%	5.00 - 10.00	5.50% - 8.25%	NA
Average	7.31%	7.17%	7.30%	6.68%	4.84%

Source: IRR-Viewpoint 2020; PwC Real Estate Investor Survey; American Council of Life Insurers Investment





Band of Investment

The band of investment method derives a capitalization rate from the weighted average of the mortgage and equity demands on net income generated from the property. This method involves an estimate of typical financing terms as well as an estimated rate of return on equity capital sufficient to attract investors. The rate indicated by this method is shown in the following table.

Band of Investment Method

Mortgage/Equity Assumptions

Loan To Value Ratio	65%
Interest Rate	4.00%
Amortization (Years)	30
Mortgage Constant	0.0573
Equity Ratio	35%
Equity Dividend Rate	5.00%

Weighted Average of Mortgage and Equity Requirements

Mortgage Requirement	65%	x	5.73% =	3.72%
Equity Requirement	35%	x	5.00% =	1.75%

Indicated Capitalization Rate	5.47%
Rounded	5.50%

Based on an analysis of the preceding data, a going-in capitalization rate for the subject is indicated within a range of 4.75% to 5.75%. To reach a capitalization rate conclusion, we consider each of the following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.



Risk Factor	Issues	Impact on Rate
Income Characteristics	Rollover risk, escalation pattern, above/below market rents, major tenant credit strength. Market rent is assumed in this analysis.	↔
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new, good-quality construction within Mission Bay.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject is located Mission Bay which has been the focus of significant redevelopment activity in recent years. In addition, the subject has good interstate access and reasonably good access to public transit.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. The pre-lease of Block G office space to Visa is a positive indicator for the subject. However, COVID-19 creates uncertainty in the near term.	↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject proposal is consistent with the highest and use of the property.	↔
Overall Impact		↔

Accordingly, we conclude a capitalization rate as follows:

Capitalization Rate Conclusion	
Going-In Capitalization Rate	5.00%

Direct Capitalization Analysis – Block B

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

Direct Capitalization Analysis - Block B						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	24,005	Office	Market	\$82.00	\$1,968,410	–
Vacant	20,101	Retail	Market	\$50.00	\$1,005,050	–
Potential Gross Rent	294,106				\$23,473,460	\$79.81
Expense Reimbursements					\$8,943,146	\$30.41
Potential Gross Income					\$32,416,606	\$110.22
Vacancy & Collection Loss	5.00%				-\$1,620,830	-\$5.51
Effective Gross Income					\$30,795,776	\$104.71
Expenses						
Real Estate Taxes					\$4,974,599	\$16.91
Ad Valorem Tax - Base Development Tax Offset					-\$1,758,216	-\$5.98
Insurance					\$352,927	\$1.20
Utilities					\$808,792	\$2.75
Repairs/Maintenance					\$735,265	\$2.50
Cleaning/Janitorial					\$367,633	\$1.25
Grounds					\$88,232	\$0.30
Security					\$147,053	\$0.50
General/Administrative Management	2.00%				\$588,212	\$2.00
Base Development Tax - Office					\$1,758,216	\$5.98
Base Contingent Special Services Tax - Office					\$371,267	\$1.26
Base Special Tax - Office					\$509,167	\$1.73
Shoreline Special Tax - Office					\$482,648	\$1.64
Total Expenses					\$10,041,709	\$34.14
Net Operating Income					\$20,754,067	\$70.57
Capitalization Rate					5.00%	
Indicated Value					\$415,081,331	\$1,411.33
Rounded					\$415,100,000	\$1,411.40

Lease-up costs for the Block B will be considered in the upcoming extraction analysis.

Direct Capitalization Analysis – Blocks G, C, E, I, & J

The same methodology is utilized in the valuation of the proposed improvements, as if stabilized, for Blocks G, C, E, I, and J. A separate direct capitalization analysis is provided for each Block, as the value of the improvements is sensitive to the percentage of retail space planned.

Please note, because Block G is 100% pre-leased on a triple net basis to Visa (a credit tenant), a 2% vacancy and collection loss is assumed for Block G. However, as the terms of the lease were not disclosed, we have applied market rent to Block G.

Consistent with Block B, a 5% vacancy and collection loss is assumed for the remaining office improvements. In addition, we have assumed the improvements will be leased to multiple tenants, though it is possible the office space could be leased to a single tenant similar to Block G.

Direct Capitalization Analysis – Block G

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

Direct Capitalization Analysis - Block G						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Pre-leased - Market Applied	302,920	Office	Market	\$82.00	\$24,839,440	–
Vacant	18,435	Retail	Market	\$50.00	\$921,750	–
Potential Gross Rent	321,355				\$25,761,190	\$80.16
Expense Reimbursements					\$10,695,103	\$33.28
Potential Gross Income					\$36,456,293	\$113.45
Vacancy & Collection Loss	2.00%				-\$729,126	-\$2.27
Effective Gross Income					\$35,727,167	\$111.18
Expenses						
Real Estate Taxes					\$5,828,733	\$18.14
Ad Valorem Tax - Base Development Tax Offset					-\$1,924,689	-\$5.99
Insurance					\$385,626	\$1.20
Utilities					\$883,726	\$2.75
Repairs/Maintenance					\$803,388	\$2.50
Cleaning/Janitorial					\$401,694	\$1.25
Grounds					\$96,407	\$0.30
Security					\$160,678	\$0.50
General/Administrative Management	2.00%				\$642,710	\$2.00
					\$714,543	\$2.22
Base Development Tax - Office					\$1,924,689	\$5.99
Base Contingent Special Services Tax - Office					\$406,420	\$1.26
Base Special Tax - Office					\$557,376	\$1.73
Shoreline Special Tax - Office					\$528,346	\$1.64
Total Expenses					\$11,409,646	\$35.50
Net Operating Income					\$24,317,521	\$75.67
Capitalization Rate					5.00%	
Indicated Value					\$486,350,416	\$1,513.44
Rounded					\$486,400,000	\$1,513.59

Direct Capitalization Analysis – Block C

Direct Capitalization Analysis - Block C

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,013	Office	Market	\$82.00	\$4,101,066	–
Vacant	29,975	Retail	Market	\$50.00	\$1,498,750	–
Potential Gross Rent	329,988				\$26,099,816	\$79.09
Expense Reimbursements					\$11,136,480	\$33.75
Potential Gross Income					\$37,236,296	\$112.84
Vacancy & Collection Loss	5.00%				-\$1,861,815	-\$5.64
Effective Gross Income					\$35,374,482	\$107.20
Expenses						
Real Estate Taxes					\$5,640,093	\$17.09
Ad Valorem Tax - Base Development Tax Offset					-\$2,109,562	-\$6.39
Insurance					\$395,986	\$1.20
Utilities					\$907,467	\$2.75
Repairs/Maintenance					\$989,964	\$3.00
Cleaning/Janitorial					\$412,485	\$1.25
Grounds					\$98,996	\$0.30
Security					\$164,994	\$0.50
General/Administrative					\$659,976	\$2.00
Management	2.00%				\$707,490	\$2.14
Base Development Tax - Office					\$2,109,562	\$6.39
Base Contingent Special Services Tax - Office					\$454,367	\$1.38
Base Special Tax - Office					\$623,132	\$1.89
Total Expenses					\$11,843,970	\$35.89
Net Operating Income					\$23,530,512	\$71.31
Capitalization Rate					5.00%	
Indicated Value					\$470,610,231	\$1,426.14
Rounded					\$470,600,000	\$1,426.11

Direct Capitalization Analysis – Block E**Direct Capitalization Analysis - Block E**

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	15,542	Office	Market	\$82.00	\$1,274,444	–
Vacant	15,895	Retail	Market	\$50.00	\$794,750	–
Potential Gross Rent	131,437				\$10,269,194	\$78.13
Expense Reimbursements					\$4,443,963	\$33.81
Potential Gross Income					\$14,713,157	\$111.94
Vacancy & Collection Loss	5.00%				-\$735,658	-\$5.60
Effective Gross Income					\$13,977,500	\$106.34
Expenses						
Real Estate Taxes					\$2,218,113	\$16.88
Ad Valorem Tax - Base Development Tax Offset					-\$841,214	-\$6.40
Insurance					\$157,724	\$1.20
Utilities					\$361,452	\$2.75
Repairs/Maintenance					\$394,311	\$3.00
Cleaning/Janitorial					\$164,296	\$1.25
Grounds					\$39,431	\$0.30
Security					\$65,719	\$0.50
General/Administrative					\$262,874	\$2.00
Management	2.00%				\$279,550	\$2.13
Base Development Tax - Office					\$841,214	\$6.40
Base Contingent Special Services Tax - Office					\$177,632	\$1.35
Base Special Tax - Office					\$243,610	\$1.85
Shoreline Special Tax - Office					\$230,922	\$1.76
Ground Lease					\$127,880	\$0.97
Total Expenses					\$4,723,513	\$35.94
Net Operating Income					\$9,253,986	\$70.41
Capitalization Rate					5.00%	
Indicated Value					\$185,079,723	\$1,408.12
Rounded					\$185,100,000	\$1,408.28

Direct Capitalization Analysis – Block I**Direct Capitalization Analysis - Block I**

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	19,320	Office	Market	\$82.00	\$1,584,240	–
Vacant	21,977	Retail	Market	\$50.00	\$1,098,850	–
Potential Gross Rent	141,297				\$10,883,090	\$77.02
Expense Reimbursements					\$4,747,946	\$33.60
Potential Gross Income					\$15,631,036	\$110.63
Vacancy & Collection Loss	5.00%				-\$781,552	-\$5.53
Effective Gross Income					\$14,849,485	\$105.09
Expenses						
Real Estate Taxes					\$2,350,079	\$16.63
Ad Valorem Tax - Base Development Tax					-\$874,848	-\$6.19
Insurance					\$169,556	\$1.20
Utilities					\$388,567	\$2.75
Repairs/Maintenance					\$423,891	\$3.00
Cleaning/Janitorial					\$176,621	\$1.25
Grounds					\$42,389	\$0.30
Security					\$70,649	\$0.50
General/Administrative					\$282,594	\$2.00
Management	2.00%				\$296,990	\$2.10
Base Development Tax - Office					\$874,848	\$6.19
Base Contingent Special Services Tax - Office					\$184,734	\$1.31
Base Special Tax - Office					\$253,350	\$1.79
Shoreline Special Tax - Office					\$240,154	\$1.70
Ground Lease					\$165,362	\$1.17
Total Expenses					\$5,044,936	\$35.70
Net Operating Income					\$9,804,548	\$69.39
Capitalization Rate					5.00%	
Indicated Value					\$196,090,970	\$1,387.79
Rounded					\$196,100,000	\$1,387.86

Direct Capitalization Analysis – Block J**Direct Capitalization Analysis - Block J**

	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
Income						
Base Rent						
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	50,000	Office	Market	\$82.00	\$4,100,000	–
Vacant	18,820	Office	Market	\$82.00	\$1,543,240	–
Vacant	22,524	Retail	Market	\$50.00	\$1,126,200	–
Potential Gross Rent	141,344				\$10,869,440	\$76.90
Expense Reimbursements					\$4,736,702	\$33.51
Potential Gross Income					\$15,606,142	\$110.41
Vacancy & Collection Loss	5.00%				-\$780,307	-\$5.52
Effective Gross Income					\$14,825,835	\$104.89
Expenses						
Real Estate Taxes					\$2,347,219	\$16.61
Ad Valorem Tax - Base Development Tax					-\$871,885	-\$6.17
Insurance					\$169,613	\$1.20
Utilities					\$388,696	\$2.75
Repairs/Maintenance					\$424,032	\$3.00
Cleaning/Janitorial					\$176,680	\$1.25
Grounds					\$42,403	\$0.30
Security					\$70,672	\$0.50
General/Administrative					\$282,688	\$2.00
Management	2.00%				\$296,517	\$2.10
Base Development Tax - Office					\$871,885	\$6.17
Base Contingent Special Services Tax - Office					\$184,108	\$1.30
Base Special Tax - Office					\$252,492	\$1.79
Shoreline Special Tax - Office					\$239,341	\$1.69
Ground Lease					\$158,758	\$1.12
Total Expenses					\$5,033,219	\$35.61
Net Operating Income					\$9,792,616	\$69.28
Capitalization Rate					5.00%	
Indicated Value					\$195,852,324	\$1,385.64
Rounded					\$195,900,000	\$1,385.98

A summary of the market value, as if stabilized, of the subject improvements via the direct capitalization analyses is provided below.

Summary of Direct Capitalization Analyses - Office Use

Block	Value As If Stabilized	Gross Building Area	\$/SF	Rentable Building Area	\$/SF
B	\$415,100,000	283,700	\$1,463.17	294,106	\$1,411.40
G	\$486,400,000	307,058	\$1,584.07	321,355	\$1,513.59
C	\$470,600,000	354,826	\$1,326.28	329,988	\$1,426.11
E	\$185,100,000	141,330	\$1,309.70	131,437	\$1,408.28
I	\$196,100,000	151,932	\$1,290.71	141,297	\$1,387.86
J	\$195,900,000	151,982	\$1,288.97	141,344	\$1,385.98

As further support for our improved value conclusions, we have arrayed a series of office sales in and around the subject's submarket in San Francisco. The transactions occurred between December 2018 and March 2020.

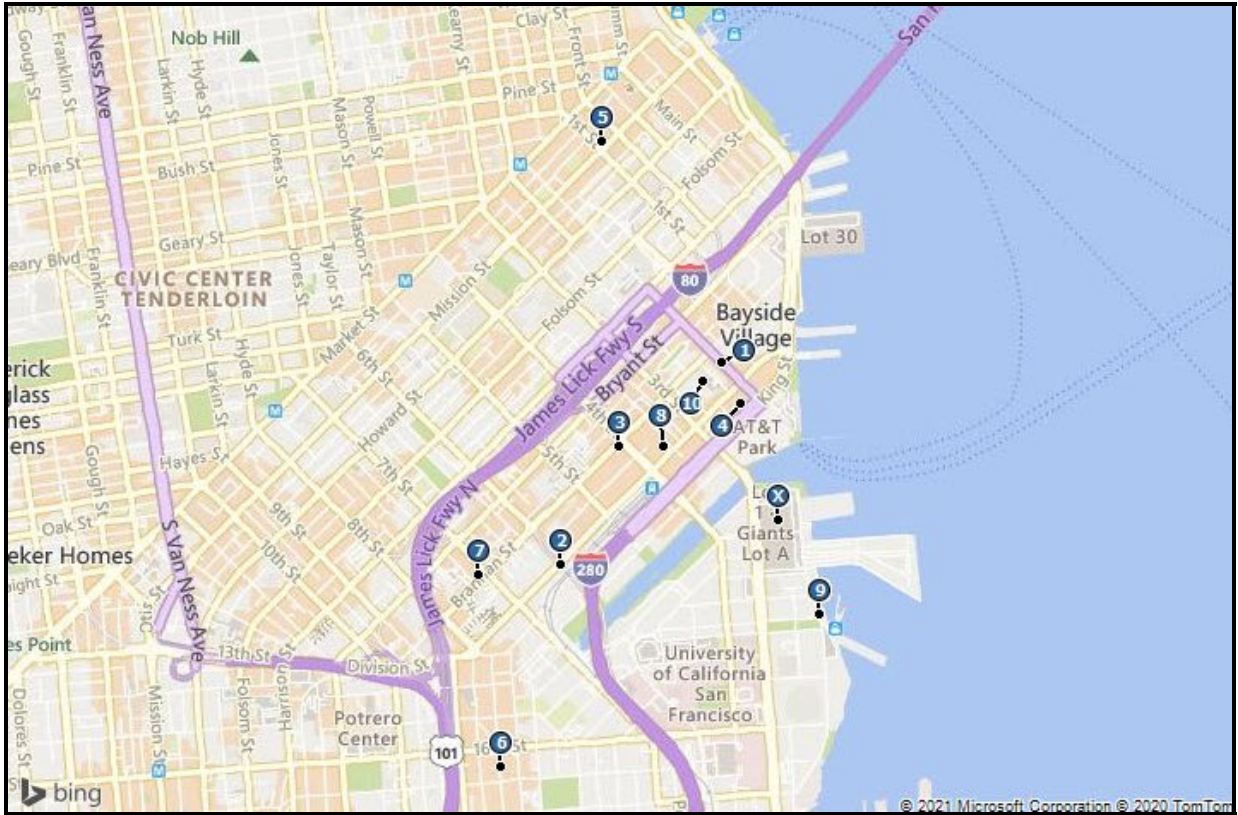
Analysis of Comparable Improved Sales - Office Use

No.	Name/Address Subject	Rentable SF; % Occupied; Year Built	Sale Date; Status	Effective Sale Price	\$/SF	Prop. Rights Leasehold Interest	Notes
1	634 2nd St. 634 2nd St. San Francisco San Francisco County, CA	46,759 100% 1927	Dec-20 Closed	\$55,000,000	\$1,176.24	Leased Fee	Property is located near the corner of Brannan Street and 2nd Street in the China Basin neighborhood. The three story improvement primarily consists of office space, with approximately 1,720 SF of ground floor retail along 2nd Street. The property was 100% leased at the time of sale.
2	510 Townsend Street 510 Townsend St. San Francisco San Francisco County, CA	295,333 100% 2017	Nov-20 Closed	\$363,700,000	\$1,231.49	Leased Fee	November 2020 sale of a single tenant Class A office property in SOMA. The property was 100% occupied by Stripe with 7 years remaining on the current lease term at time of sale. The landlord reported 100% collections since the onset of the pandemic. This property traded along with 505 Brannan Street, a single tenant Class A office building, 100% occupied by Pinterest. Both buildings were completed in 2017 and have LEED Platinum certifications. The blended capitalization rate for both assets was 4.9%.
3	505 Brannan Street 505 Brannan St. San Francisco San Francisco County, CA	148,146 100% 2017	Nov-20 Closed	\$196,500,000	\$1,326.39	Leased Fee	November 2020 sale of a single tenant Class A office property in SOMA. The property was 100% occupied by Pinterest with 12.4 years remaining on the current lease term at time of sale. The landlord reported 100% collections since the onset of the pandemic. This property traded along with 510 Townsend Street, a single tenant Class A office building, 100% occupied by Stripe. Both buildings were completed in 2017 and have LEED Platinum certifications. The blended capitalization rate for both assets was 4.9%.
4	Townsend Building 123 Townsend St. San Francisco San Francisco County, CA	137,625 100% 1903	Jul-20 Closed	\$140,000,000	\$1,017.26	Leased Fee	July 2020 sale of a renovated (2000) creative office building in the Ball Park area of SOMA. The building is directly across from the San Francisco Giants Oracle Park. The property was fully leased at time of sale, with credit tenant Paypal and its subsidiaries leasing approximately 77% of the NRA. The seller originally listed the property for sale in mid 2019 with pricing expected to reach as high as \$160 million (approx. \$1,160/SF). In early 2020, Alexandria Real Estate agreed to purchase the building for \$150 million (\$1,090/SF); however, in April 2020, Alexandria announced that it was walking away from the deal, citing near term economic concerns. Alexandria forfeited their \$10 million non refundable deposit. Subsequently, Manchester Capital agreed to sell the building to CBRE Global Investors for \$140 million (\$1,017/SF). Based on discussions with market participants familiar with the transaction, the building traded at a 5.20% cap rate.
5	450 Mission St. 450 Mission St. San Francisco San Francisco County, CA	73,385 100% 1920	Mar-20 Closed	\$145,000,000	\$1,975.88	Leased Fee	Property was purchased by Salesforce and is located across the street from Salesforce Tower, at 415 Mission Street, and adjacent to Salesforce West, at 50 Fremont Street. There are no immediate plans for redevelopment.

A map of the comparables is provided on the following page. The sales range from \$983.61 to \$1,975.88 per square foot, unadjusted, with an average of approximately \$1,230 per square foot.

The subject value conclusions range from approximately \$1,386 to \$1,514 per square foot, which reflects a tendency toward the higher end of the comparable range. This is to be expected, as the subject will reflect new construction upon completion and the majority of comparables have significantly older effective ages than the subject property.

Comparable Office Sales Map



The subject’s residential blocks will be valued next in the following direct capitalization approach.



Income Capitalization Approach – Residential Use

The table summarizes blocks which will include for-rent multifamily residential space.

Residential Overview											
Block	Phase	Rentable		Gross		Number of Units	Market Rate Units	BMR		Acreage	FAR
		Gross SF	SF	Residential	Residential SF			Units	% BMR		
A*	1	284,432	214,135	284,432	214,135	283	181	102	36%	0.96	6.80
F	1	315,217	220,161	275,038	175,964	254	157	97	38%	0.58	12.48
D1	2	240,494	193,552	240,494	193,552	259	114	145	56%	0.58	9.52
H	4	200,315	162,256	180,499	140,458	192	128	64	33%	0.72	6.39
K	4	130,469	105,680	122,078	96,450	131	92	39	30%	0.41	7.31
						1,119	672	447	40%		

* Gross SF excludes office/retail component

We were provided unit mix information for Blocks A and F, which are located in Phase 1a. Therefore, direct capitalization analyses will be conducted for these blocks.

Apartment Unit Mix - Blocks A & F

Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	92	32.5%
	Two Bedroom	72	25.4%
	Three Bedroom	8	2.8%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

Unit mix details were not available for residential blocks in Phases 2 and 4. Because the market value as if stabilized is heavily influenced by the unit mix of market rate and below market rate units, it is difficult to conduct a credible direct capitalization analysis without additional detail. Therefore, rather than providing direct capitalization analyses for residential blocks in Phases 2 and 4, the value conclusions for Blocks A and F will be utilized in estimating the value of Blocks D, H, and K.

A direct capitalization analysis will be provided for Block A first, followed by Block F. Block A includes a mix of multifamily, office, and retail space, while Block F features multifamily and retail space.

Apartment Unit Mix – Block A

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units. Please note, average square footage is reported for each of the subject's floor plans. There is a slight discrepancy between the sum of the total rentable square footage in the below table (214,116) and the total rentable square footage reported by the developer (214,135).

Unit Mix							
Unit Type	Units	% of Total	Avg. Unit Size	Total SF	Occupied Units	Vacant Units	% Occupied
Studio	9	3.2%	546	4,914	0	9	0%
One Bedroom / One Bath	97	34.3%	627	60,819	0	97	0%
Two Bedroom / Two Bath	62	21.9%	921	57,102	0	62	0%
Three Bedroom / Two Bath	13	4.6%	1,222	15,886	0	13	0%
Studio - BMR	8	2.8%	546	4,368	0	8	0%
One Bedroom / One Bath - BMR	58	20.5%	627	36,366	0	58	0%
Two Bedroom / Two Bath - BMR	31	11.0%	921	28,551	0	31	0%
Three Bedroom / Two Bath - BMR	5	1.8%	1,222	6,110	0	5	0%
TOTAL/AVG.	283	100.0%	757	214,116	0	283	0%

*Includes employee and model units, as applicable.

As in the office valuation, lease up costs for the subject will be considered in the upcoming extraction analysis as part of the developer's costs. The following table allocates the subject's market and below market rate units.

Unit Mix - Market Rate vs. Restricted Units							
Unit Type	Unit Size	Total Subject		Market Rate Units		Restricted Units	
		Total Units	Vacant Units	Total	Vac.	Total	Vac.
Studio	546	9	9	9	9	-	-
One Bedroom / One Bath	627	97	97	97	97	-	-
Two Bedroom / Two Bath	921	62	62	62	62	-	-
Three Bedroom / Two Bath	1,222	13	13	13	13	-	-
Studio - BMR	546	8	8	-	-	8	8
One Bedroom / One Bath - BMR	627	58	58	-	-	58	58
Two Bedroom / Two Bath - BMR	921	31	31	-	-	31	31
Three Bedroom / Two Bath - BMR	1,222	5	5	-	-	5	5
TOTAL/AVG.	757	283	283	181	181	102	102

*Includes employee and model units, as applicable

The table below includes the weighted average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.

Average Unit Size - Market Rate Units

Unit Type	Average Unit Size	Total Units
Studio	546	9
One Bedroom / One Bath	627	97
Two Bedroom / Two Bath	921	62
Three Bedroom / Two Bath	1,222	13
TOTAL/AVG.	766	181

The following table depicts utility responsibilities. It is common in the local market for the tenant to reimburse for all utilities.

Utilities Expenses

Tenant-Paid Utilities	Owner-Paid-Utilities
Water	None
Sewer	
Trash	
Gas	
In-Unit Electric	

Apartment Market Rent Analysis – Block A

To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, building age, and quality. The majority of comparables are located within Mission Bay. However, given the scarcity of studio and three-bedroom comparables, it was also necessary to expand our search to the adjacent Dogpatch neighborhood. The comparables are summarized in the table on the following page.

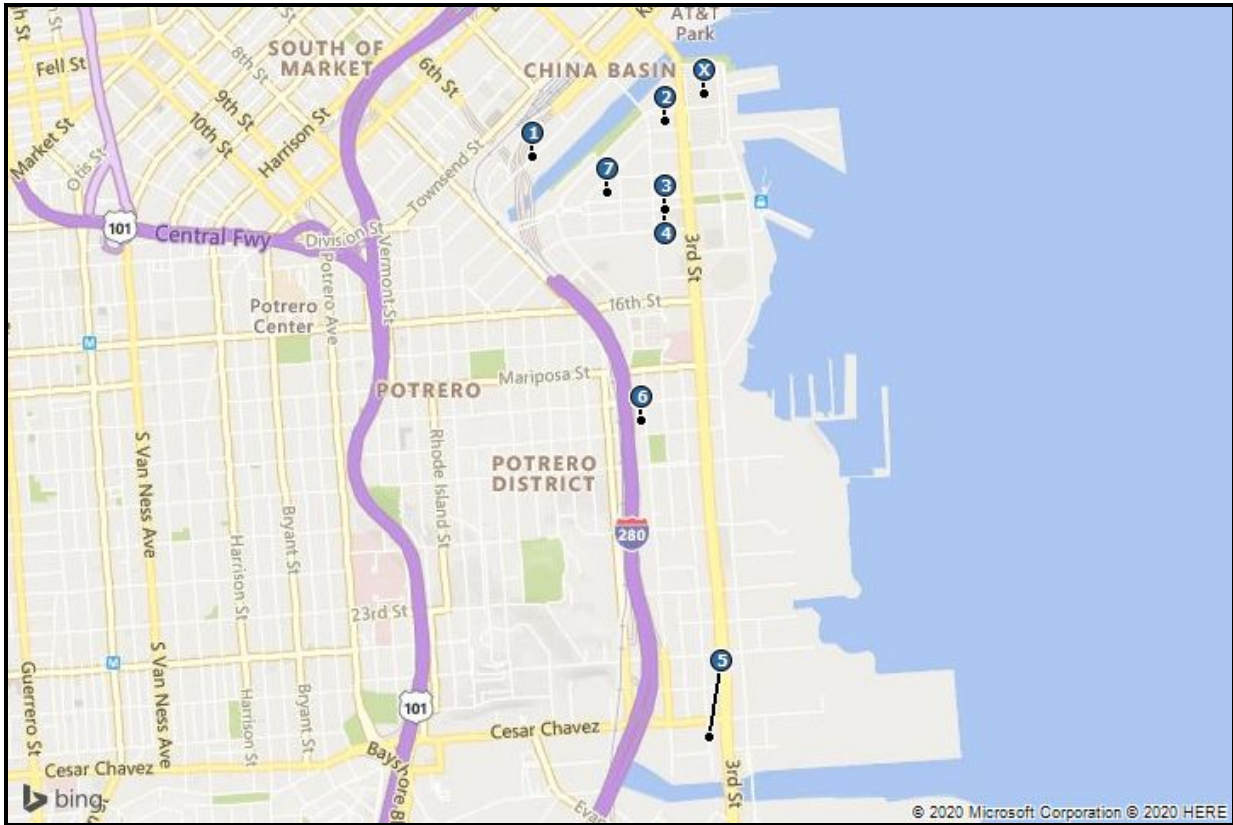
It should be noted, the following comparables were surveyed prior to the present decline in rental rates due to the COVID-19 pandemic. For purposes of analyzing the subject property into perpetuity, and given the timeline of the proposed development, we consider rental rates under stable market conditions in the upcoming analysis, which preceded the effects of the current pandemic.

Summary of Comparable Rentals

No.	Property Name; Address	Yr Built; Stories	# Units; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
1	Mission Bay by Windsor 360 Berry St. San Francisco	2017 5	129 97%			
				671	\$3,355	\$5.00
				673	\$3,420	\$5.08
				684	\$3,315	\$4.85
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	Carpets/Drapes/Blinds, Dishwasher, Hardwood Floors, Patios/Balcony, Range-Refrig., Walk-in Closets, Washer/Dryer In Unit				
	Project Amenities:	Fitness Room, Garage/Under Building, Gated Entrance, Outdoor Kitchen				
	Comments:	There were no two or three bedroom units available at the time of rent survey. Property is 97% occupied and tenants are responsible for all utilities. Parking garage spaces are an additional \$300 per month. Landlord is offering up to half a month of free rent on select units.				
2	Channel Mission Bay 185 Channel St. San Francisco	2014 6	315 90%			
				519	\$3,556	\$6.85
				648	\$4,357	\$6.72
				748	\$4,372	\$5.84
				920	\$4,772	\$5.19
				985	\$5,639	\$5.72
				1,104	\$5,506	\$4.99
				1,310	\$6,396	\$4.88
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	Dishwasher, Disposal, Hardwood Floors, Patios/Balcony, Range-Refrig., Walk-in Closets, Washer/Dryer In Unit				
	Project Amenities:	Fitness Room, Swimming Pool, Outdoor Entertainment Area, Pet Amenities, Theater, Clubhouse/Lounge, Business Center, Conference Room				
	Comments:	Tenant is responsible for all utilities. Landlord is offering one month of free rent for select units leased before May 1st. Parking garage rent is \$360 per space.				
3	Venue Apartments 1155 Fourth St. San Francisco	2013 6	147 95%			
				552	\$3,862	\$7.00
				618	\$3,897	\$6.31
				655	\$3,824	\$5.84
				708	\$4,019	\$5.68
				728	\$4,064	\$5.58
				845	\$4,159	\$4.92
				1,014	\$6,843	\$6.75
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Fitness Room, Clubhouse/Lounge, Conference Room, Business Center, Outdoor Entertainment Area				
	Comments:	Rent survey refers to available floor plans only; project is 95% occupied. Tenant is responsible for all utilities. Parking garage rent is \$300 per space, per month.				

Summary of Comparable Rentals						
No.	Property Name; Address	Yr Built; Stories	% Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
4	Azure Apartments 690 Long Bridge St. San Francisco	2015 16	273 96%			
				720	\$3,725	\$5.17
				708	\$4,086	\$5.77
				1,006	\$4,950	\$4.92
				1,046	\$4,981	\$4.76
				1,035	\$5,053	\$4.88
				1,040	\$5,103	\$4.91
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Fitness Room, Outdoor Entertainment Area, Pet Amenities, Lounge/Clubhouse				
	Comments:	Tenant is responsible for all utilities. Landlord is offering one month of free rent on units leased prior to May 1st.				
5	777 Tenn 777 Tennessee St. San Francisco	2019 5	59 87%			
				544	\$3,755	\$6.90
				926	\$5,140	\$5.55
				1,005	\$4,980	\$4.96
				1,202	\$7,382	\$6.14
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	Air Conditioning, Carpets/Drapes/Blinds, Dishwasher, Disposal, Hardwood Floors, Patios/Balcony, Range-Refrig., Walk-in Closets, Washer/Dryer In Unit				
	Project Amenities:	Covered Parking				
	Comments:	Property opened in the 4th quarter of 2019, with an average absorption rate of 14 units per month for the first three months of lease up. The project is currently approximately 85% occupied and leasing activity has slowed since the end of January 2020 as the property approaches stabilized occupancy. Parking is an additional \$375 per month.				
6	O&M 680 Indiana St. San Francisco	2017 5	116 86%			
				460	\$3,195	\$6.95
				391	\$3,045	\$7.79
				474	\$3,225	\$6.80
				536	\$3,565	\$6.65
				555	\$3,690	\$6.65
				568	\$3,690	\$6.50
				858	\$4,890	\$5.70
				1,004	\$4,950	\$4.93
				1,247	\$5,945	\$4.77
				1,133	\$5,895	\$5.20
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	In-Unit Washer/Dryer, Wood-Grain Flooring, Patio/Balcony (Select), European-Style Cabinetry, Quartz Counters, Stainless Steel Appliances				
	Project Amenities:	Rooftop Decks (x2), Fire Pits, BBQ, Outdoor Dining, Parcel Lockers, EV Parking, Bicycle Storage, Secured Entry				
	Comments:	Tenant is responsible for all utilities. Property is approximately 85% occupied. Parking is an additional \$300 per month. Storage is available for \$35 per month. Landlord is offering one month of free rent on select units.				
7	MB360 701 China Basin St. San Francisco	2015 6	360 93%			
				529	\$3,436	\$6.50
				729	\$3,916	\$5.37
				989	\$4,474	\$4.52
				1,128	\$4,980	\$4.41
				1,225	\$5,035	\$4.11
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Fitness Room, Swimming Pool, Clubhouse/Lounge, Outdoor Entertainment Area, Pet Amenities, Business Center				
	Comments:	Landlord was offering 3 weeks of free rent if unit was leased by 4/27/20 and occupied by 5/3/20. Tenant is responsible for all utilities.				

Comparable Rentals Map





Rent Survey 1
Mission Bay by Windsor



Rent Survey 2
Channel Mission Bay



Rent Survey 3
Venue Apartments



Rent Survey 4
Azure Apartments



Rent Survey 5
777 Tenn



Rent Survey 6
O&M



Rent Survey 7
MB360

Apartment Rental Analysis Factors

Our analysis of the comparable rentals considers the following elements of comparison.

Rental Analysis Factors

Tenant Paid Utilities	Utilities costs for which tenants are responsible.
Unit Size	Floor area in square feet.
Location	Market or submarket area influences on rent; surrounding land use influences.
Age/Condition	Effective age; physical condition.
Quality	Construction quality, market appeal, functional utility.
Unit Features	Features included in individual residential units.
Project Amenities	Amenities available to the entire property.

Analysis of Comparable Rentals – Block A

Rental Analysis Summary - Studio Units

Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
Channel Mission Bay	Studio	519	\$3,556	\$6.85	Inferior	Upward for average unit size and community amenities, upward for effective age.
Venue Apartments	Studio	552	\$3,862	\$7.00	Inferior	Downward for unit size, upward for effective age.
MB360	Studio	529	\$3,436	\$6.50	Inferior	Upward for average unit size, upward for effective age.
777 Tenn	Studio	544	\$3,755	\$6.90	Inferior	Upward for effective age and community amenities. Upward for Dogpatch location.
O&M	Studio	460	\$3,195	\$6.95	Inferior	Upward for unit size and effective age and amenities. Upward for Dogpatch location.
Rental Ranges and Averages						
		Range	Average (Unadjusted)		Avg/SF	
Comparables		\$3,195 - \$3,862	\$3,561		-	
Concluded Market Rent			\$3,700		\$6.78	

Overall, the adjusted range moves upward because the subject will reflect new construction.

Rental Analysis Summary - One Bedroom / One Bath Units

Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
Mission Bay by Windsor	1 BR / 1 BA	673	\$3,420	\$5.08	Inferior	Downward for unit size, upward for effective age.
Channel Mission Bay	1 Bedroom / 1 Bath	648	\$4,357	\$6.72	Inferior	Downward for unit size and effective age. Downward for community amenities.
Venue Apartments	1 Bedroom / 1 Bath	708	\$4,019	\$5.68	Inferior	Downward for unit size, upward for effective age.
Azure Apartments	1 Bedroom / 1 Bathroom	708	\$4,086	\$5.77	Inferior	Downward for unit size, upward for effective age.
MB360	1 Bedroom / 1 Bath	729	\$3,916	\$5.37	Inferior	Downward for unit size and community amenities, upward for effective age.
Rental Ranges and Averages						
			Range	Average (Unadjusted)	Avg/SF	
Comparables			\$3,420 - \$4,357	\$3,960	-	
Concluded Market Rent				\$4,300	\$6.86	

As with the studio units, our market rent conclusion falls toward the higher end of the unadjusted comparable range given that the subject will reflect new construction. This will also be the case with the upcoming two bedroom and three bedroom units.

Rental Analysis Summary - Two Bedroom / Two Bath Units

Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Unadjusted Rent/SF	Overall Comparison to Subject	Comment
Channel Mission Bay	2 Bedroom / 2 Bathroom	985	\$5,639	\$5.72	Inferior	Adjusted downward for unit size and community amenities, upward for effective age.
Venue Apartments	2 Bedroom / 2 Bathroom	1,014	\$6,843	\$6.75	Inferior	Downward for unit size, upward for effective age.
Azure Apartments	2 Bedroom / 2 Bathroom	1,040	\$5,103	\$4.91	Inferior	Downward for unit size, upward for effective age.
MB360	2 Bedroom / 2 Bath	1,128	\$4,980	\$4.41	Inferior	Downward for unit size and community amenities, upward for effective age.
Rental Ranges and Averages						
			Range	Average (Unadjusted)	Avg/SF	
Comparables			\$4,980 - \$6,843	\$5,641	-	
Concluded Market Rent				\$6,500	\$7.06	

Please note, Comparable 5, MB360, is consistently one of the lowest rent comparables in the analysis (even after adjustment) and is given less weight than other comparables.

Rental Analysis Summary - Three Bedroom / Two Bath Units						
Property Name	Unit Type	Avg Unit SF	Avg		Overall Comparison to Subject	Comment
			Unadjusted Rent/Mo	Rent/SF		
777 Tenn	3 BR / 2 BA	1,202	\$7,382	\$6.14	Inferior	Upward for size, community amenities, Dogpatch location, and effective age.
O&M	3 BR / 2 BA	1,133	\$5,895	\$5.20	Inferior	Upward for size, effective age, and community amenities.
Channel Mission Bay	2 Bedroom/ 2 Bathroom	1,310	\$6,396	\$4.88	Inferior	Downward for size and effective age. Downward for community amenities.
Rental Ranges and Averages						
		Range	Average	Avg/SF		
Comparables		\$5,895 - \$7,382	\$6,558	-		
Concluded Market Rent			\$7,250	\$5.93		

Given the lack of three-bedroom comparables available in the market, we have included one of the larger two bedroom floorplans at Channel Mission Bay. In addition to effective age, the comparable range shifts upward given the average size of the subject's three-bedroom units. While the concluded market rent is above the unadjusted range on a monthly basis, the rent per square foot falls within the unadjusted range.

The following table summarizes in unit and community amenities for the comparable properties. It is assumed the subject will be offer amenities consistent with the market. Please note, while many of the comparables offer on-site parking garages, parking spaces are not included in rental rates. Instead, parking spaces may be rented for an additional \$300 to \$375 per month. In addition, it is typical in San Francisco for many residential tenants to forego on-site parking. Because Block D2 will offer a 3,000-space parking garage which is intended to service the entire Special Tax District area, we have not discounted the subject rent for a lack of on-site parking.

Unit Features and Project Amenities								
Subject	Rent 1	Rent 2	Rent 3	Rent 4	Rent 5	Rent 6	Rent 7	
	Mission Bay by	Channel Mission						
Block A - Phase 1	Windsor	Bay	Venue Apartments	Azure Apartments	777 Tenn	O&M	MB360	
Unit Features								
Patios/Balcony	x	x	x	x	x	x	x	x
Fireplace								
Vaulted Ceilings								
Dishwasher	x	x	x	x	x	x	x	x
Disposal	x	x	x	x	x	x	x	x
Trash Compactor								
Washer/Dryer Hookup								
Washer/Dryer In Unit	x	x	x	x	x	x	x	x
Storage in Unit								
Carpets/Drapes/Blinds	x	x	x	x	x	x	x	x
Walk-in Closets		x	x	x	x	x	x	x
Stainless Steel Appliances	x	x	x	x	x	x	x	x
Harwood-Style Floors	x	x	x	x	x	x	x	x
Stone Counters	x	x	x	x	x	x	x	x
Comparison to Subject	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Project Amenities								
Gated or Secure Entry	x		x					
Swimming Pool			x					x
Spa/Hot Tub								
Sauna								
Covered Parking						x		
Garage/Under Building		x	x	x	x		x	
Tennis Court								
Playground								
Clubhouse/Rec Room	x		x		x			x
Fitness Room	x	x	x	x	x			x
Racquet Ball								
Volleyball								
Basketball								
Laundry Facility								
Storage								
Security								
Outdoor Terrace	x	x	x	x	x		x	x
Pet Care Station			x		x			x
Business Center			x	x				x
Comparison to Subject	Similar	Superior	Similar	Similar	Inferior	Inferior	Inferior	Superior

Apartment Market Rent Conclusion – Block A

Based on the preceding analysis of comparable rentals, market rent is estimated for each unit type as shown in the table that follows.

Market Rent Conclusions

Unit Type	Total Units	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	17	9	546	\$3,700	\$6.78
One Bedroom / One Bath	155	97	627	\$4,300	\$6.86
Two Bedroom / Two Bath	93	62	921	\$6,500	\$7.06
Three Bedroom / Two Bath	18	13	1,222	\$7,250	\$5.93
Total/Avg.	283	181	766	\$5,236	\$6.83

Units Subject to Rent Restrictions – Block A

As a condition of the subject’s entitlements, 102 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco’s median family income, as determined by the Mayor’s Office of Housing and Community Development. The following table shows the subject’s restricted units by unit type, along with the maximum allowable rents for those apartments.

Block A Restricted Rents - BMR Units								
Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	2	\$1,781	3	\$2,427	3	\$3,074	\$20,065	\$2,508
One Bedroom	6	\$2,043	27	\$2,782	19	\$3,521	\$154,271	\$2,967
Two Bedroom	3	\$2,256	21	\$3,087	15	\$3,920	\$130,395	\$3,343
Three Bedroom	0	\$2,466	2	\$3,390	1	\$4,314	\$11,094	\$3,698
	11		53		38		\$315,825	\$3,096

Office and Retail Rental Rates – Block A

Market rent for the subject’s office and retail space was determined in the previous direct capitalization analysis for the subject’s office improvements. Market rent for office space was determined to be \$82.00 per square foot, per year, triple net. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.

Stabilized Income and Expenses – Block A

Potential Gross Rent - Apartments

The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

Potential Gross Rent

Unit Type	Total Units	Market Rent/Unit (2)	Potential Rent at Market (2)
Market Rate Units			
Vacant Units			
Studio	9	\$3,700	\$399,600
One Bedroom / One Bath	97	\$4,300	\$5,005,200
Two Bedroom / Two Bath	62	\$6,500	\$4,836,000
Three Bedroom / Two Bath	13	\$7,250	\$1,131,000
Total Vacant	181	\$5,236	\$11,371,800
Total - Market Rate Units	181	\$5,236	\$11,371,800
Restricted Units			
Leased Units			
Vacant Units			
Studio - BMR-Below Market Unit	8	\$2,508	\$240,768
One Bedroom / One Bath - BMR-Below Market Unit	58	\$2,967	\$2,065,032
Two Bedroom / Two Bath - BMR-Below Market Unit	31	\$3,343	\$1,243,596
Three Bedroom / Two Bath - BMR-Below Market Unit	5	\$3,698	\$221,880
Total Vacant	102	\$3,081	\$3,771,276
Total - Restricted Units	102	\$3,081	\$3,771,276
Grand Total	283	\$4,459	\$15,143,076

¹ Contract rent for leased units; vacant and employee/model units, if any, at market.

² For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

Potential Gross Rent – Office and Retail Space

Potential rental income from the subject’s office and retail space is summarized next.

Potential Gross Rent

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	20,931	\$50.00	\$1,046,550
Office	58,136	\$82.00	\$4,767,152
Total Subject	79,067	\$73.53	\$5,813,702

Expense Reimbursements - Apartments

Expense recoveries from the apartment tenants assume tenants will reimburse ownership for their pro rata share of utilities.

Expense Reimbursements – Office and Retail

The office and retail tenants reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and general/administrative expenses. In addition, it is assumed office and retail tenants would reimburse for their pro-rata share of ground lease payments; though, this does not apply to the upcoming analysis as ground lease payments will be prepaid by the developer for Phase 1a.

Vacancy & Collection Loss

Please refer to the *Multifamily Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Market conditions have been stable over the past several quarters and this trend is expected to continue over the long term. Although the current COVID-19 environment creates uncertainty in the market, occupancy rates are not expected to be greatly impacted as many tenants are hesitant to relocate under current conditions. However, there is some risk tenants may require rent relief. A stabilized vacancy and collection loss factor is estimated at 5%. This will be deducted from potential gross income to account for potential vacancy and credit/collection loss.

Concessions

Rent concessions for multifamily projects are usually not common in the local market. However, given the current COVID-19 environment, many of the multifamily comparables are offering between two and four weeks of free rent. This analysis considers the market value of the subject as if stabilized. Lease-up costs will be considered as part of the developer’s costs in the upcoming extraction analysis.

Net Parking Income

Block A is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

Other Income

The other income category includes any other income from the property such as revenues from application fees, security deposits, and miscellaneous sources. Total other income is projected at \$500 per multifamily unit, net of vacancy and rent loss, based on our experience with multifamily projects in the local market.

Effective Gross Income

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$22,736,255.

Operating Expenses

Operating expenses are estimated based on expense data from comparable properties, as summarized in tables on the following pages. As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes (shown below). It is noted this tax is based upon the square footage of market rate units and excludes below market rate units.

Aggregate Calculation of Special District Tax - Phase 1a, Tax Zone 1

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax
A	1a	0.96	Base Development Tax - Market-Rate Residential	Residential	\$8.75	139,723	\$1,222,576
			<i>Offset by Ad Valorem Tax</i>				(\$1,222,576)
			Base Development Tax - Office Use	Office	\$6.63	85,105	\$564,246
			<i>Offset by Ad Valorem Tax</i>				(\$553,183)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	139,723	\$195,612
			Base Contingent Special Services Tax - Office	Office	\$1.40	85,105	\$119,147
			Base Special Tax - Office Use	Office	\$1.92	85,105	\$163,402
Shoreline Special Tax - Office Use	Office	\$1.82	85,105	\$154,891			
							\$644,115
B	1a	0.93	Base Development Tax - Market-Rate Residential	Residential	\$8.75	-	-
			Base Development Tax - Office Use	Office	\$6.63	265,191	\$1,758,216
			<i>Offset by Ad Valorem Tax</i>				(\$1,723,742)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.40	265,191	\$371,267
			Base Special Tax - Office Use	Office	\$1.92	265,191	\$509,167
			Shoreline Special Tax - Office Use	Office	\$1.82	265,191	\$482,648
						\$1,397,556	
F	1a	0.58	Base Development Tax - Market-Rate Residential	Residential	\$8.75	110,548	\$967,295
			<i>Offset by Ad Valorem Tax</i>				(\$967,295)
			Base Development Tax - Office Use	Office	\$6.63	-	-
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	110,548	\$154,767
			Base Contingent Special Services Tax - Office	Office	\$1.40	-	-
			Base Special Tax - Office Use	Office	\$1.92	-	-
			Shoreline Special Tax - Office Use	Office	\$1.82	-	-
						\$154,767	
G	1a	0.78	Base Development Tax - Market-Rate Residential	Residential	\$8.75	-	-
			Base Development Tax - Office Use	Office	\$6.63	290,300	\$1,924,689
			<i>Offset by Ad Valorem Tax</i>				(\$1,886,950)
			Base Contingent Special Services Tax - Market-Rate Residential	Residential	\$1.40	-	-
			Base Contingent Special Services Tax - Office	Office	\$1.40	290,300	\$406,420
			Base Special Tax - Office Use	Office	\$1.92	290,300	\$557,376
			Shoreline Special Tax - Office Use	Office	\$1.82	290,300	\$528,346
						\$1,529,881	
Totals		3.25					\$3,726,319

Operating History and Projections - Block A

	IRR Projection
Income	
Rental Income - Apartments	\$15,143,076
Rental Income - Commercial	5,813,702
Expense Reimbursements - Apartments	509,400
Expense Reimbursements - Commercial	2,310,979
Potential Gross Income*	\$23,777,157
Vacancy & Collection Loss @ 5.0%	-1,188,858
Other Income	141,500
Effective Gross Income	\$22,729,799
Expenses	
Real Estate Taxes	\$3,722,374
Ad Valorem Tax - Base Development Tax Offset	-1,786,822
Insurance	236,380
Utilities	726,834
Repairs/Maintenance	520,201
Payroll/Benefits	849,000
Advertising & Marketing	113,200
General/Administrative	744,721
Management	1,136,490
Replacement Reserves	70,750
Base Development Tax - Residential	1,222,576
Base Development Tax - Office	564,246
Base Contingent Special Services Tax - Market-Rate Residential	195,612
Base Contingent Special Services Tax - Office	119,147
Base Special Tax - Office	163,402
Shoreline Special Tax - Office	154,891
Ground Lease	0
Total Expenses	\$8,753,003
Net Operating Income	\$13,976,797
Operating Expense Ratio**	38.2%

*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss. Historical income is the actual income that has been collected by the property owner.

**Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

Expense Analysis per Unit						
	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	2020	1989	1990			2023
Number of Units	172	320	156	1,254	121	283
	Pro-forma					
Operating Data Type	Owner	In Place	In Place	In Place	In Place	
Year	2019	2018	2018	2018	2018	IRR Projection
Real Estate Taxes	\$7,070	\$3,905	\$2,217	\$827	\$12,735	\$13,153
Ad Valorem Tax - Base Development Tax Offset	\$0	\$0	\$0	\$0	\$0	-\$6,314
Insurance	\$500	\$645	\$478	\$332	\$386	\$835
Utilities	\$479	\$890	\$1,757	\$2,383	\$1,868	\$2,568
Painting & Decorating	\$0	\$0	\$0	\$0	\$0	\$0
Payroll/Benefits	\$2,512	\$4,023	\$6,723	\$1,008	\$2,936	\$3,000
Advertising & Marketing	\$472	\$548	\$77	\$175	\$536	\$400
General/Administrative	\$435	\$1,787	\$2,633	\$2,179	\$1,858	\$2,632
Management	\$1,052	\$1,231	\$2,427	\$801	\$954	\$4,016
Replacement Reserves	\$0	\$0	\$0	\$0	\$0	\$250
Base Development Tax - Residential	\$0	\$0	\$0	\$0	\$0	\$4,320
Base Development Tax - Office	\$0	\$0	\$0	\$0	\$0	\$1,994
Base Contingent Special Services Tax - Market-R:	\$0	\$0	\$0	\$0	\$0	\$691
Base Contingent Special Services Tax - Office	\$0	\$0	\$0	\$0	\$0	\$421
Total	\$13,375	\$14,731	\$18,164	\$9,459	\$22,561	\$30,929
Operating Expense Ratio	25.4%	35.9%	37.4%	24.2%	59.1%	38.2%

The above comparables are each located within the city of San Francisco. As the definition of market value presumes a sale, taxes are calculated by applying the subject's tax rate to the conclusion of market value. Management is estimated at 5.0% of effective gross income, given that the improvements are mixed use. Replacement reserves are projected at \$250 per multifamily unit.

Please note, because the subject includes office and retail space, in addition to residential space, expenses for the commercial space are also included subject's projected expenses above. The residential expense comparables are utilized for projecting expenses for the residential units, while the previously presented office expense comparables are utilized for projections for the commercial space. Expenses that apply only to the office space (such as janitorial, grounds, and security) have been included in the general/administrative line item.

As discussed, the ground lease payments for Phase 1a parcels are assumed to be pre-paid. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1a blocks. The pre-payment is instead considered later in the developer's costs in the upcoming extraction analyses.

Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We consider the following data in selecting a capitalization rate for the subject.

Capitalization Rate Comparables

No.	Property Name	City	Year Built	Sale Date	Rentable Area	% Occup.	No. Units	Effective Price/Unit	Cap Rate
1	O&M	San Francisco	2017	9/13/2019	122,185	98%	116	\$692,586	4.70%
2	Mosso	San Francisco	2014	10/28/2019	373,181	95%	463	\$670,626	3.62%
3	Huxley	Redwood City	2018	9/19/2019	117,322	95%	137	\$788,321	4.30%
4	Meridian at Midtown	San Jose	2015	10/3/2018	210,300	95%	218	\$477,064	4.25%
5	Maxwell Apartments	Oakland	2017	5/31/2018	63,886	97%	80	\$557,500	4.61%
Average (Mean) Cap Rate:									4.30%

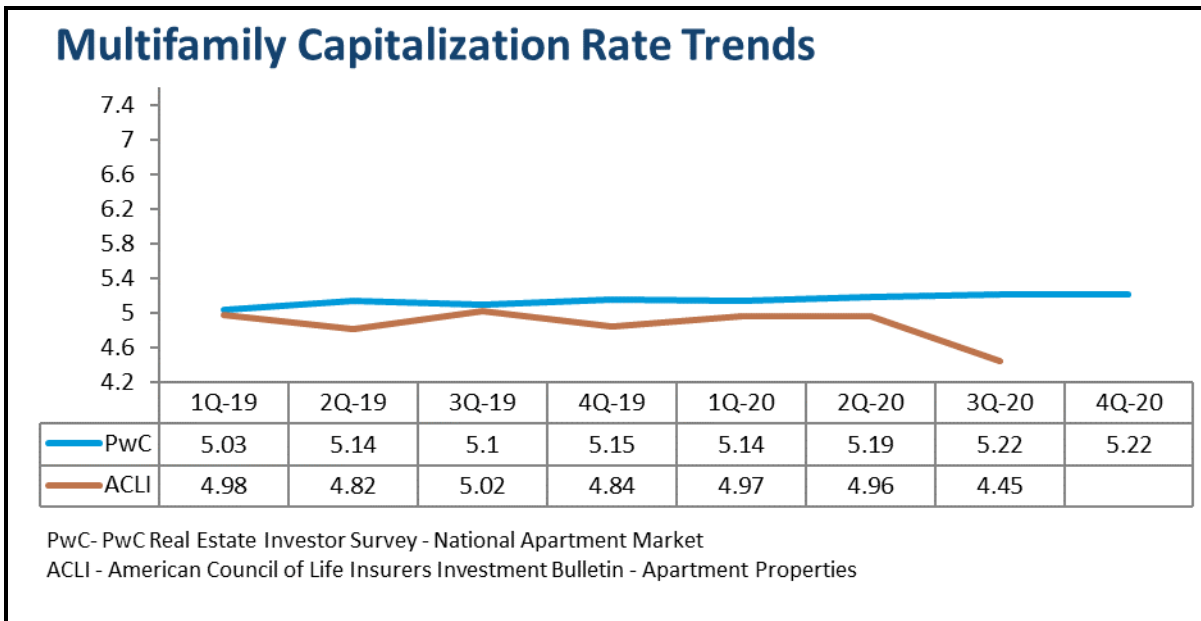
Our search for cap rate comparables focused on multifamily properties with over 50 units and constructed in the past ten years within urban locations in the Bay Area. Of the comparables above, only Sale 3, Huxley, does not offer ground floor retail. Greatest weight is given to Sales 1 and 2, which are located in San Francisco and reflect 2019 transactions.

To determine a capitalization rate for the subject, we have also examined capitalization rate information published in national surveys and conducted a band of analysis, presented below and on the following pages.

Capitalization Rate Surveys – Multifamily Properties

	IRR-ViewPoint 2020 National Urban Multifamily	IRR-ViewPoint 2020 National Suburban Multifamily	PwC 4Q-20 National Apartment	ACLI 3Q-20 National Apartment
Range	3.75% - 8.50%	4.00% - 8.25%	3.50% - 8.0%	NA
Average	5.72%	5.93%	5.22%	4.45%

Source: IRR-Viewpoint 2020; PwC Real Estate Investor Survey; American Council of Life Insurers Investment



Please refer to the previous *Income Capitalization Approach* section for the subject’s office improvements for national capitalization rate data for office and retail properties.

Band of Investment Method				
Mortgage/Equity Assumptions				
Loan To Value Ratio				65%
Interest Rate				4.00%
Amortization (Years)				30
Mortgage Constant				0.0573
Equity Ratio				35%
Equity Dividend Rate				4.00%
Weighted Average of Mortgage and Equity Requirements				
Mortgage Requirement	65%	x	5.73% =	3.72%
Equity Requirement	35%	x	4.00% =	1.40%
Indicated Capitalization Rate				5.12%
Rounded				5.10%

Based on an analysis of the preceding data, a going-in capitalization rate for the subject is indicated within a range of 3.75% to 4.75%. To reach a capitalization rate conclusion, we consider each of the following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.

Risk Factor	Issues	Impact on Rate
Income Characteristics	Stability of occupancy, above/below market rents, rent control. Market rent is utilized in this analysis, though it is noted the subject has a significant inclusionary housing component. While the majority of capitalization rate comparables include retail and multifamily space, the subject also includes an office component, which is somewhat unique. In the previous analysis, we concluded a capitalization rate of 5.25% for the subject's office space. This will influence the overall cap rate for Block A up slightly.	↔↑
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new construction with good appeal.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject enjoys a good location in Mission Bay close to employment centers with reasonable transportation availability and many recreation options within walking distance.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. Vacancy rates had remained stable prior to COVID-19. While the residential market is expected to rebound from the pandemic in the long term, there is some short-term uncertainty.	↑↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject proposal is consistent with the highest and best use of the property.	↔
Overall Impact		↔

Accordingly, we conclude a capitalization rate as follows:

Capitalization Rate Conclusion	
Going-In Capitalization Rate	4.50%

Please note, the above capitalization rate takes into consideration the office component of Block A. In the upcoming direct capitalization analysis for Block F, a lower rate of 4.25% is considered appropriate given the traditional retail/multifamily configuration of the improvements.

Direct Capitalization Analysis – Block A

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table below. Please note, the \$/SF column considers the entire square footage of the improvements.

Direct Capitalization Analysis - Block A			
		Annual	\$/Unit
INCOME			
Rental Income - Apartments		\$15,143,076	\$53,509
Rental Income - Commercial		\$5,813,702	\$20,543
Expense Reimbursements - Apartments		\$509,400	\$1,800
Expense Reimbursements - Commercial		\$2,310,979	\$8,166
Potential Gross Income		\$23,777,157	\$84,018
Vacancy & Collection Loss	5.00%	-\$1,188,858	-\$4,201
Other Income		\$141,500	\$500
Effective Gross Income		\$22,729,799	\$80,317
EXPENSES			
Real Estate Taxes		\$3,722,374	\$13,153
Ad Valorem Tax - Base Development Tax Offset		-\$1,786,822	-\$6,314
Insurance		\$236,380	\$835
Utilities		\$726,834	\$2,568
Repairs/Maintenance		\$520,201	\$1,838
Payroll/Benefits		\$849,000	\$3,000
Advertising & Marketing		\$113,200	\$400
General/Administrative		\$744,721	\$2,632
Management	5.00%	\$1,136,490	\$4,016
Replacement Reserves		\$70,750	\$250
Base Development Tax - Residential		\$1,222,576	\$4,320
Base Development Tax - Office		\$564,246	\$1,994
Base Contingent Special Services Tax - Market-Rate Residential		\$195,612	\$691
Base Contingent Special Services Tax - Office		\$119,147	\$421
Base Special Tax - Office		\$163,402	\$577
Shoreline Special Tax - Office		\$154,891	\$547
Total Expenses		\$8,753,003	\$30,929
NET OPERATING INCOME		\$13,976,797	\$49,388
Capitalization Rate		4.50%	
Indicated Value		\$310,595,480	\$1,097,511
Rounded		\$310,600,000	\$1,097,527

Lease up costs will be considered in the upcoming extraction analysis.

Apartment Unit Mix – Block F

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units.

Unit Mix							
Unit Type	Units	% of Total	Avg. Unit Size	Total SF	Occupied Units	Vacant Units	% Occupied
Studio	21	8.3%	447	9,387	0	21	0%
One Bedroom / One Bath	83	32.7%	576	47,808	0	83	0%
Two Bedroom / Two Bath	52	20.5%	938	48,776	0	52	0%
Three Bedroom / Two Bath	1	0.4%	1,680	1,680	0	1	0%
Studio BMR	8	3.1%	447	3,576	0	8	0%
One Bedroom / One Bath BMR	51	20.1%	576	29,376	0	51	0%
Two Bedroom / Two Bath BMR	35	13.8%	938	32,830	0	35	0%
Three Bedroom / Two Bath BMR	3	1.2%	1,680	5,040	0	3	0%
Total Units	254	100.0%	703	178,473	0	254	0%

The following table allocates the subject's market and below market rate units.

Unit Mix - Market Rate vs. Restricted Units							
Unit Type	Unit Size	Total Subject		Market Rate Units		Restricted Units	
		Total Units	Vacant Units	Total	Vac.	Total	Vac.
Studio	447	21	21	21	21	-	-
One Bedroom / One Bath	576	83	83	83	83	-	-
Two Bedroom / Two Bath	938	52	52	52	52	-	-
Three Bedroom / Two Bath	1,680	1	1	1	1	-	-
Studio BMR	447	8	8	-	-	8	8
One Bedroom / One Bath BMR	576	51	51	-	-	51	51
Two Bedroom / Two Bath BMR	938	35	35	-	-	35	35
Three Bedroom / Two Bath BMR	1,680	3	3	-	-	3	3
TOTAL/AVG.	703	254	254	157	157	97	97

*Includes employee and model units, as applicable

The table below includes the weighted average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.

Average Unit Size - Market Rate Units

Unit Type	Average Unit Size	Total Units
Studio	447	21
One Bedroom / One Bath	576	83
Two Bedroom / Two Bath	938	52
Three Bedroom / Two Bath	1,680	1
TOTAL/AVG.	686	157

The average unit size for Block F apartments is slightly smaller than Block A units.

Apartment Market Rent Conclusion – Block F

Please refer to the previous direct capitalization analysis of Block A for a description of the rent comparables. Given the similarities between Block A and Block F units, the same comparables were utilized in the market rent analysis for Block F. However, because the average unit size for Block F layouts is smaller than Block A floorplans, our market rent conclusions have been adjusted downward accordingly.

Market Rent Conclusions

Unit Type	Total Units	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	21	21	447	\$3,650	\$8.17
One Bedroom / One Bath	83	83	576	\$4,200	\$7.29
Two Bedroom / Two Bath	52	52	938	\$6,500	\$6.93
Three Bedroom / Two Bath	1	1	1,680	\$7,000	\$4.17
Total/Avg.	254	157	686	\$4,906	\$7.16

Units Subject to Rent Restrictions – Block F

As a condition of the subject's entitlements, 97 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the subject's restricted units by unit type, along with the maximum allowable rents for those apartments.

Block F Restricted Rents - BMR Units

Layout	90% AMI	Monthly Rent	120% AMI	Monthly Rent	150% AMI	Monthly Rent	Total Monthly Rent	Weighted Avg / Unit
Studio	5	\$1,781	10	\$2,427	1	\$3,074	\$36,249	\$2,266
One Bedroom	6	\$2,043	29	\$2,782	16	\$3,521	\$149,272	\$2,927
Two Bedroom	2	\$2,256	17	\$3,087	9	\$3,920	\$92,271	\$3,295
Three Bedroom	0	\$2,466	1	\$3,390	1	\$4,314	\$7,704	\$3,852
	13		57		27		\$285,496	\$2,943

Retail Rental Rates – Block F

Market rent for the subject's retail space was determined in the previous direct capitalization analysis for the subject's office improvements. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.

Stabilized Income and Expenses – Block F**Potential Gross Rent - Apartments**

The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

Potential Gross Rent

Unit Type	Total Units	Potential Rent at Contract (1)	Avg. Contract Rent/Unit	Market Rent/Unit (2)	Potential Rent at Market (2)	Contract As % of Market
Market Rate Units						
Vacant Units						
Studio	21	\$919,800	\$3,650	\$3,650	\$919,800	100%
One Bedroom / One Bath	83	\$4,183,200	\$4,200	\$4,200	\$4,183,200	100%
Two Bedroom / Two Bath	52	\$4,056,000	\$6,500	\$6,500	\$4,056,000	100%
Three Bedroom / Two Bath	1	\$84,000	\$7,000	\$7,000	\$84,000	100%
Total Vacant	157	\$9,243,000	\$4,906	\$4,906	\$9,243,000	100%
Total - Market Rate Units	157	\$9,243,000	\$4,906	\$4,906	\$9,243,000	100%
Restricted Units						
Leased Units						
Vacant Units						
Studio BMR-Below Market Rate	8	\$217,494	\$2,266	\$2,266	\$217,494	100%
One Bedroom / One Bath BMR-Below Market Rate	51	\$1,791,264	\$2,927	\$2,927	\$1,791,264	100%
Two Bedroom / Two Bath BMR-Below Market Rate	35	\$1,384,065	\$3,295	\$3,295	\$1,384,065	100%
Three Bedroom / Two Bath BMR-Below Market Rate	3	\$138,672	\$3,852	\$3,852	\$138,672	100%
Total Vacant	97	\$3,531,495	\$3,034	\$3,034	\$3,531,495	100%
Total - Restricted Units	97	\$3,531,495	\$3,034	\$3,034	\$3,531,495	100%
Grand Total	254	\$12,774,495	\$4,191	\$4,191	\$12,774,495	100%

¹ Contract rent for leased units; vacant and employee/model units, if any, at market.

² For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

Potential Gross Rent –Retail Space

Potential rental income from the subject’s office and retail space is summarized next.

Potential Gross Rent

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	44,197	\$50.00	\$2,209,850
Total Subject	44,197	\$50.00	\$2,209,850

Expense Reimbursements - Apartments

Apartment tenants will reimburse ownership their pro-rate share of utility expenses. It should be noted, this analysis recognizes that apartment tenants will not reimburse for the Residential Base Development Tax.

Expense Reimbursements –Retail

The retail tenants will reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and general/administrative expenses.

Vacancy & Collection Loss

An allowance for stabilized vacancy and collection loss is estimated at 5.0%, consistent with the previous analysis.

Concessions

Rent concessions for multifamily projects are usually not common in the local market. However, given the current COVID-19 environment, many of the multifamily comparables are offering between two and four weeks of free rent. This analysis considers the market value of the subject as if stabilized. Lease-up costs will be considered separately in the upcoming extraction analysis.

Net Parking Income

Block F is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

Other Income

The other income category includes any other income from the property including revenues from application fees, security deposits, and miscellaneous sources. Total other income is projected at \$500 per multifamily unit, net of vacancy and rent loss, based our experience with multifamily projects in the local market.

Effective Gross Income

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$15,461,430.

Operating Expenses

Operating expenses are estimated based on expense data from comparable properties, as summarized in table below.

Operating History and Projections - Block F

	IRR Projection
Income	
Rental Income - Apartments	\$12,774,495
Rental Income - Retail	2,209,850
Expense Reimbursements - Apartments	365,418
Expense Reimbursements - Retail	791,743
Potential Gross Income*	\$16,141,506
Vacancy & Collection Loss @ 5.0%	-807,075
Other Income	127,000
Effective Gross Income	\$15,461,430
Expenses	
Real Estate Taxes	\$2,724,753
Ad Valorem Tax - Base Development Tax Offset	-967,295
Insurance	127,000
Utilities	457,200
Repairs/Maintenance	254,000
Payroll/Benefits	762,000
Advertising & Marketing	101,600
General/Administrative	381,000
Management	773,072
Replacement Reserves	63,500
Base Development Tax - Residential	967,295
Base Contingent Special Services Tax - Market Rate Residential	154,767
Ground Lease	0
Total Expenses	\$5,798,892
Net Operating Income	\$9,662,539
Operating Expense Ratio**	37.1%

*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss. Historical income is the actual income that has been collected by the property owner.

**Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

Please see the direct capitalization analysis for Block A for a summary of the expense comparables utilized in this projection.

Capitalization Rate Selection

Capitalization rate comparables and national data were presented in the direct capitalization analysis for Block A. As discussed, the concluded capitalization rate of 4.50% for Block A was slightly higher than a traditional multifamily project with ground floor retail due to the office component. As Block F does not include office space, we have concluded to a capitalization rate of 4.25% for the property, which is consistent with the cap rate comparables presented in the previous analysis.

Capitalization Rate Conclusion

Going-In Capitalization Rate	4.25%
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Direct Capitalization Analysis – Block F

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table that follows.

Direct Capitalization Analysis - Block F		
	Annual	\$/Unit
INCOME		
Rental Income - Apartments	\$12,774,495	\$50,293
Rental Income - Retail	\$2,209,850	\$8,700
Expense Reimbursements - Apartments	\$365,418	\$1,439
Expense Reimbursements - Retail	\$791,743	\$3,117
Potential Gross Income	\$16,141,506	\$63,549
Vacancy & Collection Loss	5.00% -\$807,075	-\$3,177
Other Income	\$127,000	\$500
Effective Gross Income	\$15,461,430	\$60,872
EXPENSES		
Real Estate Taxes	\$2,724,753	\$10,727
Ad Valorem Tax - Base Development Tax Offset	-\$967,295	-\$3,808
Insurance	\$127,000	\$500
Utilities	\$457,200	\$1,800
Repairs/Maintenance	\$254,000	\$1,000
Payroll/Benefits	\$762,000	\$3,000
Advertising & Marketing	\$101,600	\$400
General/Administrative	\$381,000	\$1,500
Management	5.00% \$773,072	\$3,044
Replacement Reserves	\$63,500	\$250
Base Development Tax - Residential	\$967,295	\$3,808
Base Contingent Special Services Tax - Market Rate Residential	\$154,767	\$609
Total Expenses	\$5,798,892	\$22,830
NET OPERATING INCOME	\$9,662,539	\$38,041
Capitalization Rate	4.25%	
Indicated Value	\$227,353,848	\$895,094
Rounded	\$227,400,000	\$895,276

Lease up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

A summary of the market value, as if stabilized, of the subject's Phase 1a residential improvements via the direct capitalization analyses is provided on the following page.

Summary of Direct Capitalization Analyses - Residential Use

Block	Value As If Stabilized	Number of Units	\$/Unit	Gross Building Area	\$/SF
A	\$310,600,000	283	\$1,097,527	284,432	\$1,092.00
F	\$227,400,000	254	\$895,276	315,217	\$721.41
D1	\$161,900,000	259	625,097	240,494	\$673.20
H	\$155,500,000	192	809,896	200,315	\$776.28
K	\$102,800,000	131	784,733	130,469	\$787.93

As further support for our improved value conclusions, we searched for multifamily residential transactions in San Francisco within the past three years. Our search included properties with at least 25 units constructed in or after 2010. The following table reflects the results of our query.

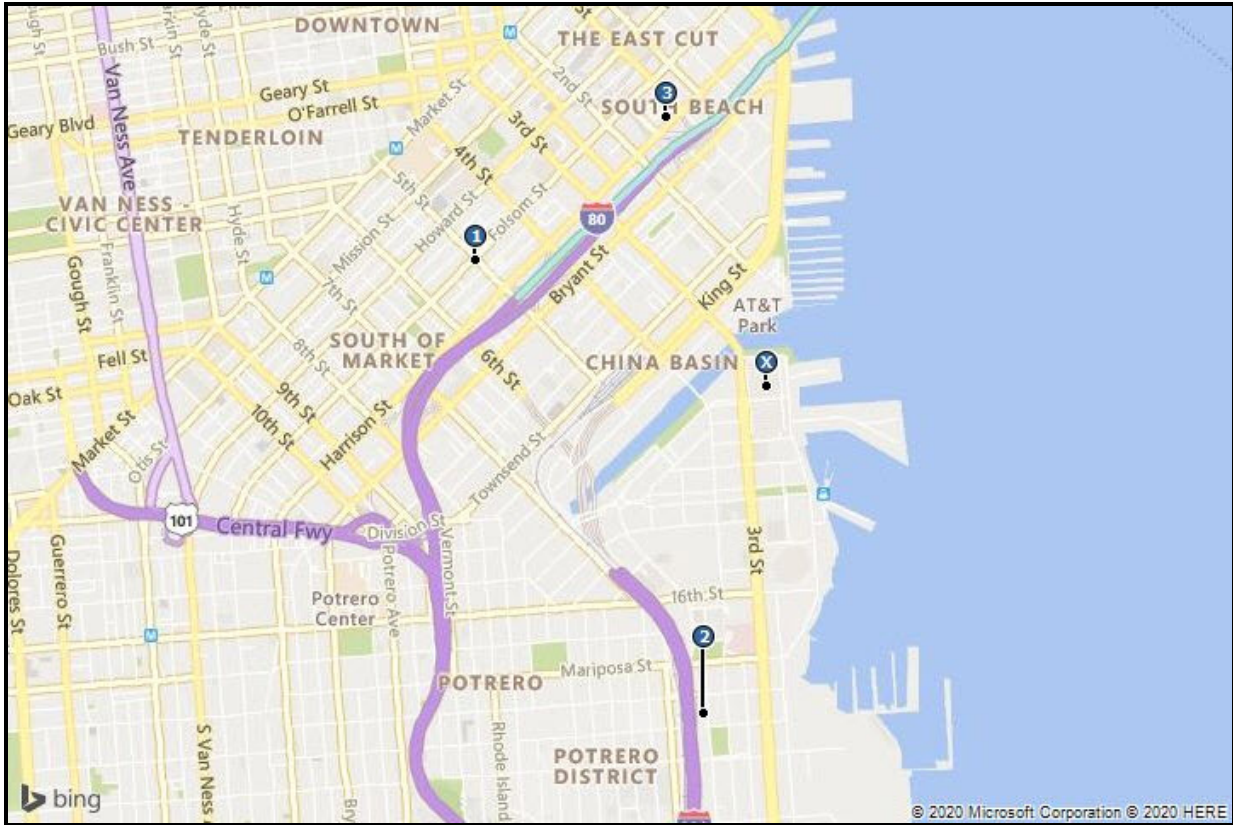
Analysis of Comparable Improved Sales

No.	Name/Address Subject	Units; % Occupied; Year Built	Sale Date; Status	Effective Sale Price	\$/Unit	Prop. Rights Leasehold Interest	Notes
1	Mosso 900 Folsom St. San Francisco San Francisco County, CA	463 94% 2014	Oct-19 Closed	\$310,500,000	\$670,626	Leased Fee	Sale of a good quality mixed-use apartment/retail building in the SoMa neighborhood of San Francisco. Building has 463 apartment units (9% of which are BMR) and 8,000 SF of ground floor retail.
2	O&M 680 Indiana St. San Francisco San Francisco County, CA	116 98% 2017	Sep-19 Closed	\$80,340,000	\$692,586	Leased Fee	Good quality mixed-use apartment/retail building in the Dogpatch neighborhood of San Francisco with 116 apartment units (15% of which are BMR) and 3,000 SF of ground floor commercial. Property was reportedly 98.3%
3	Jasper 45 Lansing St. San Francisco San Francisco County, CA	320 97% 2016	May-19 Closed	\$306,500,000	\$957,813	Leased Fee	Sale of a Class A, 40-story, 320-unit multifamily project in the SoMa district. The project was constructed in 2016 and was 97% occupied at the time of sale. Community amenities include a swimming pool, lounge, movie theater, business center, fitness center, valet, and pet care station.
Range of Unadjusted Prices per Unit		\$670,626 - \$957,813					

A map of the comparables is provided on the following page. The sales range from \$670,626 to \$957,813 per unit, unadjusted. Sale 3 commanded the highest value per unit but reflects a 40-story building.

Our value conclusion for Block F, \$895,276 per unit, falls within the comparable range and appears reasonable given the subject will reflect new construction. Our value conclusion for Block A falls above the comparable range at \$1,097,527 per unit. This is due to the influence of the significant office component, which impacts value; the comparable sales do not include office space.

Comparable Multifamily Residential Sales Map



Market Value Conclusion – Blocks D1, H, & K

Blocks D1, H, and K encompass the subject's remaining residential blocks. The residential overview table is recreated below.

Residential Overview											
Block	Phase	Rentable		Gross Residential	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage	FAR
		Gross SF	SF								
A*	1	284,432	214,135	284,432	214,135	283	181	102	36%	0.96	6.80
F	1	315,217	220,161	275,038	175,964	254	157	97	38%	0.58	12.48
D1	2	240,494	193,552	240,494	193,552	259	114	145	56%	0.58	9.52
H	4	200,315	162,256	180,499	140,458	192	128	64	33%	0.72	6.39
K	4	130,469	105,680	122,078	96,450	131	92	39	30%	0.41	7.31
						1,119	672	447	40%		

* Gross SF excludes office/retail component

Detailed unit mix information, beyond what is provided above, is not yet available for Blocks D1, H, and K, which will be in Phases 2 and 4. It is therefore difficult to conduct a direct capitalization analysis, as the value is heavily reliant on unit mix and income potential. However, because we have been provided the number of below market units for each block, as well as the expected retail square footage, we have conducted an income analysis for Blocks D1, H, and K assuming a weighted average rent per market rate unit and below market unit consistent with Block F. These three income analyses, which include an approximation of the special taxes attributable to each block, are retained in our work file. To determine the market value of these three residential Blocks, we also consider the improved sales presented in the previous section. The sales ranged from \$670,626 to \$957,813 per unit. The following table presents our market value conclusions for Blocks D1, H, and K.

Market Value As If Stabilized - Blocks D, H, K													
Block	Acreage	Number of Units	Gross SF	Gross Residential SF	Rentable Residential SF	% Retail	Gross Retail SF	Rentable Retail SF	BMR Units	% BMR	Value per		
											Unit	Market Value	Rounded
D1	0.58	259	240,494	240,494	193,552	-	-	-	145	56%	\$625,000	\$161,875,000	\$161,900,000
H	0.72	192	200,315	180,499	140,458	9.9%	19,816	21,798	64	33%	\$810,000	\$155,520,000	\$155,500,000
K	0.41	131	130,469	122,078	96,450	6.4%	8,391	9,230	39	30%	\$785,000	\$102,835,000	\$102,800,000

Block D1 does not include any retail space and includes the highest ratio of below market rate units, at 56%. This will heavily impact the value of the property as if stabilized. Below market rate units for the previous sale comparables range from 9% to 15%. Based on our income analysis, and given the impact of the below market rate units, we have selected a value of \$625,000 per unit, at the low end of the comparable range.

Block H offers 21,798 square feet of retail space with 33% of units designated below market rate. This reflects a lower percentage of BMR units compared to Block F, but also a lower percentage of retail space (38% of Block F units are BMR, and 20% of the rentable area is comprised of retail space). It is also important to note that the ground lease is not pre-paid for Phases 2, 3, or 4 in this analysis. Therefore, these blocks will also be subject to a ground lease payment. We have selected a value per unit of \$810,000 for Block H, which is within the comparable range and consistent with our income analysis.

Block K includes only 9,230 rentable square feet of retail space and will offer 39 below market rate units (30%). Given the sensitivity of the income stream to retail space, we have selected a value per unit of \$785,000. This falls within the range of improved comparables and considers our income analysis.

Extraction Analysis

Extraction (residual) analyses are employed to determine the market value of the subject's land by block. An extraction (residual) analysis takes into account home prices, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of lot value. An extraction analysis will be conducted for each of the subject's taxable blocks. The elements of the extraction technique are discussed below.

Revenue

The market value as if stabilized was provided in the previous sections for each of the subject blocks. A summary of the market value conclusions is provided below.

Summary of Direct Capitalization Analyses - Office Use

Block	Value As If Stabilized	Gross Building Area	\$/SF	Rentable Building Area	\$/SF
B	\$415,100,000	283,700	\$1,463.17	294,106	\$1,411.40
G	\$486,400,000	307,058	\$1,584.07	321,355	\$1,513.59
C	\$470,600,000	354,826	\$1,326.28	329,988	\$1,426.11
E	\$185,100,000	141,330	\$1,309.70	131,437	\$1,408.28
I	\$196,100,000	151,932	\$1,290.71	141,297	\$1,387.86
J	\$195,900,000	151,982	\$1,288.97	141,344	\$1,385.98

Summary of Direct Capitalization Analyses - Residential Use

Block	Value As If Stabilized	Number of Units	\$/Unit	Gross Building Area	\$/SF
A	\$310,600,000	283	\$1,097,527	284,432	\$1,092.00
F	\$227,400,000	254	\$895,276	315,217	\$721.41
D1	\$161,900,000	259	625,097	240,494	\$673.20
H	\$155,500,000	192	809,896	200,315	\$776.28
K	\$102,800,000	131	784,733	130,469	\$787.93

Direct and Indirect Construction Costs

The next step in the extraction technique is to estimate typical costs associated with the construction of office and multifamily improvements.

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs. Recent conversations with builders confirm construction costs have increased over the last several years.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies;
- Appraisal, consulting, accounting and legal fees;
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered;
- All-risk insurance;
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved.

Indirect costs can vary widely as a percentage of the direct costs, as indicated in the comparable expense tables below and on the following page.

The subject reflects a unique, ground leased project with a mix of office, retail, and multifamily residential uses. The similarities between Bay Area construction cost comparables and the subject improvements are limited. The developer's budget best considers the intricacies of the subject proposal. Bay Area cost comparables will be presented for comparison purposes, followed by the developer's budget.

Multifamily Cost Comparables

Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
Alameda	70,000 - 79,999	\$379	\$104	27%	\$483	LIHTC
Oakland	120,000 - 129,999	\$359	\$131	36%	\$490	LIHTC
San Jose	20,000 - 29,999	\$354	\$149	42%	\$503	LIHTC
Cupertino	10,000 - 19,999	\$342	\$206	60%	\$548	LIHTC
Redwood City	130,000 - 139,000	\$416	\$153	37%	\$569	LIHTC
San Jose	100,000 - 109,999	\$463	\$109	24%	\$572	LIHTC
Oakland	30,000 - 39,999	\$462	\$184	40%	\$646	LIHTC
San Francisco	110,000 - 119,999	\$438	\$145	33%	\$583	LIHTC
Fairfax	40,000 - 49,999	\$582	\$111	19%	\$693	LIHTC
San Francisco	100,000 - 109,999	\$509	\$134	26%	\$643	LIHTC
San Francisco	140,000 - 149,999	\$795	\$150	19%	\$945	Market
San Francisco	300,000 - 309,999	\$410	NA	NA	NA	Market
San Carlos	30,000 - 39,999	\$428	\$42	10%	\$470	Market
San Jose	190,000 - 199,999	\$641	\$159	25%	\$800	Market

The previous comparables reflect a mix of for-rent and for-sale attached product. Direct costs vary substantially, with a median of \$433 per square foot. Indirect costs range from 10% to 60%, with a median of 30%.

Office Cost Comparables

Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
San Francisco	360,000 - 369,999	\$310	NA	NA	-	General Office
Walnut Creek	5,000 - 9,999	\$440	\$153	35%	\$593	Mixed Use Retail/Office
Menlo Park	40,000 - 49,999	\$825	\$262	32%	\$1,087	Mixed Use Retail/Office/Residential
Sunnyvale	880,000 - 889,999	\$380	\$87	23%	\$467	General Office
San Jose	570,000 - 579,999	\$565	\$109	19%	\$674	General Office

Direct costs for the office comparables range from \$310 to \$825 per square foot, with indirect costs ranging from 19% to 35% of direct costs.

The developer's budget was provided by block. Depending on the use, the developer's direct cost estimates range from approximately \$400 to \$650 per square foot. Based on the comparable data previously presented, and our review of the developer's budget, we have selected a market driven direct cost of **\$415** per square foot for the subject's office/retail space, and **\$630** per square foot for the subject's residential space.

The developer's estimate of indirect costs as a percentage of direct costs also varies by use. Office development, for example, includes substantially higher city permits and fees on a per square foot of building area basis than residential use. In addition, the lower direct cost per square foot associated with office space means indirect costs reflect a higher percentage of direct costs. Based upon the developer's budget, which best considers the intricacies of the subject property, and the cost comparables previously presented, we estimate indirect costs at **21%** of direct costs for residential properties and **41%** of direct cost for office properties. Though, with respect to the Phase 1a Blocks (A, B, F and G), which are under construction or slated to begin construction in 2021, consideration is given to the interim market conditions affecting multifamily rental rates in San Francisco, as well as an office market experiencing an increase in primary vacant space and secondary (sublease) space. There is additional carrying costs associated with servicing the special taxes, as well as the potential for market rents to recover to pre-pandemic levels utilized in the valuation as if at stabilized occupancy. Further, with Blocks A and G being completed first, the potential exists for higher than anticipated initial MRU services costs until additional buildings are completed and come online. Thus, for the Phase 1a Blocks (A, B, F and G), a higher indirect cost of **30%** of direct costs for residential properties and **45%** of direct cost for office properties is applied.

There are several other costs, in addition to direct and indirect costs, which must be considered in the analysis of the subject property. San Francisco's Jobs Housing Linkage Fee (JHL) applies to development projects which increase any combination of commercial uses by 25,000 or more gross square feet. The developer may either pay the JHL fee, contribute land at an equivalent to value to the fee, or utilize the funds to construct housing units. In the case of the subject, Jobs Housing Equivalency Fees (JHEF) are categorized as office development costs; these fees offset some of the residential costs, as the subject property includes a substantial inclusionary housing component. The developer has provided the impact of Jobs Housing Equivalent Fees for all blocks within Phase 1a; as will be demonstrated, these fees are an additional cost to the office blocks and an offsetting cost, or credit, to the residential blocks. For Phase 2, 3, and 4 blocks, we have calculated the weighted average JHEF per

square foot of building area for Phase 1a, and applied this cost as either a positive or negative cost to each of the remaining blocks depending on the use.

In addition, each of the subject blocks will also contribute to vertical construction of the D2 garage based upon the improvement’s expected garage usage. The developer has provided the cost contribution to the garage of each of the four blocks in Phase 1a. To calculate the cost contribution for blocks in forthcoming phases, we consider the typical cost per square foot of building area for Phase 1a office and residential blocks.

Finally, lease up costs must be considered. Our calculation of lease up costs varies by use. For office blocks, we consider the lease-up period needed for the improvements to reach stabilized occupancy; depending on the block, this timeframe varies from 3 to 9 months overall. Rent loss during the absorption period is considered based upon market rent conclusions. In addition, rent concessions, tenant improvements, leasing commission, and lost expense recoveries are considered. We have projected tenants will receive 3 months of free rent and a \$30 per square foot tenant improvement allowance. In addition, we estimate leasing commissions at 6%. Please note, although Block G is reportedly preleased to Visa upon completion, it is necessary to consider lease-up costs for the purposes of arriving at a land residual value.

Similarly, for the subject’s residential space, we estimate the lease-up period for the improvements to reach stabilized occupancy. For the majority of the subject’s residential improvements, we have estimated a lease-up period of 12 months for market rate units. This reflects an absorption rate of 12 to 14 market rate units per month for Phase 1a blocks. Below market rate units are expected to be leased at a substantially faster rate, as these units often have waiting lists prior to completion of construction. We have estimated a 3-month absorption period for the subject’s below market rate units due to the logistics of leasing 40% of the subject units. Our analysis assumes units will be leased evenly over the absorption periods. For residential blocks beyond Phase 1a, we have estimated lease up costs based upon an average cost per unit for the subject’s Phase 1a residential blocks.

Lease-up cost calculations for each of the subject blocks are retained in our work file. However, lease-up costs for Block A are presented below as an example of the methodology utilized.

Lease-Up Costs - Block A - Office & Retail														
Tenant	SF/Units	Assumptions							Costs					
		Months Vacant	Annual Rent/SF/Unit	Expense Recovery/SF/Unit	Lease Term (Mos.)	Free Rent (Mos.)	TI's/SF	LC %	Foregone Rent	Expense Recovery Loss	TI's	LC	Free Rent	Total
Vacant	50,000	3	\$82.00	\$18.00	60	3	\$30.00	6.0%	\$1,025,000	\$225,000	\$1,500,000	\$1,230,000	\$1,025,000	\$5,005,000
Vacant	4,183	6	\$82.00	\$18.00	60	3	\$30.00	6.0%	\$171,489	\$37,644	\$125,480	\$102,893	\$85,744	\$523,250
Vacant	20,931	9	\$50.00	\$18.00	36	3	\$30.00	6.0%	\$784,913	\$282,569	\$627,930	\$188,379	\$261,638	\$2,145,428
Total														\$7,673,677
Rounded														\$7,670,000



Lease-Up Costs - Block A - Residential

Unit Type	Vacant Units	Market Rent	Potential Foregone Rent/Mo.	Total Months to Absorb	Avg. Vacancy During Lease- up ¹	Foregone Rent
<u>Market Rate Units</u>						
Studio	9	\$3,700	\$33,300			
One Bedroom / One Bath	97	\$4,300	\$417,100			
Two Bedroom / Two Bath	62	\$6,500	\$403,000			
Three Bedroom / Two Bath	13	\$7,250	\$94,250			
Total/Average	181	\$5,235.64	\$947,650			
Less Vacant Units at Stabilization	9					
Units to be Absorbed	172	\$5,235.64	\$900,529	12	50%	\$5,403,176
Grand Total	172	\$5,236	\$900,529			\$5,403,176
Rounded						\$5,400,000

1. Pertains to units to be absorbed only. An average vacancy of 50% assumes that units are leased evenly over the absorption period.

Lease up costs are calculated to reach stabilized occupancy for the subject's market rate units. Below market rate units typically have a waiting list of applicants. Therefore, lease up costs are not applicable to these units.

Accrued Depreciation

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements;
- Block G is preleased to Visa;
- San Francisco office market had been strong prior to COVID-19. Proposition M creates supply constraints and the subject improvements have been approved;
- Oracle Park and Bay views; walking distance to multiple recreation options.

There are generally few “negative” attributes associated with the subject property, other than the potential for deterioration in market conditions in the commercial and multifamily sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.) such as COVID-19. These include the large inclusionary housing component, which impacts the financial feasibility of the residential blocks. In addition, construction costs have recently been outpacing gains in multifamily rental rates. Based on the characteristics of the subject property, we estimate incentive at **10.0%** of costs.

Conclusion

Our estimates of finished lot value for the subject’s blocks via the extraction analysis are presented below and on the following page.

Cost Analysis - Block B			
Direct Costs	283,700 SF	at \$415 /SF	\$117,735,500
Plus JHEF Offset to Residential		\$290.17 /SF	\$82,321,265
Indirect Costs		at 45% of directs	\$52,980,975
Lease Up Costs			\$43,390,000
Parking Contribution		\$12.44 /SF	\$3,529,000
Total Direct & Indirect Costs			\$299,956,740
Developer's Incentive		at 10%	\$29,995,674
Total Project Costs			\$329,952,414
Rounded			\$330,000,000

Extraction Analysis - Block B - Office Use

Market Value as if Stabilized	\$415,100,000
Less: Construction & Lease Up Costs	<u>(\$330,000,000)</u>
Indicated Land Value	\$85,100,000

Cost Analysis - Block G

Direct Costs	307,058 /SF	at	\$415	\$127,429,070
Plus JHEF Offset to Residential			\$269	\$82,571,437
Indirect Costs		at	45%	\$57,343,082
Lease up Costs				\$45,620,000
Parking Contribution			\$12.56	<u>\$3,856,000</u>
Total Direct & Indirect Costs				\$316,819,589
Developer's Incentive		at	10%	\$31,681,959
Total Project Costs				\$348,501,547
Rounded				\$348,500,000

Extraction Analysis - Block G - Office Use

Market Value as if Stabilized	\$486,400,000
Less: Construction & Lease Up Costs	<u>(\$348,500,000)</u>
Indicated Land Value	\$137,900,000

Cost Analysis - Block C

Direct Costs	354,826 SF	at	\$415 /SF	\$147,252,790
Plus JHEF Offset to Residential		at	\$265 /SF	\$94,028,890
Indirect Costs		at	41% of directs	\$60,373,644
Lease-Up Costs				\$42,640,000
Parking Contribution		at	\$12.45 /SF	<u>\$4,417,584</u>
Total Direct & Indirect Costs				\$348,712,908
Developer's Incentive		at	10%	\$34,871,291
Total Project Costs				\$383,584,198
Rounded				\$383,600,000

Extraction Analysis - Block C - Office Use

Market Value as if Stabilized	\$470,600,000
Less: Construction & Lease Up Costs	<u>(\$383,600,000)</u>
Indicated Land Value	\$87,000,000

Cost Analysis - Block E

Direct Costs	141,330 SF	at	\$415 /SF	\$58,651,950
Plus JHEF Offset to Residential		at	\$265 /SF	\$37,452,450
Indirect Costs		at	41% of directs	\$24,047,300
Lease-Up Costs				\$14,750,000
Parking Contribution		at	\$12.45 /SF	\$1,759,559
Total Direct & Indirect Costs				\$136,661,258
Developer's Incentive		at	10%	\$13,666,126
Total Project Costs				\$150,327,384
Rounded				\$150,300,000

Extraction Analysis - Block E - Office Use

Market Value as if Stabilized	\$185,100,000
Less: Construction & Lease Up Costs	<u>(\$150,300,000)</u>
Indicated Land Value	\$34,800,000

Cost Analysis - Block I

Direct Costs	151,932 SF	at	\$415 /SF	\$63,051,780
Plus JHEF Offset to Residential		at	\$265 /SF	\$40,261,980
Indirect Costs		at	41% of directs	\$25,851,230
Lease-Up Costs				\$16,000,000
Parking Contribution		at	\$12.45 /SF	\$1,891,553
Total Direct & Indirect Costs				\$147,056,543
Developer's Incentive		at	10%	\$14,705,654
Total Project Costs				\$161,762,198
Rounded				\$161,800,000

Extraction Analysis - Block I - Office Use

Market Value as if Stabilized	\$196,100,000
Less: Construction & Lease Up Costs	<u>(\$161,800,000)</u>
Indicated Land Value	\$34,300,000

Cost Analysis - Block J

Direct Costs	151,982 SF	at	\$415 /SF	\$63,072,530
Plus JHEF Offset to Residential		at	\$265 /SF	\$40,275,230
Indirect Costs		at	41% of directs	\$25,859,737
Lease-Up Costs				\$15,990,000
Parking Contribution		at	\$12.45 /SF	\$1,892,176
Total Direct & Indirect Costs				\$147,089,673
Developer's Incentive		at	10%	\$14,708,967
Total Project Costs				\$161,798,641
Rounded				\$161,800,000

Extraction Analysis - Block J - Office Use

Market Value as if Stabilized	\$195,900,000
Less: Construction & Lease Up Costs	<u>(\$161,800,000)</u>
Indicated Land Value	\$34,100,000

Cost Analysis - Block A

Direct Costs	393,869 SF	at	\$630 /SF	\$248,137,470
Less JHEF Offset to Residential			(\$197) /SF	(\$77,700,000)
Indirect Costs		at	30% of directs	\$74,441,241
Lease Up Costs				\$13,070,000
Parking Contribution			\$9.11	\$3,589,000
Total Direct & Indirect Costs				\$261,537,711
Developer's Incentive		at	10%	\$26,153,771
Total Project Costs				\$287,691,482
Rounded				\$287,700,000

Extraction Analysis - Block A - Residential Use

Market Value as if Stabilized	\$310,600,000
Less: Construction & Lease Up Costs	<u>(\$287,700,000)</u>
Indicated Land Value	\$22,900,000

Cost Analysis - Block F

Direct Costs	315,217 SF	at	\$630 /SF	\$198,586,710
Less JHEF Offset to Residential			(\$328) /SF	(\$103,500,000)
Indirect Costs		at	30% of directs	\$59,576,013
Lease Up Costs				\$7,850,000
Parking Contribution			\$9.15 /SF	\$2,885,000
Total Direct & Indirect Costs				\$165,397,723
Developer's Incentive		at	10%	\$16,539,772
Total Project Costs				\$181,937,495
Rounded				\$181,900,000

Extraction Analysis - Block F - Residential Use

Market Value as if Stabilized	\$227,400,000
Less: Construction & Lease Up Costs	(\$181,900,000)
Indicated Land Value	\$45,500,000

Cost Analysis - Block D1

Direct Costs	240,494 SF	at	\$630 /SF	\$151,511,220
Less JHEF Offset to Residential		at	(\$265) /SF	(\$63,730,910)
Indirect Costs		at	21% of directs	\$31,817,356
Lease Up Costs		at	\$29,500 per unit (market)	\$3,194,850
Parking Contribution		at	\$9.15 /SF	\$2,200,520
Total Direct & Indirect Costs				\$124,993,036
Developer's Incentive		at	10%	\$12,499,304
Total Project Costs				\$137,492,340
Rounded				\$137,500,000

Extraction Analysis - Block D1 - Residential Use

Market Value as if Stabilized	\$161,900,000
Less: Construction & Lease Up Costs	(\$137,500,000)
Indicated Land Value	\$24,400,000

Cost Analysis - Block H

Direct Costs	200,315 SF	at	\$630 /SF	\$126,198,450
Less JHEF Offset to Residential		at	(\$265) /SF	(\$53,083,475)
Indirect Costs		at	21% of directs	\$26,501,675
Lease Up Costs		at	\$29,500 per unit (market)	\$3,306,950
Parking Contribution		at	\$9.15 /SF	<u>\$1,832,882</u>
Total Direct & Indirect Costs				\$104,756,482
Developer's Incentive		at	10%	\$10,475,648
Total Project Costs				\$115,232,130
Rounded				\$115,200,000

Extraction Analysis - Block H - Residential Use

Market Value as if Stabilized	\$155,500,000
Less: Construction & Lease Up Costs	<u>(\$115,200,000)</u>
Indicated Land Value	\$40,300,000

Cost Analysis - Block K

Direct Costs	130,469 SF	at	\$630 /SF	\$82,195,470
Less JHEF Offset to Residential		at	(\$265) /SF	(\$34,574,285)
Indirect Costs		at	21% of directs	\$17,261,049
Lease Up Costs		at	\$29,500 per unit (market)	\$2,578,300
Parking Contribution		at	\$9.15 /SF	<u>\$1,193,791</u>
Total Direct & Indirect Costs				\$68,654,325
Developer's Incentive		at	10%	\$6,865,433
Total Project Costs				\$75,519,758
Rounded				\$75,500,000

Extraction Analysis - Block K - Residential Use

Market Value as if Stabilized	\$102,800,000
Less: Construction & Lease Up Costs	<u>(\$75,500,000)</u>
Indicated Land Value	\$27,300,000

The subject's entitlements require 40% of the subject's residential units to be designated below market rate. On a block-by-block basis, the proposed improvements include between 30% and 56% restricted units. Residential construction costs have risen significantly in the Bay Area in recent years,

and costs have outpaced rent growth over the past twelve months. This has created a situation in which some of the residential indicated land values would be negative (meaning the proposed development is not financially feasible) if not for the offsetting Jobs Housing Equivalency Fees. However, the subject is entitled for a mix of office, retail, and residential uses and finished land value of the taxable blocks overall is positive. A summary of our land value conclusions is provided below.

Summary of Land Residual Values

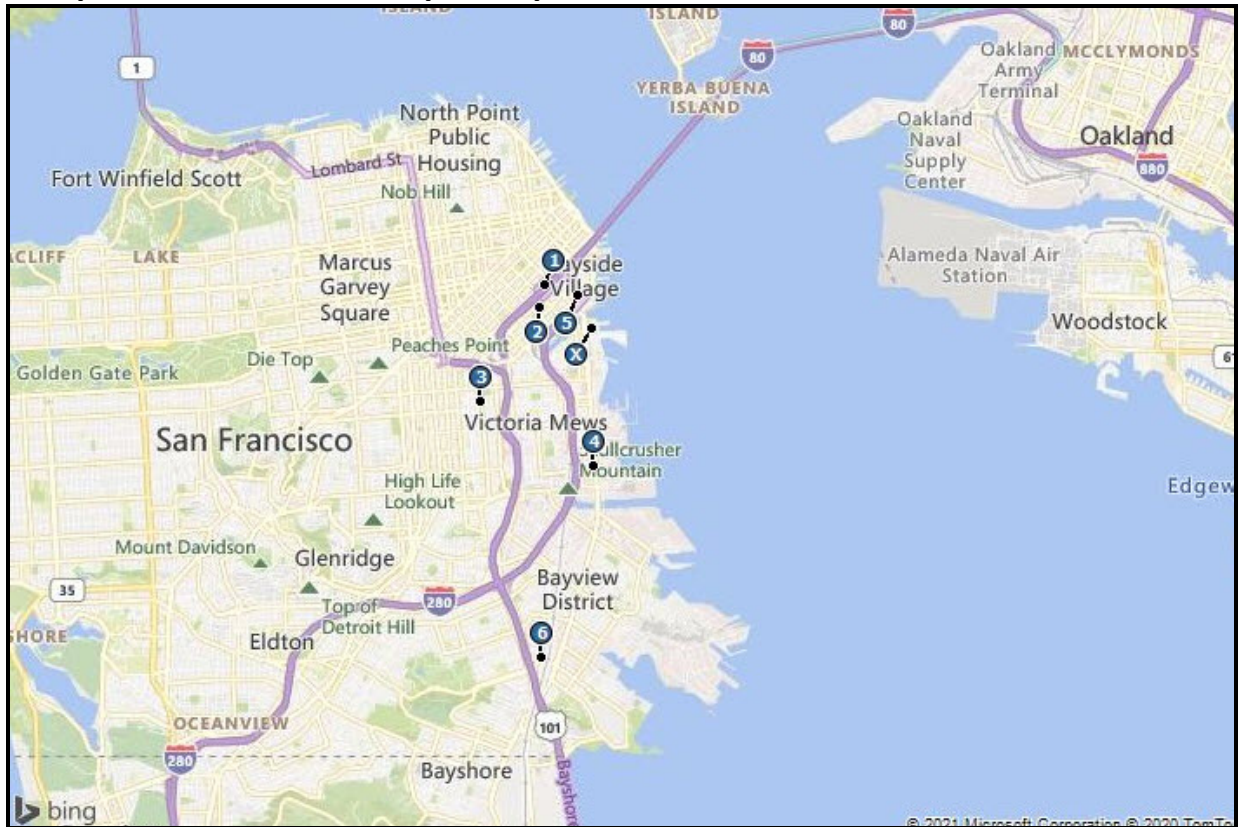
Block	Phase	Land Residual	Use	Units	Per Unit	Gross SF	Per SF of
							Bldg
A	1a	\$22,900,000	Res/Office	283	\$80,919	-	-
B	1a	\$85,100,000	Office	-	-	283,700	\$299.96
F	1a	\$45,500,000	Residential	254	\$179,134	-	-
G	1a	\$137,900,000	Office	-	-	307,058	\$449.10
C	2	\$87,000,000	Office	-	-	354,826	\$245.19
D1	2	\$24,400,000	Residential	259	\$94,208	-	-
E	3	\$34,800,000	Office	-	-	141,330	\$246.23
H	4	\$40,300,000	Residential	192	\$209,896	-	-
I	4	\$34,300,000	Office	-	-	151,932	\$225.76
J	4	\$34,100,000	Office	-	-	151,982	\$224.37
K	4	\$27,300,000	Residential	131	\$208,397	-	-

As a secondary check of reasonableness, we have arrayed land sales for proposed commercial and multifamily residential properties.

Summary of Comparable Land Sales - Office Use						
No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/SF Bldg. \$/SF Land
1	777 Harrison Street 737-743 Harrison St. San Francisco San Francisco County CA	Jun-20 Closed	\$140,100,000	104,598 2.40	Central SOMA Mixed Use Office	\$174.25 \$1,339.41
<p><i>Comments: Transfer of 5 contiguous parcels improved with a total of 62,865 SF of industrial uses. Buyer plans to demolish the improvements and redevelop the property, which is fully entitled, with 804,000 SF of office space. The property is located along I-80, in between 4th Street and 3rd Street, in SOMA. 777 Harrison Street, known as Fourth + Harrison, is a fully-entitled site that can support the development of approximately 804,000 square feet of primarily office space.</i></p>						
2	Brannan Square 639-590 Bryant St. San Francisco San Francisco County CA	Jun-20 Closed	\$154,766,000	195,240 4.48	Production, Distribution and Repair	\$128.97 \$792.70
<p><i>Comments: This is an assemblage of four parcels by buyer Tishman Speyer for the proposed Brannan Square project in the SOMA neighborhood. The four sales occurred between 4/30/2020 and 6/23/2020 and totaled \$154,766,000. At build out, Brannan Square will include approximately 1,200,000 SF of commercial space within three buildings, including 923,000 SF of office space, 65,000 SF of PDR space, and a childcare facility.</i></p>						
3	1850 Bryant St San Francisco San Francisco County CA	Aug-19 Closed	\$18,000,000	36,500 0.84	Production, Distribution and Repair	\$104.65 \$493.15
<p><i>Comments: Property is located in the Mission District and was improved with a 14,000 SF industrial building at the time of sale which will be demolished. The buyer took the property through the entitlement process prior to closing, with entitlements in place for 172,000 SF of office condos within five stories at the time of sale. The condos will specifically be for nonprofit users and will sell at a discounted rate.</i></p>						
4	2800 3rd Street 2800 3rd San Francisco San Francisco County CA	Jul-19 Closed	\$23,360,000	40,000 0.92	Production, Distribution and Repair	\$97.33 \$584.00
<p><i>Comments: Seller had proposed a 240,000 square foot flex improvement for the site. However, at the time of sale it was unclear if the buyer planned to move forward with the proposed project.</i></p>						
5	130 Townsend St San Francisco San Francisco County CA	Jul-19 Closed	\$24,000,000	22,000 0.51	Central Soma Mixed Use Office	\$286.92 \$1,090.91
<p><i>Comments: Property is located in SoMa, approximately one block from Oracle Park. At the time of sale, there was a 9,947 SF retail property on the site leased month to month to a Mexican restaurant. The property was not entitled at the time of sale, but the buyer is proposing a vertical addition to the existing building and construction of a new office improvement. The adaptive reuse of the existing building will result in a 36,473 SF improvement with 34,120 SF of office space and 2,353 SF of retail space. The proposed second improvement will include 47,175 SF including 46,464 SF of office space and 711 SF of PDR space.</i></p>						
6	400 Paul Ave 320, 350 & 400 Paul Ave. San Francisco San Francisco County CA	Aug-17 Closed	\$42,000,000	317,510 7.29	Production, Distribution , and Repair	\$174.11 \$132.28
<p><i>Comments: Property was purchased by CIM Group in partnership with fifteenfortyseven Critical Systems Realty. At the time of sale, the property was entitled for the development of a 187,000 SF data center with 24 megawatts of power capacity. The property also includes two improvements constructed in the 1930's in poor condition, totaling 54,225 SF. The buyer plans to rehabilitate the improvements into office and support space for the tenants of the proposed data center. The developer broke ground on the facility in April of 2018.</i></p>						
Subject				202,990	Mission	
City and County of San				4.66	Rock Mixed	



Comparable Land Sales Map – Proposed Office Use



The previous sales range from \$97.33 to \$286.93 per proposed square foot of building area. Sales 3 and 4 fall at the low end of the range, as they reflect proposals for below market office condominium space and flex space, respectively. Sales 2 and 5 are proximate to the subject and is also most similar to the subject proposal and will include 1,200,000 and 80,584 square feet of office space, respectively. The existing improvements are not believed to have contributed value to the sale prices. Sale 6 reflects the land sale for a proposed data center. However, the acreage of the site is significantly larger than the subject's individual office blocks and the location of the property is inferior to the subject. Therefore, the subject office blocks are expected to command a higher price per square foot of building area than Sale 6.

Our land value conclusions for the subject's office blocks range from approximately \$224 to \$449 of proposed building area; the top end of our value conclusions is higher than that indicated by the comparable range. However, comparable land sales for proposed office improvements are limited and the subject reflects a fully entitled master development. In addition, Block G, which reflects the highest land value conclusion, is 100% preleased to Visa. Given the scale of the subject project, it is our opinion the indicated value conclusions via the extraction analyses for the office land are reasonable.

Comparable land sales for multifamily use (for-rent) are presented on the following page. Our search focused on sales in and around the subject submarket for projects with more than 50 units proposed.

Summary of Comparable Land Sales - Residential use

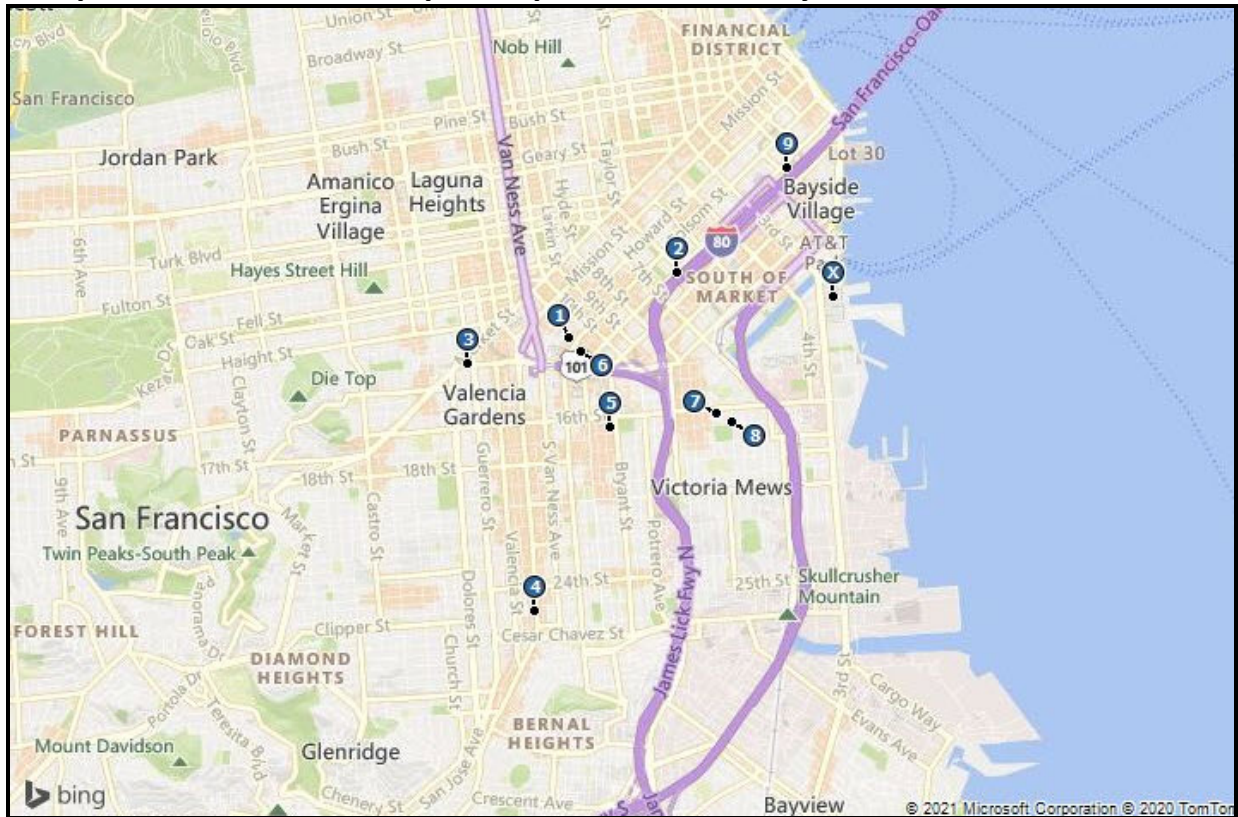
No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/Unit	\$/SF Land
1	Proposed Residential 135 Kissling St. San Francisco San Francisco County CA	Jan-21 In-Contract	\$25,000,000	48,337 1.11	Residential Enclave / West SOMA Mixed Use	\$125,000	\$517.20
<i>Comments: Four contiguous parcels improved with industrial buildings are reportedly in-contract. The property is marketed as a redevelopment opportunity with potential for 200 residential units, equating to an asking price of \$125,000 per unit.</i>							
2	988 Harrison St. San Francisco San Francisco County CA	Nov-20 Closed	\$11,000,000	12,990 0.30	Mixed Use Residential	\$122,222	\$846.81
<i>Comments: Property was entitled for 90 multifamily units at the time of sale, 13 of which are expected to be affordable (14%). Project will also include 3,000 SF of ground floor retail. Construction is expected to be finished in early 2023.</i>							
3	1939 Market Site 1939 Market St. San Francisco San Francisco County CA	Mar-20 Closed	\$12,000,000	11,761 0.27	NCT	\$150,000	\$1,020.32
<i>Comments: March 2020 sale of a redevelopment site at Market and Guerrero Streets. The property is improved with a 13,300 SF meeting hall that will be leased back by the seller for 24 months. The City of San Francisco purchased the property with the intent to develop a mixed-use development with at least 80 multifamily units. The property will be 100% affordable upon completion; however, was not encumbered by affordable housing restrictions as of the date of sale and sold for a unrestricted market-rate sales price. It appears that the project was not yet entitled at time of sale.</i>							
4	2918-2922 Mission Street 2918-2922 Mission St. San Francisco San Francisco County CA	Apr-19 Closed	\$13,500,000	11,653 0.27	NCT	\$180,000	\$1,158.50
<i>Comments: Sale of a redevelopment site that was fully entitled for redevelopment with an 8-story apartment building with 75 units (8 of which will be BMR units). At the time of sale, the property was improved with a 5,220 SF laundromat that no longer contributed value to the site and will be demolished. Seller took the property through the entitlement process, which took over 5 years due to resistance from neighborhood groups wanting the existing laundromat designated as a historic resource.</i>							
5	321 Florida Street 309-367 Florida St. San Francisco San Francisco County CA	Dec-18 Closed	\$11,200,000	19,998 0.46	Urban Mixed Use	\$74,172	\$560.06
<i>Comments: Property was not entitled at the time of sale and is currently a parking lot. Buyer is proposing to construct a mixed use project which would include 151 apartment units within 9 stories with 1,577 SF of ground floor retail space. The proposal includes a density bonus which would apply a 35% increase in density over the base project (112 units). As of January 2020, the proposal is under review with the planning and zoning department.</i>							

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/Unit	\$/SF Land
6	333 12th St San Francisco San Francisco County CA	Apr-18 Closed	\$17,500,000	30,056 0.69	Wsoma Mixed Use - General	\$87,500	\$582.25
<p><i>Comments: Buyer is proposing 200 apartment units and took the property through the entitlement process prior to sale. The buyer exercised an option and the contract price was set in 2016. The project, known as City Gardens, will include a mix of two and four bedroom apartments. There was a 21,630 SF industrial improvement on the property at the time of sale which will be demolished.</i></p>							
7	Potrero Flats 1301 16th St. San Francisco San Francisco County CA	Dec-17 Closed	\$28,280,000	38,600 0.89	Urban Mixed Use	\$94,582	\$732.64
<p><i>Comments: Property was entitled at the time of sale. Buyer constructed 299 apartment units within a 4-story improvement; 60 of the units are affordable (20%). The project is known as Mason at Mariposa and includes a mix of studios and one, two, and three-bedroom units.</i></p>							
8	88 Arkansas St San Francisco San Francisco County CA	Jan-17 Closed	\$26,000,000	19,998 0.46	Urban Mixed Use	\$204,724	\$1,300.13
<p><i>Comments: The property was entitled at the time of sale for 127 apartment units and two commercial units within a 5-story improvement. The project will include 25 affordable units (20%). There was a 13,000 SF industrial building on the property at the time of sale which will be demolished.</i></p>							
9	525 Harrison St San Francisco San Francisco County CA	Jan-17 Closed	\$36,000,000	12,998 0.30	Rincon Hill Downtown Residential	\$175,610	\$2,769.66
<p><i>Comments: True buyer is Zhuguang Properties US, LLC, a subsidiary of Zhuguang Group which is based in Guangzhou China. At the time of sale, the property was fully entitled for 205 apartments, 15% of which will be affordable. The project will have a four-level subterranean parking garage with 103 parking spaces which will rely on mechanical lifts and car elevators. There is an existing 16,000 SF improvement on the property which will be demolished. The site is adjacent to Interstate 80.</i></p>							
Subject				141,571	Mission Rock		
City and County of San Francisco Special				3.25	Mixed Use		
Tax District No. 2020-1 (Mission Rock Facilities and Services)							



Comparable Land Sales Map – Proposed Multifamily Use



The comparable land sales range from \$74,172 to \$204,724, unadjusted. Indicated market value for the subject's residential blocks range from \$80,919 to \$209,896 per unit. As previously noted, Block A includes a substantial office component, which impacts the value of the property. In addition, Block D1, which has an indicated value of \$94,208 per unit, includes a substantial inclusionary housing component (56% of units) with no offsetting retail. Therefore, it is expected this block will fall towards the lower end of the comparable range. Typical inclusionary housing for the comparable sales ranges from 15% to 20%.

It is important to note the impact of the JHE fees, which offset some of the residential costs. Construction costs have recently been rising at a faster pace than rental rates. Conversations with the subject developer confirm that it is very difficult to justify the feasibility of multifamily residential construction in the current market, particularly with a 40% inclusionary housing requirement. However, the subject is entitled for a mix of uses and the overall land value of the property is positive.

Market Value by Ownership – Vertical Developer Component

The preceding analyses derived estimates of residual land value, as if all infrastructure, by Phase, was in place and available to serve the developable Blocks. As previously described, Blocks A, B, F and G, which comprise Phase 1a of the Mission Rock Project, have transferred to vertical developers and are in the process of vertical development commensurate with the entitlements and development plan for Mission Rock.

In order to estimate the market value of each Block (ownership), the remaining Phase 1a infrastructure costs to be completed will be deducted, on a pro rata share of each Block's improved land value, resulting in a residual market value for each Block (ownership).

According to the horizontal (infrastructure) cost information provided for use in this analysis, total horizontal infrastructure costs associated with Phase 1a of Mission Rock is \$118,029,989, not including \$35,928,038 in construction costs for the Mission Rock Utilities systems, which are being financed separately by bond anticipation notes, of which \$25 million has already been issued by the California Pollution Control Financing Authority. However, for purposes of this analysis, since the improvements are yet to be completed, the costs associated with the MRU systems will be considered herein. Thus, total Phase 1a horizontal infrastructure costs equal \$153,958,027 (\$118,029,989 + \$35,928,038). According to the current cost budget, \$57,201,970 in horizontal infrastructure costs have been incurred to date; thus, \$96,756,057 (\$153,958,027 - \$57,201,970) in remaining infrastructure costs will be allocated to the four vertical development Blocks in Phase 1a, accordingly. As an example of the allocation of remaining costs assigned to each Block, Block A is estimated at $\$22,900,000 \div \$291,400,000 = 7.86\% \times \$96,756,057 = \$7,603,685$.

In addition to the consideration for remaining horizontal infrastructure costs described above, Blocks A and G are presently under vertical construction, with significant impact fees and construction costs incurred, which contributes to the market value of the subject property. Therefore, consideration to the contributory value to Blocks A and G is also considered herein.

Based on the information above, the estimates of market value, per Block, for the Phase 1a component, by ownership, is shown in the following table:

Phase 1a Land Values						
Owner	Block	Use	Improved Land Value	Infrastructure Cost Allocation [^]	Vertical Development	Residual Market Value (Rd.)
Mission Rock Parcel A Owner L.L.C.	A	Res./Office/Retail	\$22,900,000	(\$7,603,685)	\$13,474,196	\$28,770,000
Mission Rock Parcel B Owner L.L.C.	B	Office/Retail	\$85,100,000	(\$28,256,487)	\$0	\$56,840,000
Mission Rock Parcel F Owner L.L.C.	F	Res./Retail	\$45,500,000	(\$15,107,758)	\$0	\$30,390,000
Mission Rock Parcel G Owner L.L.C.	G	Office/Retail	\$137,900,000	(\$45,788,127)	\$92,903,214	\$185,020,000
Total			\$291,400,000	(\$96,756,057)	\$106,377,410	\$301,020,000

[^] Includes \$35,928,038 in costs associated with the MRU system

Master Developer Valuation

The master developer, Seawall Lot 337 Associates, L.L.C., retains ownership to the underlying land identified as Phases 1b, 2, 3 and 4 of the Mission Rock Project, which comprise developable Blocks C, D1, E, H, I J and K.

In order to estimate the market value, in bulk, of this ownership, a discounted cash flow analysis will be employed; whereby, the expected revenue, absorption period, expenses and discount rate associated with the sell-off of the holdings will be taken into account. A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

As a discounted cash flow analysis, the subdivision development method consists of four primary components summarized as follows:

Revenue – the gross income is based on the individual component values previously derived.

Absorption Analysis – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

Expenses – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

Discount Rate – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

Revenue

The revenue component associated with the subject includes the concluded values for the various land use components derived in the previous analyses, which are summarized below.

Summary of Master Developer Land Values

Block	Residual Land Value	Use
C	\$87,000,000	Office
D1	\$24,400,000	Residential
E	\$34,800,000	Office
H	\$40,300,000	Residential
I	\$34,300,000	Office
J	\$34,100,000	Office
K	<u>\$27,300,000</u>	Residential
	\$282,200,000	

Absorption

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the parcels, we have considered historic absorption rates for similar properties and also attempted to consider the impacts of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject properties. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, or large land holding, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project.

At build out, the subject community will include approximately 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units within eleven taxable blocks. The boundaries of the Special Tax District will also include multiple parks, open space, and a parking garage; these components are excluded from the valuation because they are not subject to the Lien of the Special Tax. The seven development blocks comprising Phases 2 through 4 will be developed commensurate with the overall development plan for the Mission Rock Project, with development of additional backbone infrastructure expected to commence in Year 4 and continue through Year 8 of the discounted cash flow.

Expense Projections

Changes in Expenses (Expense Increases or Decreases)

Market participants widely expect expenses to increase either from inflation or labor increases. General and administrative and marketing and sale expenses are calculated in this section as a fixed percentage of revenue. Property tax expenses are trended upward, as will be discussed in a later section.

General and Administrative

General and administrative expenses would include management of project entitlements and Special Tax District financing, as well as coordination with others. This expense category typically ranges from 2.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. Given the complexity of the proposed development and the holding period of the subject, we have estimated this expense at 4.0% of revenue, which is spread evenly over the sell-off period.

Marketing and Sale

The costs associated with marketing, commissions and closing costs relative to the disposition of the subjects' components are estimated at 3% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is consistent with current industry trends. Larger transactions, such as the subject, typically have a lower sales commission as a percentage of sale price. For the sell-off of individual blocks (Units) to builders, marketing costs would be negligible, since master developers

often contact builders directly and indicate lots are available, rather than openly list properties and have marketing costs.

Property Taxes (Ad Valorem and Special Taxes)

This appraisal is predicated on, and assumes, a sale of the appraised property in bulk. Interim ad valorem real estate taxes are based on a tax rate of 1.1984637%. This rate is applied to the estimated market value (in bulk) and divided by the total acreage to yield an estimate of ad valorem taxes/acreage/year. The ad valorem taxes are appreciated by 2% per year and the total tax expense is gradually reduced over the absorption period, as the land components are sold off.

The appraised properties are within the boundary of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). According to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Maximum Development Special Tax Revenues and Projected Development Special Tax Levies, provided by Goodwin Consulting Group, Inc., a summary of the special taxes by Tax Zone is presented in the following table.

For purposes of this analysis, the Special Taxes applicable to the Tax Zone 2 (master developer held Blocks) property will be commensurate with the total amounts reflected in the following table.

Table 1
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			FY 2020-21				
		Residential Square Footage (1)	Office Square Footage (1)	Total Expected Square Footage (1)	Expected Maximum Development Special Tax Revenues	FY 2020-21 Actual Development Special Tax Levy (2)	FY 2021-22 Projected Development Special Tax Levy (3)	FY 2022-23 Projected Development Special Tax Levy (4)	FY 2023-24 Projected Development Special Tax Levy (5)
Parcel A	1	146,000	48,447	194,447	\$1,598,937	\$207,107	\$246,340	\$35,566	\$589,116
Parcel B	1	0	255,008	255,008	\$1,690,703	\$218,993	\$260,477	\$37,607	\$622,926
Parcel F	1	113,000	0	113,000	\$988,931	\$128,094	\$152,359	\$21,997	\$364,364
Parcel G	1	0	283,323	283,323	\$1,878,431	\$243,309	\$289,400	\$1,954,320	\$692,094
Subtotal		259,000	586,778	845,778	\$6,157,003	\$797,503	\$948,576	\$2,049,490	\$2,268,500
Parcel C	2	0	355,000	355,000	\$2,353,650	\$304,863	\$362,614	\$52,353	\$0
Parcel D	2	76,800	0	76,800	\$672,123	\$87,059	\$103,550	\$14,950	\$0
Parcel E	3	0	141,000	141,000	\$934,830	\$121,086	\$144,024	\$20,794	\$0
Parcel H	4	96,000	49,999	145,999	\$1,171,647	\$151,761	\$180,509	\$26,061	\$0
Parcel I	4	0	152,000	152,000	\$1,007,760	\$130,533	\$155,260	\$22,416	\$0
Parcel J	4	0	152,000	152,000	\$1,007,760	\$130,533	\$155,260	\$22,416	\$0
Parcel K	4	62,400	49,999	112,399	\$877,593	\$113,673	\$135,206	\$19,521	\$0
Subtotal		235,200	899,998	1,135,198	\$8,025,363	\$1,039,507	\$1,236,424	\$178,510	\$0
Total		494,200	1,486,776	1,980,976	\$14,182,366	\$1,837,010	\$2,185,000	\$2,228,000	\$2,268,500

(1) Based on Attachment 3 of the Rate and Method.

(2) The fiscal year 2020-21 Development Special Tax levy is based on special tax revenues needed for estimated interest payments for the Series 2020 Bonds and administrative expenses, as provided by the Port. Assumes all parcels in the district are Undeveloped Property.

(3) The fiscal year 2021-22 Development Special Tax levy is based on projected debt service for the Series 2020 Bonds and administrative expenses. Assumes all parcels in the district are Undeveloped Property.

(4) 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 Series 2020 Bonds and administrative expenses.

(5) The Parcel Lease Execution Date for the remaining Phase I parcels is expected to occur on September 16, 2020. The fiscal year 2023-24 Development Special Tax levy assumes Parcels A, B, and F are also Developed Property and is based on projected debt service for the Series 2020 Bonds and administrative expenses.

Ground Lease Payment

The land within Special Tax District No. 2020-1 is encumbered with a ground lease between the Port of San Francisco and the master developer, which escalates 3.0% per year; though, the ground lease payment is reduced as the land components are sold off, as the Port will enter into a new lease with the vertical developer at that time. In addition, Block D2's pro-rata share of the ground lease payment is excluded in the upcoming analysis, in accordance with the allocation below.

Ground Lease Allocation

Block	Phase	Tax Zone	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1a	1	0.96	41,818	10.1%	\$211,663	Prepaid
B	1a	1	0.93	40,511	9.8%	\$205,049	Prepaid
F	1a	1	0.58	25,265	6.1%	\$127,880	Prepaid
G	1a	1	0.78	33,977	8.2%	\$171,976	Prepaid
C	2	2	0.90	39,204	9.4%	\$198,434	
D1	2	2	0.58	25,265	6.1%	\$127,880	
E	3	2	0.58	25,265	6.1%	\$127,880	
H	4	2	0.72	31,363	7.6%	\$158,748	
I	4	2	0.75	32,670	7.9%	\$165,362	
J	4	2	0.72	31,363	7.6%	\$158,748	
K	4	2	0.41	17,860	4.3%	\$90,398	
D2	2	2	1.62	70,567	17.0%	\$357,182	
Totals			9.53	415,127	100%	\$2,101,200	
Total Ground Lease Rent less D2						\$1,744,018	

Excluding the Phase 1a Blocks (Tax Zone 1), which prepaid the allocable ground lease, the total first year ground lease payment associated with the master developer held Blocks above, Tax Zone 2, is \$1,027,449.

Backbone Infrastructure

According to the master developer, total remaining infrastructure costs for Phases 2 through 4 is \$102,691,993. Phase 1b costs associated with China Basin Park are \$27,397,300, which are also reflected in the master developer's remaining horizontal cost obligation. The total costs cited above will be disbursed during the development and sell-off period commensurate with the development timeline provided.

Internal Rate of Return

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30%. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey^[1], discount rates for land development projects ranged from 10.00% to 25.00%, with an average of 15.60% during the Fourth Quarter 2020, which is 20 basis points lower than the average reported in the Second Quarter 2020, the last time the survey was conducted and 30 basis points

^[1] [PwC Real Estate Investor Survey](#), PricewaterhouseCoopers, 4th Quarter 2020, Volume 33, Number 4.

lower than a year ago. Without entitlements in place, certain investors will increase the discount rate between 100 and 1,500 basis points (the average increase is 338 basis points). These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

For 2021, most *Emerging Trends* respondents (53.0%) believe that debt capital for development and redevelopment will be undersupplied. This percentage is more than twice the figure from last year's report and is likely due to the uncertainty tied to the pandemic. Interestingly, the percentage of respondents that feel debt capital for such projects will be "in balance" drops this year to 35.0% – down from 57.0% in 2020. (Fourth Quarter 2020)

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. "These are highly uncertain times, and we are moving in a direction no one thought we'd be headed a few months ago," shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

While investors are more optimistic about development opportunities for the year ahead in the apartment, office, warehouse, and even retail sectors, they are less enthusiastic about the hotel sector, where the annual score drops from 3.21 to 2.94 (on a scale of 1 being abysmal and 5 being excellent). (Fourth Quarter 2019)

Over the next 12 months, surveyed investors hold mixed opinions regarding value trends for the national development land market. Their expectations range from -5.0% to +10.0% with an average expected value change of +3.2%. This average is slightly below where it was six months ago (+3.8%), but ahead of the rate from a year ago (+1.2%). (Second Quarter 2019)

Looking ahead over the next 12 months, surveyed investors forecast property values in the national development land market to either increase as much as 10.0% or decrease as much as

5.0%. Their average expected appreciation rate is 3.8% – just above the rate of 3.5% six months ago. (Fourth Quarter 2018)

Compared to investors' responses six months ago, a greater sense of caution is evident among our participants due to heightened uncertainty as it related to the current political environment, capital markets, and the industry's position in the real estate cycle... "the further path of interest rates and inflation, the longevity of the current cycle [*are we near the peak?*], and the high degree of uncertainty with regard to the overall stability of the decision makers in the federal government. (Second Quarter 2018)

Project Yield Rate Survey	
Data Source	Yield / IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Fourth Quarter 2020 (updated semi-annually)	Range of 10.0% to 25.0%, with an average of 15.6%, on an unleveraged basis, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

There are several positive attributes associated with the subject property that we consider in our selection of a discount rate. Positive attributes of the subject property include:

- Approved entitlements;
- Block G is preleased to Visa;

- San Francisco office market had been strong prior to COVID-19. Proposition M creates supply constraints and the subject improvements have been approved;
- Oracle Park and Bay views; walking distance to multiple recreation options;
- The lack of developable land in San Francisco.

Large and otherwise complex developments like Mission Rock are often associated with public and private partnerships or alliances. In an effort to achieve each parties' respective objectives, both groups work to create incentives that are linked to the development project that become part of the contributors to value for the development as a whole, are now part of the real estate that is offered as the Mission Rock project. For instance, as detailed in the original Appraisal Report, The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate near term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District [City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)] was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses. The abovementioned attributes now run with the development.

The subject property comprises the leasehold interest of the developable land subject to the Lien of the Special Tax securing the Bonds, which is a substantial portion of the Mission Rock mixed-use redevelopment with the City and County of San Francisco. The project represents a substantial high-density, infill development. Although the development is fully entitled, which mitigates substantial risk for urban development in California, there remains significant risk associated with the estimates of presumed sell-off of the developable components (Blocks), as well as the anticipated revenue associated with such developable Blocks.

Although COVID-19 exacerbates this issue in the near term, it is expected to be less of a factor by the time the subject's land components are ready to be dispensed. Nevertheless, there remains risk associated with unforeseen factors such as broad economic declines that may extend as a result of the current pandemic. Additionally, all backbone infrastructure must be completed during the sell-off period, which is expected to span the disposition timeline.

As part of the appraisal process, we conducted a survey of market participants familiar with land development in both urban and suburban locations through California, many of which indicated a reconsideration of the development timeline would likely be precipitated by the effects of current market/economic conditions. During the last year, the Port of San Francisco has solicited proposals for future public/private partnerships, similar to that in place for the subject property, for Piers 30-32 and SWL 330, which took place during the COVID-19 pandemic. Three respondents, including Strada TCC Partners, LLC, a joint venture between Strada Investment Group and Trammell Crow Company, Tishman Speyer and Vornado Realty, each provided proposals based on internal rates of return ranging from below 10% to 23%, with income projections associated with future office and residential land uses based on pre-pandemic market rents.

Considering these factors, the magnitude and complexity of the subject project, and the positive and negative characteristics previously described, a discount rate of 18% is estimated for the leasehold interest in the subject property.

Conclusion

The subdivision development method is presented on the following page.

Subdivision Development Method - Seawall Lot 337 Associates, LLC (master developer)										
Inputs										
Revenue & Expenses					Ad Valorem Tax Table					
Taxable Land Acreage - All Blocks	4.66				Annual Increase in Property Taxes	2.0%				
Total Land Revenue	\$282,200,000				First Year Annual Taxes/Acre	\$61,389				
Total Revenue per Acre	\$60,557,940									
Phase 2 - Blocks C & D1					Max Special Assessments - Mission Rock CFD No. 2020-1					
Phase 2 Land Acreage	1.48				Base Tax - Market Rate Residential - Tax Zone 1					
Phase 2 Revenue	\$111,400,000				Mission Rock CFD #1	\$8.75 /SF		2.0%		
Phase 3 - Block E					Base Tax - Office Use - Tax Zone 1 & 2					
Phase 3 Land Acreage	0.58				Mission Rock CFD #1	\$6.63 /SF		2.0%		
Phase 3 Revenue	\$34,800,000				Base Special Tax - Office Use - Tax Zone 1					
Phase 4 - Blocks H, I, J, & K					Shoreline Special Tax - Office Use - Tax Zone 1 &					
Phase 4 Land Acreage	2.60				Mission Rock CFD #1	\$1.82 /SF		2.0%		
Phase 4 Revenue	\$136,000,000				Contingent Services Tax - Res. Tax Zone 1 & 2					
Annual Revenue Appreciation	1.00%				Mission Rock CFD #1	\$1.40 /SF		2.0%		
General & Administrative	4.0%				Contingent Services Tax - Office Tax Zone 1 & 2					
Marketing & Commissions	3.0%				Mission Rock CFD #1	\$1.40 /SF		2.0%		
Phase 1b	\$27,397,300				Ground Lease Payment per Acre					
Phases 2-4 Infrastructure Costs	\$102,691,993				Mission Rock CFD #1	\$1.40 /SF		2.0%		
Phase 2	\$32,614,624	32%			\$220,483 /Acre			3.0%		
Phase 3	\$12,781,407	12%								
Phase 4	\$57,295,962	56%								
Revenue, Expenses and Valuation										
Revenue	Period (1 year)	2021 1	2022 2	2023 3	2024 4	2025 5	2026 6	2027 7	2028 8	Total
Sales (Acreage):										
Phase 2		0.00	0.00	0.00	1.48	0.00	0.00	0.00	0.00	1.48
Phase 3		0.00	0.00	0.00	0.00	0.58	0.00	0.00	0.00	0.58
Phase 4		0.00	0.00	0.00	0.00	0.00	0.00	1.30	1.30	2.60
Total Sales		0.00	0.00	0.00	1.48	0.58	0.00	1.30	1.30	4.66
End of Period Inventory		4.66	4.66	4.66	3.18	2.60	2.60	1.30	0.00	
Total Period Inventory (acres)		4.66	4.66	4.66	4.66	3.18	2.60	2.60	1.30	
Land Sales Revenue Unappreciated										
Phase 2		\$0	\$0	\$0	\$0	\$111,400,000	\$0	\$0	\$0	\$111,400,000
Phase 3		\$0	\$0	\$0	\$0	\$0	\$34,800,000	\$0	\$0	\$34,800,000
Phase 4		\$0	\$0	\$0	\$0	\$0	\$0	\$136,000,000	\$0	\$136,000,000
Total Revenue		\$0	\$0	\$0	\$0	\$111,400,000	\$34,800,000	\$0	\$136,000,000	\$282,200,000
Revenue Appreciated		\$0	\$0	\$0	\$0	\$111,400,000	\$34,800,000	\$0	\$136,000,000	\$282,200,000
Total Revenue		\$0	\$0	\$0	\$0	\$111,400,000	\$34,800,000	\$0	\$136,000,000	\$282,200,000
Expenses	All Categories									
General & Administrative		(\$1,411,000)	(\$1,411,000)	(\$1,411,000)	(\$1,411,000)	(\$1,411,000)	(\$1,411,000)	(\$1,411,000)	(\$1,411,000)	(\$11,288,000)
Marketing/Commissions		\$0	\$0	\$0	\$0	(\$3,342,000)	(\$1,044,000)	\$0	(\$4,080,000)	(\$8,466,000)
Backbone Infrastructure										
Phase 1b		\$0	(\$27,397,300)	\$0	\$0	\$0	\$0	\$0	\$0	(\$27,397,300)
Phase 2		\$0	\$0	\$0	(\$16,307,312)	(\$16,307,312)	\$0	\$0	\$0	(\$32,614,624)
Phase 3		\$0	\$0	\$0	\$0	(\$6,390,703)	(\$6,390,703)	\$0	\$0	(\$12,781,407)
Phase 4		\$0	\$0	\$0	\$0	\$0	(\$19,098,654)	(\$19,098,654)	(\$19,098,654)	(\$57,295,962)
Total Infrastructure		\$0	(\$27,397,300)	\$0	(\$16,307,312)	(\$22,698,016)	(\$25,489,357)	(\$19,098,654)	(\$19,098,654)	(\$130,089,293)
Ad Valorem Taxes		(\$286,073)	(\$291,795)	(\$297,631)	(\$303,583)	(\$211,310)	(\$176,224)	(\$179,749)	(\$91,672)	(\$1,838,036)
Mission Rock CFD#1		(\$1,039,507)	(\$1,236,424)	(\$178,510)	\$0	\$0	\$0	\$0	\$0	(\$2,454,441)
Ground Lease Payment		(\$1,027,449)	(\$1,058,273)	(\$1,090,021)	(\$1,122,722)	(\$789,134)	(\$664,560)	(\$684,496)	(\$352,516)	(\$6,789,170)
Total Expenses		(\$3,764,030)	(\$31,394,792)	(\$2,977,162)	(\$19,144,617)	(\$28,451,459)	(\$28,785,141)	(\$21,373,899)	(\$25,033,841)	(\$160,924,940)
Net Income		(\$3,764,030)	(\$31,394,792)	(\$2,977,162)	(\$19,144,617)	\$82,948,541	\$6,014,859	(\$21,373,899)	\$110,966,159	\$121,275,060
Internal Rate of Return	18.00%	0.84746	0.71818	0.60863	0.51579	0.43711	0.37043	0.31393	0.26604	
Discounted Cash Flow		(\$3,189,856)	(\$22,547,250)	(\$1,811,992)	(\$9,874,580)	\$36,257,572	\$2,228,093	(\$6,709,802)	\$29,521,233	\$23,873,417
Net Present Value		\$23,873,417								
Conclusion of Market Value, in Bulk (Rd.)										
										\$23,870,000



Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinions of market value, by ownership, of the appraised properties, subject to the hypothetical condition cited herein, is as follows:

Value Conclusions

Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership

Ownership	Tax Zone / Phase	Interest Appraised	Date of Value	Conclusion
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$28,770,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$56,840,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$30,390,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	February 1, 2021	\$185,020,000
Seawall Lot 337 Associates, L.L.C.	2 / 1b - 4	Leasehold	February 1, 2021	\$23,870,000
Total Aggregate, or Cumulative, Value				\$324,890,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of February 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local development site market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

Marketing Time

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Given the current COVID-19 environment, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the a little longer than the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

Certification

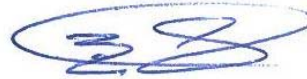
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Kevin Ziegenmeyer, MAI, and Laura Diaz made a personal inspection of the property that is the subject of this report. Eric Segal, MAI, has also personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Kevin Ziegenmeyer, MAI, and Eric Segal, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.
15. As of the date of this report, Laura Diaz has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567



Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558



Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client’s use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. We were provided various documents and schematics depicting the proposed improvements for review. There are some minor discrepancies among the data provided. For the purposes of this analysis, the document entitled "MR Project Detail v4" is relied upon for square footages and unit mix information when inconsistencies occur. This appraisal assumes the information contained within this document is accurate.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value of the subject property as of February 1, 2021. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available for public improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

Addendum A
Appraiser Qualifications



About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com



Addendum B

Definitions



Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

Effective Date

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

Entitlement

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's*

profit) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

Entrepreneurial Profit

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

Lease

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.



Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Addendum C

Property Information



Property Information



Addendum D

Comparable Data



Addendum E



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

BOND PURCHASE AGREEMENT

_____, 2021

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

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), hereby offers to enter into this agreement (this “Purchase Agreement”) with the City and County of San Francisco (the “City”) in connection with the sale by the City on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) of the Bonds (defined below). This offer is made subject to the acceptance by the City and execution and delivery of this Purchase Agreement on or before 11:59 p.m., California time, on the date hereof and, if not so accepted by the City, will be subject to withdrawal by the Underwriter upon written notice (by e-mail or otherwise) from the Underwriter delivered to the City at any time prior to the acceptance of this Purchase Agreement by the City. If the Underwriter withdraws this offer, or the Underwriter’s obligation to purchase the Bonds (defined below) is otherwise terminated pursuant to Section 11 hereof, then the City shall be without any further obligation to the Underwriter, including the payment of any costs set forth under Section 12(a) hereof, and the City shall be free to sell the Bonds to any other party. Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth in the Official Statement (defined below) or in the Fiscal Agent Agreement (defined below).

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

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

District have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Agreement, the Underwriter hereby agrees to purchase from the City, and the City agrees to sell and deliver on behalf of the District to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (the “Bonds”).

Section 2. Purchase Price. The “Net Purchase Price” for the Bonds shall be \$_____ (calculated as the aggregate principal amount of the Bonds in the amount of \$_____, less an original issue discount in the amount of \$_____ and less underwriter’s discount in the amount of \$_____).

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

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

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

supplements or amendments thereto on or prior to the Closing Date is herein referred to as the “Official Statement.”

Section 4. Authorization of the Bonds. The Bonds will be issued by the City on behalf of the District pursuant to the provisions of a Fiscal Agent Agreement, dated as of ____ 1, 2021 (together, the “Original Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”) as supplemented by a First Supplement to Fiscal Agent Agreement dated as of _____ 1, 2021, (the “First Supplement to Fiscal Agent Agreement,” and together with the Original Fiscal Agent Agreement, the “Fiscal Agent Agreement”), 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 (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”) and Resolution No. 196-20, which was approved by the Board of Supervisors on May 5, 2020 and signed by the Mayor on May 15, 2020, as supplemented by Resolution No. 565-20, which was approved by the Board of Supervisors on December 8, 2020 and signed by the Mayor on December 18, 2020, and further supplemented by Resolution No. ____-__, which was approved by the Board of Supervisors on _____ __, 2021 and signed by the Mayor on _____ __, 2021 (collectively, the “City Resolution”).

In connection with the District and the City and the County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (“IFD”) as it relates to Project Area I and the sub-project areas therein (“Project Area I”), the City, acting by and through the Port Commission, in its proprietary capacity and as agent for the District and the IFD, executed a Special Fund Administration Agreement, dated as of _____, 2021 (the “Special Fund Administration Agreement”) with Zions Bancorporation, National Association, as special fund trustee (“Special Fund Trustee”).

Section 5. The Bonds. The proceeds of the Bonds are expected to be used to finance the acquisition and construction of certain public facilities and improvements authorized to be financed by the District. In addition, the Bonds are being issued to (i) fund a capitalized interest account, (ii) fund a debt service reserve fund securing the Bonds; (iii) fund certain administrative expenses of the District; and (iv) fund costs of issuance.

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

(a) The City has full legal right, power and authority to enter into the Fiscal Agent Agreement, this Purchase Agreement, the Pledge Agreement, dated ____, 2021 (the “Pledge Agreement”), by and among the City, for and on behalf of the District, the IFD and the Fiscal Agent, and the Continuing Disclosure Certificate (as hereinafter defined) (the Fiscal Agent Agreement, this Purchase Agreement, the Pledge Agreement, the Special Fund Administration Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents”) and to observe and perform the covenants and agreements in the City Documents; by all necessary official action of the City, the City has duly adopted the City Resolution prior to the acceptance hereof; the City Resolution and the resolutions and ordinance listed on Exhibit F (together with the City Resolution, the “CFD Resolutions and Ordinance”) are in full force and effect and have not been amended, modified, rescinded or challenged by referendum; the City has recorded the notice of special tax lien (the “Notice of Special Tax Lien”) on the real property records of the City which established a continuing lien on the leasehold interests within the District securing the payment of the Development Special

Tax; the IFD Resolutions and Ordinance (as defined below) are in full force and effect and have not been amended, modified, rescinded or challenged by referendum, the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the City Documents; the City has duly authorized and approved the delivery of the Preliminary Official Statement and the execution and delivery of the Official Statement; and the City is in compliance in all material respects with the obligations in connection with the execution and delivery of the Bonds on its part contained in the Fiscal Agent Agreement.

(b) The District is a special tax district duly organized and validly existing under the Special Tax Financing Law.

(c) As of the date thereof and as of the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry-only system, information under the captions “THE MISSION ROCK PROJECT,” “CONTINUING DISCLOSURE–Mission Rock Partners” and “UNDERWRITING,” and the Excluded Information) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(d) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, information provided by the Underwriter for inclusion therein, including without limitation the information under the caption “UNDERWRITING” and information under the captions “THE MISSION ROCK PROJECT” and “CONTINUING DISCLOSURE–Mission Rock Partners” and the CUSIP numbers) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Agreement, the end of the underwriting period shall be deemed to be the Closing Date, unless the Underwriter shall have notified the City to the contrary on or prior to such date.

(e) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry-only system and information provided by the Underwriter for inclusion therein, including, without limitation, the information under the caption “UNDERWRITING” and information under the captions “THE MISSION ROCK PROJECT” and “CONTINUING DISCLOSURE–Mission Rock Partners” and the CUSIP numbers) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) If between the date of delivery of the Official Statement and the date that is 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the City that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof; and (ii)

if in the reasonable opinion of the City or the Underwriter such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter, which approval shall not be unreasonably withheld.

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

(h) Except as disclosed in the Preliminary Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way questioning the corporate existence of the District or the IFD; (iii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the levy or collection of Development Special Tax Revenues pledged under the Fiscal Agent Agreement, the payment of the IFD Payment Amount to the Fiscal Agent, the issuance of any of the Bonds or the City Documents, or the payment of the principal of and interest on the Bonds, or the application of the proceeds of the Bonds; (iv) in any way contesting the pledge of Pledged Tax Increment by the IFD under the Pledge Agreement; (v) in any way contesting or affecting the validity of the Bonds, the City Documents, the District, the IFD, the Resolutions and Ordinances (defined below), the tax-exempt status of the interest on the Bonds or contesting the powers of the City, the District or the IFD or any authority for the execution and delivery of the Bonds, the approval of the City Documents or the execution and delivery by the City of the City Documents, the delivery of the Preliminary Official Statement or the execution and delivery of the Official Statement; (vi) which would likely result in any material adverse change relating to the financial condition of the City; (vii) which would materially impact the ability of the property owners within the District to develop their property; or (viii) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a

material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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

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

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

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

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

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

(o) The Bonds will be paid from Development Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the City, the IFD Payment Amounts (as defined in the Fiscal Agent Agreement) and moneys held in certain funds and accounts established under the Fiscal Agent Agreement on a parity 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")

(p) The Development Special Taxes have been duly and lawfully authorized and may lawfully be levied in accordance with the Rate and Method of Apportionment of Development Special Taxes of the District (the “Rate and Method”) and the CFD Resolutions and Ordinance, and, when levied, will constitute a valid and legally binding continuing lien on the leaseholds on which they are levied.

Section 7. Underwriter’s Representations, Covenants and Agreements. The representations, covenants and agreements of the Underwriter attached hereto as Exhibit A are incorporated by reference as though fully set forth herein. The Underwriter further represents, covenants and agrees with the City that:

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

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

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

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

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

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

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

The Underwriter confirms that:

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

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

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

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

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

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

hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

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

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

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

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

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

Section 9. Closing. At 8:30 a.m., California time, on _____, 2021, or at such other time as shall have been mutually agreed upon by the City and the Underwriter (the “Closing Date” or the “Closing”), the City will deliver or cause to be delivered to the account of the Underwriter, under the Fast Automated Securities Transfer System of DTC, the Bonds, in the form of a separate single fully registered bond for each series of Bonds, maturity date and interest rate of the Bonds duly executed by the City and authenticated by the Fiscal Agent, together with the opinions and documents set forth in Section 9 hereof. The Underwriter will, subject to the terms and conditions hereof, accept delivery of the Bonds and pay the Net Purchase Price of the Bonds as set forth in Section 2 hereof by wire transfer in immediately available funds on the Closing Date. The Bonds shall be made available to the Fiscal Agent not later than one business day before the Closing Date. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Fiscal Agent in the name of Cede & Co., as the nominee of DTC.

Payment for the delivery of the Bonds shall be coordinated at the offices of Jones Hall, A Professional Law Corporation (“Bond Counsel”), in San Francisco, California, or at such other place

as shall have been mutually agreed upon by the City and the Underwriter. The Underwriter shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Agreement.

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

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

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

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

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

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

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

(iv) the Special Fund Administration Agreement, signed on behalf of the City, acting by and through the San Francisco Port Commission, and the Special Fund Trustee by their respective authorized officers;

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

(vi) certified copies of the CFD Resolutions and Ordinance;

(vii) certified copies of the resolutions and ordinance related to the IFD listed in Exhibit J (the "IFD Resolutions and Ordinance"); together with the CFD Resolutions and Ordinance, the "Resolutions and Ordinances") and Appendix I of the Infrastructure Financing Plan for the IFD;

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

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

(x) a closing certificate of the IFD dated the Closing Date and executed by its authorized officer(s), substantially in the form attached hereto as Exhibit K;

(xi) a certificate of the IFD dated the Closing date and executed by its authorized officer(s), substantially in the form attached hereto as Exhibit L, as to the portion of the debt service on the Bonds that will be eligible to be paid from Waterfront Set-Aside, as defined in the Pledge Agreement;

(xii) Evidence of the satisfaction of the conditions set forth in Section 3.06 of the Fiscal Agent Agreement;

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

(xiv) unqualified opinions of Bond Counsel, dated the Closing Date and in substantially the form set forth in Appendix D to the Official Statement;

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

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

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

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

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

(xx) an opinion of counsel to the Special Fund Trustee, addressed to the City and the Underwriter, dated the Closing Date and in form and substance acceptable to the City and the Underwriter;

(xxi) a certificate of the Fiscal Agent, dated the Closing Date, to the effect that: (A) it is a national banking association duly organized and existing under the laws of the United States of America; (B) it has full corporate trust powers and authority to serve as Fiscal Agent under the Fiscal Agent Agreement and the Pledge Agreement; (C) it acknowledges and accepts its obligations under the Fiscal Agent Agreement and

the Pledge Agreement ; (D) it has duly authorized, executed and delivered the Fiscal Agent Agreement and the Pledge Agreement; (E) such acceptance and execution and delivery is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which it is a party or any administrative or judicial decision by which it is bound; and (F) it has duly authenticated the Bonds in accordance with the terms of the Fiscal Agent Agreement;

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

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

(xxiv) a certificate from Goodwin Consulting Group, Inc. (“Special Tax Consultant”) to the effect that (i) the Development Special Tax if applied in accordance with the terms as set forth in the Rate and Method, will annually yield sufficient revenue to make timely payments of debt service on the Bonds, provided that information and other data supplied by the District, the Municipal Advisor, the Underwriter or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) the net Development Special Taxes, if collected in the maximum amounts permitted pursuant to the Rate and Method on the Closing Date, would generate at least 110% of the maximum debt service payable with respect to the Bonds payable from such Development Special Taxes during each fiscal year, based on a debt service schedule supplied by the Underwriter and relied upon by the Special Tax Consultant, (iii) the information supplied by the Special Tax Consultant for use in the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date, and (iv) the description of the Rate and Method contained in the Official Statement is correctly presented in all material respects;

(xxv) a letter of representation of Mission Rock Partners, LLC, a Delaware limited liability company (the “Mission Rock Partners”), dated the date of the Preliminary Official Statement, substantially in the form attached hereto as Exhibit G;

(xxvi) a certificate of the Mission Rock Partners, dated the Closing Date, substantially in the form attached hereto as Exhibit H;

(xxvii) a letter or letters from counsel to the Mission Rock Partners, dated the Closing Date and addressed to the Underwriter and the City, regarding the following: (i) negative assurance with respect to the Preliminary Official Statement and Official Statement; (ii) the validity and enforceability of the Developer Continuing

Disclosure Certificate; and (iii) no litigation affecting the development of the property as described in the Official Statement or the payment of the Development Special Taxes;

(xxviii) a Continuing Disclosure Certificate, entered into by the Mission Rock Partners, substantially in the form attached to the Preliminary Official Statement as Appendix E-2; and

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

(xxx) A judgment of the Superior Court of the County of San Francisco in a judicial validation action related to the IFD, the Sub-Project Areas and the Pledge Agreement (Case No. CGC-18-565561).

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

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

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

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

(c) any of the following occurs and is continuing as of the Closing Date which, in the reasonable judgment of the Underwriter (set forth in a written notice from the Underwriter to the City terminating the obligation of the Underwriter to accept delivery of and make payment for the Bonds), has a material adverse effect on the marketability or market price of the Bonds, at the initial offering prices set forth in the Schedule I attached hereto, or the Underwriter's ability to process and settle transactions:

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

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

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

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

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

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

(vii) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter; or

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

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

Section 12. Expenses.

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By _____
Eileen Gallagher
Managing Director

CITY AND COUNTY OF SAN FRANCISCO

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

APPROVED AS TO FORM:

Dennis J. Herrera
City Attorney

By _____
Mark D. Blake, Deputy City Attorney

[Signature Page to City and County of San Francisco Community Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B
Bond Purchase Agreement]

SCHEDULE I

Maturity Schedule

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

Serial Bonds \$ _____

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____ % Term Bonds due September 1, 20__ – Yield: ____% Price: ____

\$ _____ % Term Bonds due September 1, 20__ – Yield: ____% Price: ____

Redemption Provisions

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

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

Mandatory Sinking Fund Redemption of Term Bonds. The Bonds maturing on September 1, ____ (the “Term 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:

20__ Bonds	
<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
(maturity)	

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

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

Redemption Date

Redemption Price

Any Interest Payment Date on or before March 1, 20__	___%
On September 1, 20__ and March 1, 20__	___
On September 1, 20__ and March 1, 20__	___
On September 1, 20__ and any Interest Payment Date thereafter	___

EXHIBIT A

UNDERWRITER'S REPRESENTATIONS, COVENANTS AND AGREEMENTS AND CITY CONTRACTING REQUIREMENTS

Section 1. Underwriter's Representations, Covenants and Agreements. The Underwriter represents and covenants and agrees with the City that:

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

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

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

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

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

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

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

registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

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

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

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

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

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

(i) **Prohibition on Political Activity With City Funds.** In accordance with San Francisco Administrative Code Chapter 12.G, an Underwriter may not participate in, support

or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services provided under this Purchase Agreement. The Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Underwriter violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City and/or City contract for a period of two years.

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

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

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

(m) ***Limitations on Contributions.*** Through execution of this Purchase Agreement, the Underwriter acknowledges its obligations under section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (i) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves; (ii) a candidate for the office held by such individual; or (iii) a committee controlled by such individual, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date the contract is approved. The Underwriter acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of one hundred thousand (\$100,000) or more. The Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's principal officers, including its chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than ten percent (10%) in such Underwriter; and any subcontractor listed in the bid or contract; and within thirty (30) days of the submission of a proposal for the contract, the City is obligated to submit to the Ethics Commission the parties to the contract and any subcontractor listed as part of the proposal. Additionally, the Underwriter acknowledges that such Underwriter informed each of the persons described in the preceding sentence of the

prohibitions contained in Section 1.126 by the time it submitted a proposal for the contract and has provided to City the names of the persons required to be informed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As to Exhibit A of this Purchase Agreement:

STIFEL, NICOLAUS & COMPANY,
INCORPORATED, as Underwriter

By _____
Eileen Gallagher, Managing Director

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

The undersigned _____, _____ and _____, respectively, of the City and County of San Francisco (the "City"), acting in their official capacities, hereby certify as follows in connection with the issuance of the \$_____ aggregate principal amount of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (the "Bonds"):

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

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

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

Dated: _____, 2020.

Name

Office

Signature

EXHIBIT C

FORM OF OPINION OF ISSUER COUNSEL

[LETTERHEAD OF CITY ATTORNEY]

[Closing Date]

City and County of San Francisco
San Francisco, California

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

Re: \$_____ City and County of San Francisco Special Tax District No. 2020-1
(Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B

Ladies and Gentlemen:

In my capacity as City Attorney, I am providing this opinion as counsel to the City and County of San Francisco (the “City”) and City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) connection with the issuance of the \$_____ City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (the “Bonds”) by the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “City”) acting on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”), I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion. Capitalized terms not defined herein shall have the meanings set forth in the Purchase Agreement (as defined below).

I am of the opinion that:

1. The City is a charter city, with full legal right, power and authority to enter into and perform its obligations under: (a) the Fiscal Agent Agreement, dated as of ____1, 2021 (the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”); (b) the Pledge Agreement, dated ____, 2021 (the “Pledge Agreement”), by and among the City, for and on behalf of the District, the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) and the Fiscal Agent, (c) the Special Fund Administration Agreement, dated as of _____, 2021 (the “Special Fund Administration Agreement”) by and between the City, acting by and through the Port Commission, in its proprietary capacity and as agent for the District and the IFD, and Zions Bancorporation, National Association, as the special fund trustee; (d) the Bond Purchase Agreement, dated [Pricing Date] (the “Purchase Agreement”), by and between Stifel, Nicolaus & Co. Incorporated and the City; and (e) the Continuing Disclosure Certificate, dated ____ ____, 2021 (the “Continuing Disclosure Certificate”) of the City relating to the Bonds. The Fiscal Agent Agreement, the Special Fund Administration

Agreement, the Pledge Agreement the Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents.”

2. The IFD is an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California with full legal right, power and authority to enter into and perform its obligations under the Pledge Agreement.

3. The CFD Resolutions and Ordinance were each duly adopted at a meeting of the Board of Supervisors of the City. The meeting during which each of the CFD Resolutions and Ordinance were adopted was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

4. The IFD Resolutions and Ordinance were each duly adopted at a meeting of the Board of Supervisors of the City. The meeting during which each of the IFD Resolutions and Ordinance were adopted was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

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

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

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

8. The Pledge Agreement has been duly authorized, executed and delivered by the IFD and assuming that the Pledge Agreement is valid and binding upon each of the other respective parties thereto, it is valid and binding upon and enforceable against the IFD in accordance with its respective terms, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors’ rights in general, by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State of California.

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

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

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

Very truly yours,

By _____

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[LETTERHEAD OF BOND COUNSEL]

[Closing Date]

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

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

SUPPLEMENTAL OPINION:

\$_____ City and County of San Francisco Special Tax District No. 2020-1
(Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B
(the "Bonds")

Ladies and Gentlemen:

We have acted as bond counsel to the City and County of San Francisco (the "City") in connection with the issuance by the City, for and on behalf of the City and County of San Francisco Community Facilities District No. 2020-1 (Mission Rock Facilities and Services) (the "Community Facilities District"), of the captioned bonds, dated the date hereof (collectively, the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressee hereof.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), Resolution No. 196-20 of the Board of Supervisors of the City adopted on May 5, 2020, and signed by the Mayor on May 15, 2020, as supplemented by Resolution No. 565-20 of the Board of Supervisors of the City adopted on December 8, 2020 and signed by the Mayor on December 18, 2020, and further supplemented by Resolution No. ___-___, which was approved by the Board of Supervisors on _____, 2021 and signed by the Mayor on _____, 2021 (collectively, the "City Resolution") and a Fiscal Agent Agreement, dated as of _____, 2021 (the "Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"). Under the Fiscal Agent Agreement, the City has pledged for the payment of principal, premium (if any) and interest on the Bonds when due certain special tax

revenues (“Development Special Tax Revenues”) and certain payments (“IFD Payment Amounts”) made by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) under a Pledge Agreement, dated as of ____ 1, 2021, among the City, for and on behalf of the District, the IFD and the Fiscal Agent.

Capitalized terms not defined here have the meanings given them in the Bond Purchase Agreement, dated _____, 2021 (the “Purchase Agreement”), by and between Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) and the City. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressees hereof.

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

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

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

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

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

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

Respectfully submitted,

A Professional Law Corporation

EXHIBIT E

FORM OF OPINION OF DISCLOSURE COUNSEL

[LETTERHEAD OF DISCLOSURE COUNSEL]

Re: \$_____ City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (the “Bonds”)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of San Francisco (the “City”) in connection with the \$[Series A Par] City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (the “Bonds”). The Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of _____, 2021 (the “Original Fiscal Agent Agreement”), as supplemented by a First Supplement to Fiscal Agent Agreement dated as of _____ 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”), the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the Government Code of the State of California) (the “Act”), and Resolution No. ___-__ which was approved by the Board of Supervisors on _____, 2021 and signed by the Mayor on _____, 2021 (the “Resolution”). The terms and provisions of the Bonds are contained in the Fiscal Agent Agreement and are further described in the Official Statement relating to the Bonds, dated [Pricing Date] (the “Official Statement”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Official Statement.

The Bonds were sold by the City pursuant to that Bond Purchase Agreement, dated [Pricing Date] (the “Bond Purchase Agreement”), by and between Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) and the City.

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

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

In our capacity as Disclosure Counsel to the City, we have rendered certain legal advice and assistance in connection with the preparation of the Preliminary Official Statement relating to

the Bonds, dated _____, 2021 (the “Preliminary Official Statement”), and the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephone conferences with, among others, representatives of the City, the City Attorney, Bond Counsel, the Underwriter, Underwriter’s Counsel and the City’s Municipal Advisors, at which meetings and conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Preliminary Official Statement and the Official Statement that causes them to believe that (a) the Preliminary Official Statement as of its date or as of the date of the Bond Purchase Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view, and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yield, interest rate, maturity, amortization, redemption provisions, underwriter’s compensation and the CUSIP numbers), or (b) the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view). In rendering such advice we conducted no independent diligence on the Electronic Municipal Market Access website and express no view regarding the City’s or the Authority’s compliance with any obligation to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12.

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

We are furnishing this opinion to you, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. The delivery of this opinion shall not create any attorney-client relationship between our firm and

the addressees hereof, other than the City. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the remarketing relating to the Bonds, and we have no obligation to update this opinion.

Respectfully submitted,

EXHIBIT F

CFD RESOLUTIONS AND ORDINANCE

1. City Resolution No. 84-20, entitled “Resolution declaring the intention to establish City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) and a future annexation area; ordering and setting a time and place for a public hearing of the Board of Supervisors, sitting as a Committee of the Whole, on April 7, 2020, at 3:00 p.m.; determining other matters in connection therewith, as defined herein; and making findings under the California Environmental Quality Act,” adopted by the Board of Supervisors on February 25, 2020 and approved by the Mayor on March 6, 2020.
2. City Resolution No. 85-20, entitled “Resolution declaring the intention to incur bonded indebtedness and other debt in an aggregate principal amount not to exceed \$3,700,000,000 for the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); ordering and setting a time and place for a public hearing of the Board of Supervisors, sitting as a Committee of the Whole, on April 7, 2020, at 3:00 p.m.; and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on February 25, 2020 and approved by the Mayor on March 6, 2020.
3. City Resolution No. 160-20, entitled “Resolution of formation of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) and a future annexation area; determining other matters in connection therewith, as defined herein; and making findings under the California Environmental Quality Act,” adopted by the Board of Supervisors on April 14, 2020 and approved by the Mayor on April 24, 2020
4. City Resolution No. 161-20, entitled “Resolution determining necessity to incur bonded indebtedness and other debt in an aggregate principal amount not to exceed \$3,700,000,000 for the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on April 14, 2020 and approved by the Mayor on April 24, 2020.
5. City Resolution No. 162-20, entitled “Resolution calling a special election in the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on April 14, 2020 and approved by the Mayor on April 24, 2020.
6. City Resolution No. 195-20, entitled “Resolution declaring the results of the special election and directing recordation of the notice of special tax lien for the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on May 5, 2020 and approved by the Mayor on May 15, 2020.
7. Ordinance No. 79-20, entitled “Ordinance levying special taxes within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services),” adopted by the Board of Supervisors on May 12, 2020 and approved by the Mayor on May 22, 2020.
8. City Resolution No. 196-20, entitled “Resolution authorizing and ratifying the issuance and sale of bonded indebtedness and other debt in an aggregate principal amount not to exceed \$3,700,000,000 for the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on May 5, 2020 and approved by the Mayor on May 15, 2020.

9. City Resolution No. 200-20, entitled “Resolution approving the levy on the secured roll of ad valorem and special taxes on possessory interests in Sub-Project Areas G-2 through G-4 and Sub-Project Areas I-1 through I-13 of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco), City and County of San Francisco Special Tax District No. 2019-2 (Pier 70 Leased Properties), and City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); making findings under the California Environmental Quality Act; and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on May 5, 2020 and approved by the Mayor on May 15, 2020.
10. City Resolution No. 162-19, entitled “Resolution declaring official intent to reimburse expenditures related to development of the Mission Rock Project from the proceeds of bonds and other debt; and making findings under the California Environmental Quality Act,” adopted by the Board of Supervisors on April 9, 2019 and approved by the Mayor on April 12, 2019.
11. City Resolution No. 565-20, entitled “Resolution supplementing Resolution No. 196-20 authorizing the issuance and sale of one or more series of Development Special Tax Bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) in the aggregate principal amount not to exceed \$43,300,000; approving related documents, including an Official Statement, Fiscal Agent Agreement, Bond Purchase Agreement, Continuing Disclosure Certificate, and Pledge Agreement; and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on December 8, 2020 and approved by the Mayor on December 18, 2020.
12. City Resolution No. ___-21, entitled [“Resolution supplementing Resolution No. 196-20 authorizing the issuance and sale of one or more series of Development Special Tax Bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) in the aggregate principal amount not to exceed [_____]; approving related documents, including an Official Statement, Fiscal Agent Agreement, Bond Purchase Agreement, and Continuing Disclosure Certificate; and determining other matters in connection therewith, as defined herein,” adopted by the Board of Supervisors on _____, 2021 and approved by the Mayor on December 18, 2020.]

EXHIBIT G

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

LETTER OF REPRESENTATIONS OF MISSION ROCK PARTNERS

_____, 2021

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

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

Ladies and Gentlemen:

Reference is made 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 (the “Bonds”) and to the Bond Purchase Agreement to be entered into in connection therewith (the “Purchase Agreement”). This Letter of Representations of Mission Rock Partners (the “Letter of Representations”) is delivered pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Mission Rock Partners, LLC, a Delaware limited liability company (the “Developer”), which is the parent company of the master developer of certain of the property within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities Services) (the “District”) and which also controls and owns an indirect interest in a series of joint ventures that each wholly own certain vertical developers of parcels within the District, and the undersigned, on behalf of the Developer, further certifies as follows:

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

2. As set forth in the Preliminary Official Statement, certain property within the District is leased by Affiliates of the Developer (herein the “Property”). The undersigned, on behalf of the Developer and its Affiliates, makes the representations herein with respect to all such Property.

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

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

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

6. As of the date thereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of, and leasehold interests in, the Property, the Developer’s and its Affiliates’ development plan and entitlements, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) as set forth under the captions “THE MISSION ROCK PROJECT” and “CONTINUING DISCLOSURE–Mission Rock Partners” (but excluding any information cited as coming from a source other than the Developer or its Affiliates) is true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the District, to challenge the adoption of ordinance(s) of the City levying Development Special Taxes within the District, to invalidate the District or any of the Bonds or any refunding bonds related thereto, or to invalidate the Development Special Tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the Notice of Special Tax Lien relating thereto. The foregoing covenant shall not

prevent the Developer or any Affiliate in any way from bringing any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body including, without limitation, (a) an action or suit contending that the Development Special Taxes have not been levied in accordance with the methodologies contained in the Rate and Method of Apportionment of Special Taxes pursuant to which the Development Special Taxes are levied, (b) an action or suit with respect to the application or use of the Development Special Taxes levied and collected, (c) the enforcement of the obligations of the City under the Fiscal Agent Agreement or any agreements between the Developer, and Affiliate, the City and/or the District under which the Developer or any Affiliate is a party or beneficiary.

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

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

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

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

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

13. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of, or leasehold interests in, the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the

undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 6 hereof (as subject to the limitations and exclusions contained in Paragraph 6), to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the City and the Underwriter and if in the opinion of counsel to the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the City in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance reasonably satisfactory to counsel to the City and to the Underwriter.

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

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

16. As used in this Letter of Representations, the term “Affiliate” of the Developer means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of such other Person; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by such other Person; and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person. For purposes hereof, “control” means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. For purposes of the definition of “Affiliate,” the term “Person” means any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary or other capacity.

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

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

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

MISSION ROCK PARTNERS, LLC,
a Delaware limited liability company

By: _____
Authorized Representative

EXHIBIT H

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

CLOSING CERTIFICATE OF MISSION ROCK PARTNERS

_____, 2021

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

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

Ladies and Gentlemen:

Reference is made 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 (the “Bonds”) and to the Bond Purchase Agreement, dated ____, 2020, by and between Stifel, Nicolaus & Company, Incorporated and the City and County of San Francisco (the “City”) (the “Purchase Agreement”). This Closing Certificate of Mission Rock Partners (the “Closing Certificate”) is delivered by Mission Rock Partners, LLC, a Delaware limited liability company (the “Developer”), which is the parent company of the master developer of certain of the property within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities Services) (the “District”) and which also controls and owns an indirect interest in a series of joint ventures that each wholly own certain vertical developers of parcels within the District, pursuant to the Purchase Agreement. Capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Agreement.

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

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

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 6 of the Letter of Representations (and subject to the limitations and exclusions contained in Paragraph 6) relating to the Developer, its Affiliates, ownership of, or leasehold interests in, the Property, the

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

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

4. The undersigned has executed this Closing Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Closing Certificate. Any liability arising from or relating to this Closing Certificate may only be asserted against the Developer.

MISSION ROCK PARTNERS, LLC,
a Delaware limited liability company

By: _____
Authorized Representative

EXHIBIT I

FORM OF ISSUE PRICE CERTIFICATE

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

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

2. Defined Terms.

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

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

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

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

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

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____

Name: _____

By: _____

Name: _____

EXHIBIT J

IFD RESOLUTIONS AND ORDINANCE

1. City Resolution No. 123-13 entitled “Resolution adopting Guidelines for the Establishment and Use of an Infrastructure Financing District with Project Areas on Land Under the Jurisdiction of the San Francisco Port Commission,” adopted by the Board of Supervisors on April 23, 2013 and approved by the Mayor on April 30, 2013.
2. City Resolution No. 110-12 entitled “Resolution of Intention to establish Infrastructure Financing District No. 2 for the City and County of San Francisco at the Port of San Francisco,” adopted by the Board of Supervisors on March 27, 2012 and approved by the Mayor on April 5, 2012.
3. City Resolution No. 227-12 entitled “Resolution amending Resolution of Intention to establish Infrastructure Financing District No. 2 (File No. 120128) for the City and County of San Francisco at the Port of San Francisco,” adopted by the Board of Supervisors on June 12, 2012 and approved by the Mayor on June 20, 2012.
4. City Resolution No. 421-15 entitled “Resolution further amending Resolutions of Intention to establish Infrastructure Financing District No. 2 (Resolution Nos. 110-12 and 227-12) for the City and County of San Francisco at the Port of San Francisco,” adopted by the Board of Supervisors on November 17, 2015 and approved by the Mayor on November 25, 2015.
5. Ordinance No. 27-16 entitled “Ordinance establishing an Infrastructure Financing District (including Sub-Project Area G-1 (Pier 70 - Historic Core)) and adopting an Infrastructure Financing Plan (including Appendix G-1) for City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco); approving a Tax Administration Agreement; affirming the Planning Department’s determination under the California Environmental Quality Act; and approving other matters in connection therewith,” adopted by the Board of Supervisors on March 1, 2016 and approved by the Mayor on March 11, 2016.
6. Port Commission Resolution No. 15-43 approving a Memorandum of Understanding related to the Sub-Project Area G-1 of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco), adopted by the Port Commission on November 10, 2015. [Why is this necessary for Mission Rock?]
7. City Resolution No. 59-16 entitled “Resolution approving a Memorandum of Understanding relating to Sub-Project Area G-1 (Pier 70 - Historic Core) of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San

Francisco); and approving other matters in connection therewith,” adopted by the Board of Supervisors on February 23, 2016 and approved by the Mayor on March 4, 2016. [Why is this necessary for Mission Rock?]

8. City Resolution No. 426-17 entitled “Resolution of Intention to establish Project Area I (Mission Rock), and Sub-Project Areas 1-1 through 1-13 therein, of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco); to call a public hearing on January 23, 2018; and determining other matters in connection therewith,” adopted by the Board of Supervisors on November 28, 2017 and approved by the Mayor on November 30, 2017.
9. City Resolution No. 427-17 entitled “Resolution of Intention to Issue Bonds for Project Area I of City and County of San Francisco Infrastructure Financing District No. 2. (Port of San Francisco),” adopted by the Board of Supervisors on November 28, 2017 and approved by the Mayor on November 30, 2017.
10. Ordinance No. 34-18 entitled “Ordinance establishing Project Area I (Mission Rock), and Sub-Project Areas 1-1 through 1-13 therein, of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco); affirming the Planning Department's determination and making findings under the California Environmental Quality Act; and approving other matters in connection therewith,” adopted by the Board of Supervisors on February 27, 2018 and approved by the Mayor on March 6, 2018.
11. City Resolution No. 37-18 entitled “Resolution approving issuance of Bonds in an amount not to exceed \$1,378,000,000 for Project Area I (Mission Rock), and Sub-Project Areas 1-1 through 1-13 therein, of City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco); approving Indenture of Trust and Pledge Agreement; and approving other matters in connection therewith,” adopted by the Board of Supervisors on February 13, 2018 and approved by the Mayor on February 23, 2018.

EXHIBIT K

FORM OF CERTIFICATE OF THE IFD

The undersigned _____, _____ and _____, respectively, of the City and County of San Francisco (the “City”), acting in their official capacities, hereby certify as follows in connection with the issuance of the \$_____ aggregate principal amount of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (the “Bonds”):

1. The City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) is an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California.

2. The Infrastructure Financing Plan for the IFD, including Appendix I (the “IFP”), was duly authorized and approved pursuant to the laws of the State of California, a true and correct copy of the IFP is set forth in the transcript for the Bonds, and the IFP is in full force and effect as of the date hereof.

3. The IFD has full legal right, power and authority to enter into that certain Pledge Agreement, dated as of ____, 2021 (the “Pledge Agreement”), by and among the City, for and on behalf of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”), the IFD and Zions Bancorporation, National Association as fiscal agent for the captioned bonds (the “Fiscal Agent”), and to observe and perform the covenants and agreements in the Pledge Agreement.

4. The IFD has duly authorized and approved the execution and delivery of, and the performance by the IFD of its obligations contained in, the Pledge Agreement.

5. The Pledge Agreement when executed or adopted by the IFD, will be the legal, valid and binding obligations of the IFD enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors’ rights generally, and to limitations on remedies against cities and counties under California law.

6. The attached resolutions and ordinance (the “IFD Resolutions and Ordinance) were adopted by the Board of Supervisors of the City at meetings that were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, are in full force and effect and have not been amended, modified, rescinded or challenged by referendum.

7. As of the date thereof and as of the date hereof, the information in the Preliminary Official Statement related to the IFD, Project Area 1 and the Sub-Project Areas did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

8. The IFD is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or court decree or any

loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the IFD is a party or to which the IFD is otherwise subject which violation, breach or default would have a material adverse effect on the IFD's financial condition or its ability to receive the Allocated Tax Increment, to pledge the Pledged Tax Increment, or to pay the IFD Payment Amount to the Fiscal Agent in accordance with the Pledge Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default under any such instrument; and the execution and delivery of the Pledge Agreement, and compliance with the provisions of the Pledge Agreement will not materially conflict with or constitute a material breach of or material default under any applicable constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the IFD is subject, or by which it or any of its properties is bound which conflict, breach or default would have a material adverse effect on the IFD's financial condition or its ability to receive the Allocated Tax Increment, to pledge the Pledged Tax Increment, or to pay the IFD Payment Amount to the Fiscal Agent in accordance with the Pledge Agreement.

9. Except as disclosed in the Preliminary Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the IFD after due inquiry, threatened by a prospective party or their counsel in writing addressed to the IFD, (i) in any way questioning the corporate existence of the IFD; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the allocation to the IFD of the Allocated Tax Increment or the payment of the IFD Payment Amount to the Fiscal Agent; (iii) in any way contesting the pledge of Pledged Tax Increment by the IFD under the Pledge Agreement; (iv) in any way contesting or affecting the validity of the IFD, the validity the IFD Resolutions or Ordinance, or the execution and delivery by the IFD of the Pledge Agreement.

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

11. Each of the undersigned was authorized by the Board of Supervisors, as the legislative body of the IFD, to execute the Pledge Agreement.

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

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

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

Dated: _____, 2020.

Name

Office

Signature

EXHIBIT L

FORM OF WATERFRONT SET-ASIDE CERTIFICATE OF THE IFD

The undersigned, the _____ of the City and County of San Francisco (the "City"), acting in his or her official capacity, hereby certifies as follows in connection with the issuance of the \$_____ aggregate principal amount of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021B (the "Bonds"):

1. The City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the "IFD") is an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California, including Chapter 2.8 of Division 2 of Part 1 of Title 5 of the California Government Code (the "IFD Law").

2. On the date hereof, the IFD is entering into that certain Pledge Agreement, dated as of _____, 2021 (the "Pledge Agreement"), by and among the City, for and on behalf of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the "District"), the IFD and Zions Bancorporation, National Association, as fiscal agent for the Bonds. Capitalized terms used herein but not defined herein have the meaning given them in the Pledge Agreement.

3. Under the Pledge Agreement, the IFD has pledged Pledged Tax Increment as security for its obligation to pay the IFD Payment Amount. The IFD Payment Amount will be used, among other purposes, to pay debt service on the Special Tax District Bonds and replenish any debt service reserve fund for the Special Tax District Bonds. Pledged Tax Increment includes the Waterfront Set-Aside only to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law to pay the IFD Payment Amount 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.


4. Based on the use of proceeds of the Bonds, as described more completely in the Certificate Regarding Use of Proceeds related to the Bonds and delivered concurrently herewith, the IFD has concluded that ____% of the IFD Payment Amount may be paid from the Waterfront Set-Aside. Set forth on Attachment 1 is a schedule of the debt service on ____% of the aggregate principal amount of the Bonds, although there is no certainty for any Fiscal Year that the IFD Payment will be sufficient to pay debt service on the Bonds.



MEMORANDUM

March 19, 2021

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. John Burton
Hon. Gail Gilman
Hon. Doreen Woo Ho

FROM: Elaine Forbes
Executive Director 

SUBJECT: Request approval of a Resolution recommending that the Board of Supervisors approve the Mission Rock Community Facilities District financing, including the issuance of bonds in an aggregate principal amount not to exceed \$68,000,000 (“Bonds”), and the execution and delivery of financing documents, including the: 1) form of Bond Purchase Agreement, 2) form of First Supplement to Fiscal Agent Agreement, 3) form of Continuing Disclosure Certificate, 4) form of Preliminary Official Statement, and authorizing and directing the Executive Director to cause the package to be submitted to the Board of Supervisors and to work with the Director of the Office of Public Finance to finalize and cause the distribution of the Preliminary Official Statement and the issuance of the Bonds

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution No. 21-11

EXECUTIVE SUMMARY

After more than a decade of planning, the Mission Rock Project at Seawall Lot 337 has broken ground on horizontal infrastructure construction and vertical development. The Port’s partner for the development of the Project is Seawall Lot 337 Associates, LLC (“Developer”), an affiliate of the San Francisco Giants and Tishman Speyer. The City will issue bonds using tax increment financing and special taxes to finance horizontal infrastructure at the Project. On October 27, 2020, the Port Commission approved a resolution recommending the issuance of Development Special Tax Bonds.

The Board of Supervisors then authorized the issuance of up to \$43,300,000 of Development Special Tax Bonds in December 2020.

The City's Office of Public Finance (OPF) and the City's Underwriter, Stifel, Nicolaus & Company, Incorporated ("Stifel") are finalizing a negotiated sale of the previously authorized Development Special Tax Bonds and expect to close on the sale and deliver funds in April 2021. The not to exceed par amount of \$43,300,000 that was approved by the Board of Supervisors for the first round of Development Special Tax Bonds reflects a 3-to-1 value-to-lien ratio, based on an appraised value of the taxable leasehold interests in the Mission Rock community facilities district ("Mission Rock CFD" or "CFD") of \$130,000,000 as of an October 28, 2020 valuation date.

In the months since the Port Commission and the Board of Supervisors approved the initial Development Special Tax Bonds, the Developer and its vertical developer affiliates have undertaken substantial horizontal and vertical improvements in the Project area and paid substantial development impact fees. These improvements and the payment of these impact fees have greatly increased the value of the leasehold interest in the Mission Rock CFD. The latest draft appraisal of the CFD estimates that the market value of the taxable leasehold interests in the Mission Rock CFD as of February 1, 2021 is \$334,040,000. Because the Project's bond amounts are limited primarily by the value of the taxable leasehold interest in the CFD and the 3-to-1 value-to-lien requirement, the Port and City see an opportunity to enhance the Project's economics by quickly issuing a second round of Development Special Tax Bonds supported by the increased leasehold value.

This memorandum updates the March 5, 2021 informational memorandum; changes are indicated by underline. Port staff request Port Commission approval of the attached resolution which recommends an additional bond issuance to the Board of Supervisors in an amount not to exceed \$68,000,000. If the initial series of Development Special Tax Bonds is issued in the principal amount of \$43,300,000 and the second (proposed) series of Bonds is issued in the principal amount of \$68,000,000, the total outstanding principal amount of Development Special Tax Bonds will be \$111,300,000, which would comply with the 3-to-1 value-to-lien requirement based on the \$334,040,000 appraised value.

STRATEGIC PLAN

This item and the Mission Rock Project as a whole support the efforts of the Port's Strategic Plan to enhance and balance the Port's maritime and economic purpose, rich history, and changing relationship with the City so the waterfront continues to be a treasured destination.

The item specifically supports the Port's Strategic Plan strategies of Productivity, and Stability:

- #6 Productivity. Redevelopment of a surface parking lot into the Mission Rock neighborhood supports the goal of enhancing the economic vitality of the Port. The Port aims to work with City Controller’s Office and Board of Supervisors to establish public financing bonds to fund infrastructure development
- #7 Stability. Establishment of IFD and CFD financing districts are projected to have capacity to fund a variety of Port capital projects.

PROJECT BACKGROUND

On January 30, 2018, the Port Commission approved a mixed-use development project known as Mission Rock at Seawall Lot 337 and Pier 48 (“Project”). Subsequently, on February 13, 2018, the San Francisco Board of Supervisors approved the Project and on August 15, 2018 the Port and Seawall Lot 337 Associates signed all Project-related documents.

The Port’s partner for development of the Project is Seawall Lot 337 Associates, LLC (“Developer”), an affiliate of the San Francisco Giants and Tishman Speyer. The Disposition and Development Agreement (“DDA”) and related agreements between the Port and the Developer govern the Project’s development.

The entitled Mission Rock project anticipates up to 1,200 units of new rental housing including 40 percent affordable units, 1.4 million square feet of new commercial and office space, rehabilitation of historic Pier 48, space for small-scale manufacturing, retail and neighborhood services, waterfront parks, and public infrastructure. The Mission Rock mixed-use project is located at SWL 337 and Pier 48, bound by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay.

The Project broke ground in December 2020. and the Developer and its vertical developer affiliates are currently constructing horizontal infrastructure and two vertical parcels. This achievement is the result of 11 years of effort, led by the Port Commission, Port and City staff, and the Developer. These efforts include state legislation; neighborhood planning and neighborhood outreach; infrastructure planning and design; shoreline and sea level rise resiliency planning; development of a Special Use District; formation of an infrastructure financing district and community facilities district; and successful collaborations with regulators and partner agencies related to topics like workforce development, affordable housing, transportation, public access, and park development.

LOCAL BUSINESS ENTERPRISE STATUS

The Mission Rock project was one of the City’s first development projects to commit to a Local Business Enterprise (“LBE”) participation goal. Current local business enterprise commitments and awards total ~19% and are closing in on the 20% overall LBE participation goal during construction.

Working collaboratively with general contractors, RDJ Enterprises, Monica Wilson, Port staff, and the San Francisco Contract Monitoring Division, the project team recently implemented additional barrier mitigation strategies to help identify and assist local and historically underrepresented businesses become more competitive during the bid and awarding process. The recent report included \$1.9 million (2.95%) awarded to women-owned small businesses based in San Francisco and \$5.8 million (8.95%) was awarded to minority-owned small businesses based in San Francisco. In total, \$7.7 million (11.90%) of contract dollars were awarded to LBE businesses. Most recently, however, an additional \$6.9 million has been committed to Local Business Enterprises and eleven new LBEs have joined the project including Ground Control, Inc., Hoseley Corporation, M Hernandez Construction Inc., Marina Securities, and Anco Iron & Construction which is working on LGBTQ+ certification.

FINANCING BACKGROUND

On September 20, 2019, the Port Commission approved the Phase 1 Budget of the Project, which outlined the expected costs and revenue sources for the phase improvements. The Phase 1 budget included:

- **Project Costs.** Projected hard costs, soft costs, and return on Developer equity for the Phase 1 Horizontal Infrastructure improvements.
- **Projected Revenues.** Sources include:
 - The four Phase 1 prepaid leases
 - Public financing sources including Community Facilities District (CFD) bond proceeds, CFD pay-as-you-go (“pay-go”) taxes (those not dedicated to bond debt service), and Infrastructure Financing District (IFD) pay-go taxes

Table 1 below summarizes the approved Phase 1 budget sources and uses.

*Table 1. Phase 1 Overview of Sources and Uses (\$ millions)**

Description	Entitlement	Phase 1	Total Phase
Total Horizontal Costs	29.3	145.4	174.8
Developer Return*	<u>16.9</u>	<u>73.8</u>	<u>90.7</u>
Total Phase 1 Uses	46.2	219.3	265.5
Net Development Rights Payments	42.2	-	42.2
CFD Bonds - Unimproved Land	4.0	31.2	35.2
CFD Bonds - Completed Buildings	-	140.8	140.8
CFD Excess Pay Go Increment	<u>-</u>	<u>47.2</u>	<u>47.2</u>
Total Phase 1 Project Sources	46.2	219.3	265.5

*Numbers are rounded and thus may not appear to sum precisely.

The Board passed an ordinance establishing Project Area I (Mission Rock) of Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) on February 27, 2018, which the Mayor signed on March 6, 2018.

On April 14, 2020, the Board of Supervisors passed a resolution approving the formation of the Mission Rock Special Tax District on No. 2020-1 (Mission Rock Facilities and Services) (the “CFD”). The Mayor signed this resolution on April 24, 2020. On May 5, 2020, after a public hearing and landowner vote, the Board approved a resolution determining a not to exceed bond indebtedness limit of \$3,700,000,000 for the CFD, which the Mayor signed on May 15, 2020. The Board of Supervisors passed an ordinance levying special taxes within the CFD on May 12, 2020, which was signed by the Mayor on May 22, 2020.

The two tax districts provide the revenues for the bonds discussed within this report. The IFD generates revenues by capturing tax increment, the increase in ad valorem (property) taxes within the district after the base year of 2017-2018. The CFD includes four separate special taxes:

1. **Development Special Tax** – funds horizontal infrastructure on the site; expected 45-year life
2. **Office Special Tax** – funds horizontal infrastructure on the site; 120-year life
3. **Shoreline Special Tax** – a source for ongoing shoreline protection studies and facilities; Shoreline Taxes from Phase I can also fund horizontal infrastructure on the site; 120-year life
4. **Contingent Services Special Tax** – funds ongoing maintenance and services of the area if the Master Association does not provide these services

On October 27, 2020, the Port Commission approved a resolution recommending that the Board of Supervisors approve the first Mission Rock CFD financing, including the issuance of bonds in an aggregate principal amount not to exceed \$50,100,000. On December 8, 2020, the Board of Supervisors approved a resolution authorizing (i) the City to issue Development Special Tax Bonds in an amount not to exceed \$43,300,000, (ii) the execution and delivery of related financing documents, and (iii) a Pledge Agreement to specify repayment of the authorized bonds. Note that the Board of Supervisors’ not-to-exceed bond amount was less than the Port Commission’s not-to-exceed bond amount because the CFD land appraiser updated its appraisal between the October and December 2020 hearings and reduced the appraised value, because of COVID related market changes between the April 2020 date of value and the October 2020 date of value.

CFD SPECIAL TAX BONDS

Bond Sizing for the First Bond

Two factors limit the amount of CFD special tax bonds sold: 1) the ongoing tax revenue capacity; and 2) an appraisal of the value of the leasehold interests within the CFD. Ongoing tax capacity must be 110 percent of the debt service requirement on any CFD special tax bonds. For example, if the annual debt service payments are \$1.0 million, the annual CFD special tax revenue must be at least \$1.1 million. For the first bond sale at Mission Rock, the Development Special Tax capacity on the first four parcels will far exceed the coverage required for the initial Bonds, with a not-to-exceed amount of \$43,300,000. The expected taxes total \$14M per year while the debt service to support

the initial \$43.3M bond is \$1.8M for the first year. Therefore, the key constraint leading to the \$43,300,000 size of the first issuance was the appraised value of the leasehold interests within the CFD.

Because the City will foreclose on the taxable leasehold interests in the Mission Rock CFD if lessees are delinquent in the payment of the Development Special Tax, the value of the leasehold interests – determined by an appraisal – is an important credit consideration for purchasers of the Bonds. Under the City's *Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts*, the City must sell the Bonds to achieve at least a 3-to-1 value-to-lien ratio based on 1) the appraised value or the assessed value of the leasehold interests in the taxable parcels in the Mission Rock CFD and 2) special tax and assessment debt encumbering such leasehold interests (including the Bonds). This policy means that the value of the leasehold interests in the Mission Rock CFD must be three times the outstanding amount of the Bonds and any other special tax and assessment debt.

Integra Realty Resources, Inc. ("Appraiser") prepared an Appraisal Report dated November 9, 2020, with a valuation date of October 28, 2020, estimating the market value of the leasehold interests within the Mission Rock CFD to be \$130,000,000. This appraised value led to the not to exceed par amount of \$43,300,000 for the first issuance of Bonds, based on a 3-to-1 value-to-lien ratio.

Since that date, the Developer has spent significant funds on both horizontal and vertical improvements in the Mission Rock CFD and paid substantial development impact fees. The Appraiser prepared an Updated Appraisal Report, dated March 10, 2021 estimating the revised market value of the taxable leasehold interests in the CFD to be \$334,040,000 as of February 1, 2021.

Using a 3-to-1 value to lien ratio on the latest appraised value yields roughly \$111,300,000 in bond proceeds, which would allow the Bonds to be issued in the principal amount of \$68,000,000 in addition to the first issuance's not to exceed amount of \$43,300,000.

These updated valuations therefore enable a second issuance of Mission Rock Special Tax bonds. Based on the current projected valuation, staff recommend the Port Commission approve a resolution supporting the approval of a second sale of Special Tax Bonds in a par amount not to exceed \$68,000,000. The final amount will depend on final valuation of the CFD appraisal, additional CFD special tax revenue information, market conditions, marketability of bonds, risks associated with the size of a non-rated bond issuance for an early stage development, and ongoing investments at the site and will be finalized closer to sale and prior to Board of Supervisors authorization.

Table 2 below summarizes the estimated sources and uses for the Bonds, based on current market conditions and the current appraised value.

Table 2. Estimated Sources and Uses of the Special Tax Bonds, Series B 2021

Sources	Amount
Bond Proceeds	
Par Amount	\$ 68,000,000.00
Premium	\$ 3,137,328.45
Total Sources	\$ 71,137,328.45

Uses	Amount
Improvement Fund	\$ 64,444,451.57
Debt Service Reserve Fund	\$ 5,217,876.88
<i>Delivery Date Expenses:</i>	
Cost of Issuance	\$795,000.00
Underwriter’s Discount	\$680,000.00
Total Uses	\$ 71,137,328.45

Source: PFM

Municipal Market Context

Current municipal market rates are at very low levels. The current expectation with the economic recovery trajectory is that interest rates may rise. If rates increase by 100 basis points above current levels, the amount of proceeds available to the project drops by \$7.7 million from \$64.4 million to \$56.7 million. Even with a 100 basis point increase in rates, the borrowing rate would still be very low at 4.7% versus the 18% return that would accrue if bonds are not issued.

Table 3. Scenario Estimate: Impact of 100 basis point Increase

	Current Rates	Current Rates + 100 bps	Difference
Project Proceeds	\$64.4 million	\$56.7 million	\$ (7.7 million)
Estimated Borrowing Rate	3.8%	4.7%	0.9%

CFD Bonds, backed by CFD Taxes and Tax Increment

The proposed Bonds will be secured by a pledge of the Development Special Tax levied on taxable property in the Mission Rock CFD in accordance with Ordinance 79-20 and the Rate and Method of Apportionment of Special Taxes for the Mission Rock CFD (“RMA”) adopted at formation.

As with the first authorized financing, the proposed second Mission Rock financing will utilize both CFD and IFD sources. The proposed Bonds will be secured by a pledge of Development Special Taxes, but not any of the other three CFD taxes. The CFD structure allows tax increment generated in the IFD to “offset” the CFD Development

Special Taxes. The offset increases the value of the Port's land by reducing the long-term tax burden on the site. Under this offset structure, tax increment from one year acts as a credit for the next year's CFD Development Special Tax obligation. Tax increment is expected to be available to offset the CFD Development Special Taxes once the developed property is assessed.

The City began levying Mission Rock CFD special taxes on the Undeveloped Property within the Mission Rock CFD in Fiscal Year (FY) 2020-21. Additionally, the Port executed Vertical Parcel Leases for Parcel G on June 25, 2020 and Parcels A, B, and F on October 6, 2020. The execution of these Parcel Leases initiated a 24-month or longer countdown for the levying of the Mission Rock CFD special tax on Developed Property, as the levy on Developed Property begins in the Fiscal Year after the 24-month anniversary of Parcel Lease execution. Thus, the Mission Rock CFD special tax levy on Developed Property for Parcel G will begin in FY 2022-23 and for Parcels A, B and F in FY 2023-24. Prior to then, the Development Special Tax will be levied on the undeveloped property based upon each parcel's expected square footage and use, in accordance with the RMA approved by the Board, to provide revenues to fund any debt service obligations. The IFD Project Area I tax increment offset mechanism will begin when the Assessor finalizes the assessment of each parcel, which is not anticipated to occur until after the Mission Rock CFD Development Special Tax levy on Developed Properties begins.

The proposed Bonds will be sold without a rating ("Non-Rated"). The real estate development is in relatively early stages and likely would not receive an investment grade rating. Non-Rated special tax bonds have unique credit considerations and risk factors for investors, which will be discussed in the risk factors sections of Official Statement for the Bonds. The Bonds are limited obligations of the City, secured by and payable solely from a pledge of the Development Special Taxes levied in the Mission Rock CFD and tax increment generated in IFD Project Area I.

The General Fund of the City and the Port Harbor Fund are not liable for the payment of principle or interest on the Bonds, and the credit of the City, the credit of the Port, and the General Fund of the City are not pledged to the payment of the Bonds. Other than the Special Taxes and the IFD tax increment, the City is not obligated to levy any taxes for repayment of the Bonds.

BENEFITS TO PORT AND PROJECT

CFD Bonds, anticipated to be priced with interest rates between 3.25 and 4.0 percent, will repay developer equity earning the higher of an 18 percent return or 1.5 times peak equity for the phase. The Port determined that the 18 percent return was a market-based rate of return. This replacement of higher-interest developer equity with low-interest public financing is the key financial structure of the deal which preserves Port's land value in later phases.

An additional \$68,000,000 in special tax bond proceeds would have significant benefits to the project's economics.

The developer contributed \$29.3 million in equity for entitlement costs, which, combined with the return on equity, led to an entitlement sum developer balance of \$46,429,304. This was largely offset by the development rights proceeds from the four phase 1 parcels, which totaled \$43,000,000, leaving a new Developer balance of \$3,429,304 (this Entitlement amount no longer accrues additional return). In addition to the entitlement sum, the Phase 1 budget assumes a Developer equity contribution of \$145,400,000, which will accrue the 18 percent return. Increasing the amount of early special tax bond proceeds allows the City to more quickly repay the Developer's equity contribution and replace the 18 percent per year debt with lower interest, bond debt service.

While the ability to increase the early bond issuance sizing is a positive development, it is counteracted by costly delays the Project has faced including: (1) achievement of the key horizontal permit (the Street Improvement Permit) in October 2020, nearly a year after Phase 1 budget approval rather than the anticipated 3 months after phase budget approval and (2) anticipated sale of the first CFD bond issuance in April 2021, which will occur 12 months later than anticipated in the Project's Model of Record. While the project team is gratified that this project is moving along quickly in the midst of this pandemic, including the construction of the first residential building with over 100 affordable units, the team continues to monitor expenditures, public financing, and construction timing. Phase 1 horizontal is about 25 percent complete. The project team and Developer are focused on cost and scope management and key construction milestones, and the team expects to provide the Port Commission with a more complete financial update by Fall of 2021.

The CFD bond proceeds from this proposed second issuance will finance or reimburse 1) horizontal improvements for the Project, 2) debt service reserve fund, 3) capitalized interest on the CFD bonds, if any, 4) administrative expenses, and 5) costs of issuance. Proceeds of the initial issuance of CFD bonds will reimburse the Developer for outstanding costs related to the initial stages of Phase I horizontal improvements (e.g. utilities, streets, sidewalks, parks, etc.).

Method of Sale and Bond Purchase Agreement

Given that the proposed Bonds will be unrated, and the underlying project is a new real estate development project, the City's independent municipal advisor recommend a negotiated sale for this transaction. The Bonds will be secured as to repayment from Development Special Taxes from specific leasehold interests within the CFD and are outside of the City's customary credit profile. Prior to formation, the Port selected Stifel, Nicolaus & Company, Incorporated ("Stifel") to serve as the Underwriter. Stifel is in the City's Underwriter Pool, which was established via a competitive process, and was selected for this transaction through a competitive RFP. The original underwriter selection included an LBE co-manager; however, the selected co-manager

subsequently shed its municipal securities business. A Board Resolution will approve the form of the Bond Purchase Agreement, which provides the terms of sale of the bonds by the City to Stifel.

ADDITIONAL INFORMATION

The proposed Bond financing requires that the Board of Supervisors, as legislative body of the CFD, adopt a resolution approving the issuance of the Bonds and related documents and actions.

The authorizing resolution is expected to be introduced at the Board of Supervisors meeting on Tuesday, April 6, 2021. The forms of the financing documents related to the Special Tax Bonds—including the Bond Purchase Agreement, First Supplement to Fiscal Agent Agreement, , Preliminary Official Statement, the Continuing Disclosure Certificate — will also be submitted.

Bond Purchase Agreement: The City intends to pursue a negotiated sale of the Bonds with a sale of the Bonds to the Underwriter. The Bond Purchase Agreement details the terms, covenants, and conditions for the sale of the Bonds to the Underwriter as well as agreements regarding expenses, closing and disclosure documents.

First Supplement to Fiscal Agent Agreement: The City will execute a Fiscal Agent Agreement in connection with the initial series of Development Special Tax Bonds. The Fiscal Agent Agreement governs the use of Development Special Taxes and tax increment from IFD Project Area I to pay debt service on the Development Special Tax Bonds. The Fiscal Agent Agreement will detail the terms of the initial series of Development Special Tax Bonds, and the First Supplement to Fiscal Agent Agreement will establish the terms of the Bonds, including principal amount, interest rate, redemption, and the conditions for issuance of additional parity bonds. The Fiscal Agent holds Bond proceeds and will disburse them as directed by authorized City representatives.

Preliminary Official Statement (“POS”): The POS is distributed to investors prior to the sale of the Bonds and provides information for investors in connection with the public offering by the City of the Bonds. The POS describes the Bonds, the Project, including sources and uses of funds; security for the Bonds (including information about the Mission Rock CFD and IFD Project Area I); risk factors; and other legal matters, among other information. The Appraisal Report will be attached as an appendix to the Official Statement.

Official Statement. The final Official Statement contains the same information as the POS but includes the results of the pricing of the Bonds (i.e., sale results including principal amounts, offering prices, interest rates, underwriters’ compensation). The Official Statement is distributed to prospective purchasers of the Bonds.

Under the anti-fraud provisions of the federal securities laws, the City is required to ensure that the POS and the Official Statement are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the document as well as City staff charged with preparing the document. Much of the information in the Official Statement was provided by the Developer, and the Developer will certify in writing that the information provided by the Developer is accurate and complete in all material respects. “Material” in this context means that there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. The draft Preliminary Official Statement has been submitted for the Port Commission’s review prior to its publication.

The Board of Supervisors and the Mayor, in adopting and approving the Bond Resolution, approve and authorize the use and distribution of the Preliminary and Final Official Statements by the Underwriter and financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are “deemed final” as of their respective dates.

NEXT STEPS

If the Port Commission approves this item, staff will work with the OPF to seek Board approval of the Bonds and related documents. With this approval, OPF will lead the distribution of the POS and sale of the Bonds. Table 3 below shows an estimated timeline of key financing items.

Table 3. Mission Rock CFD Financing Schedule

Item	Date
Port Commission Approval of Resolution	March 23, 2020
Capital Planning Committee Presentation	April 2021
Introduction of Legislation to Board of Supervisors	April 2021
Budget & Finance Committee Hearing	May 2021
Board Approval of Legislation	May 2021
Sale and Closing of Bonds	Summer 2021

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**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 21-11

- WHEREAS, The Mission Rock Project at Seawall Lot 337 and Pier 48 is a mixed-use development project that will create up to 1,200 units of housing including 40 percent affordable units, 1.4 million square feet of new office space, and a new waterfront park across from Oracle Park; and
- WHEREAS, After over a decade of planning, the Mission Rock Project is preparing to break ground on horizontal infrastructure construction and vertical development in the coming months; and
- WHEREAS, The Port Commission approved the Mission Rock Project on January 30, 2018, the Board of Supervisors approved the project on February 13, 2018, and on August 15, 2018, the Port and Seawall Lot 337 Associates signed all project-related documents; and
- WHEREAS, The Mission Rock Project supports the Port’s efforts to enhance and balance the Port’s maritime and economic purpose, rich history, and changing relationship with the City so the waterfront continues to be a treasured destination; and
- WHEREAS, Under Chapter 43, Article X of the San Francisco Administrative Code (as it may be amended from time to time, “Code”), which incorporates by reference the Mello-Roos Community Facilities Act of 1982, as amended (“Mello-Roos Act”), the Board of Supervisors previously conducted proceedings to form “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)” (“CFD”), to authorize the levy of special taxes upon the land within the CFD, which consists of the property comprising the Mission Rock Project, and to authorize the issuance of bonds and other debt secured by said special taxes for the purpose of financing certain improvements (“Authorized Facilities”) and incidental expenses; and
- WHEREAS, Pursuant to Resolution No. 196-20, which was adopted on May 5, 2020 and signed by the Mayor on May 15, 2020, the Board of Supervisors authorized the issuance of up to \$3,700,000,000 of bonded indebtedness and other debt on behalf of the CFD, and directed staff to prepare documentation for such bonded indebtedness and other debt and return to the Board of Supervisors for approval of such documentation; and
- WHEREAS, Under California Government Code Sections 53395 et seq. (“IFD Law”), the Board of Supervisors previously conducted proceedings to form “City

and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco)” (“IFD”) and, within the IFD, Project Area I (including 13 sub-project areas) (“Project Area I”); Project Area I consists of the property comprising the Mission Rock Project; and

WHEREAS, On September 20, 2019, the Port Commission approved Resolution 19-39, which approved the Phase 1 Budget outlining the expected costs and revenue sources for the Mission Rock Project Phase 1 improvements; and

WHEREAS, In the Phase 1 Budget for the Mission Rock Project, the financial sources projected to fund the Mission Rock Project included the four Phase 1 prepaid leases and multiple public financing sources, including CFD bond proceeds, CFD pay-as-you-go (pay-go) taxes, and pay-go tax increment from Project Area I; and

WHEREAS, A CFD bond on unimproved land was one of two early Mission Rock Project sources in the Phase 1 Budget that will limit Developer return on Mission Rock Project expenses; and

WHEREAS, On October 27, 2021, pursuant to Resolution No. 20-48, the Port Commission recommended that the Board of Supervisors, as the legislative body of the Special Tax District, (i) approve the issuance of an initial series of CFD bonds and (ii) approve related documents and actions; and

WHEREAS, Pursuant to Resolution No. 565-20, which was approved by the Board of Supervisors on December 8, 2020 and signed by the Mayor on December 18, 2020, the Board of Supervisors approved the issuance of such initial series of CFD bonds; and

WHEREAS, Port staff has been working with the Controller’s Office of Public Finance, the City Attorney’s Office and the CFD financing team to provide for the issuance of such initial series of CFD bonds (the “2021A Bonds”), which is currently scheduled for April 2021; and

WHEREAS, The 2021A Bonds will be secured by “Revenues,” consisting of (i) revenues derived from the levy of the Development Special Tax in the CFD and (ii) payments made by the IFD from tax increment generated in Project Area I pursuant to a Pledge Agreement; and

WHEREAS, The Development Special Tax is levied on leasehold interests in the parcels in the CFD, and the Project Area I tax increment is generated by increases in the assessed value of those leasehold interests; and

- WHEREAS, The primary purpose of pledging the IFD payments to the 2021A Bonds is to reduce and potentially eliminate the need to levy the Development Special Taxes in the CFD; and
- WHEREAS, Port staff is proposing that the City, on behalf of the CFD, issue one or more series of special tax bonds (the “2021B Bonds”) that will be secured by Revenues on a parity basis with the 2021A Bonds; and
- WHEREAS, As was the case with the 2021A Bonds, the General Fund of the City and Harbor Fund are not liable for the payment of principle or interest on the 2021B Bonds, and the credits of the City and the Port are not pledged to the payment of the 2021B Bonds; and
- WHEREAS, As was the case with the 2021A Bonds, because the 2021B Bonds will be payable only from Development Special Taxes and tax increment from Project Area I, the 2021B Bonds are not subject to policy constraints of the Ten-Year Capital Plan; and
- WHEREAS, Two factors limit the amount of 2021B Bonds that can be sold: (i) ongoing Development Special Tax capacity must be at least 110 percent of the debt service on the 2021A Bonds and the 20201B Bonds and (ii) the City’s *Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts* generally require the City to sell the 2021B Bonds to achieve at least a 3-to-1 value-to-lien ratio based on (A) the appraised value or the assessed value of the leasehold interests in the taxable property in the CFD and (B) the special tax and assessment debt encumbering such leasehold interests, including the 2021A Bonds and the 2021B Bonds; and
- WHEREAS, Integra Realty Resources, Inc. prepared an Appraisal Report dated March 10, 2021, which estimates that the market value of the leasehold interests in 11 of the 12 blocks within the CFD was \$334,040,000 as of February 1, 2021; Parcel D2 is not included in the Appraisal Report because, as a parking facility, it is not subject to Development Special Tax, and Pier 48 is not part of the CFD presently; and
- WHEREAS, Staff is proposing a not to exceed principal amount of the 2021B Bonds of \$68,000,000, which would achieve a value-to-lien ratio of 3-to-1 based on the appraised value as of February 1, 2021 and assuming that the initial principal amount of the 2021 Bonds is \$43,300,000; and
- WHEREAS, The 2021B Bonds will be sized based on the Development Special Taxes that may be levied on the leasehold interests in the four Phase 1 parcels, and the Development Special Tax capacity of those four parcels exceeds the 110 percent coverage requirements for the 2021B Bonds if

the 2021A Bonds are issued in the principal amount of \$43,300,000 and the 2021B Bonds are issued in the principal amount of \$68,000,000; and

WHEREAS, The 2021B Bond proceeds will 1) finance or reimburse entitlements and horizontal improvements for the Project, 2) fund a debt service reserve fund for the 2021B Bonds, 3) fund capitalized interest on the 2021B Bonds, if any, 4) fund administrative expenses, and 5) finance costs of issuance; and

WHEREAS, The City's municipal advisors recommend a negotiated sale for the 2021B Bonds; and

WHEREAS, The 2021A Bonds will be issued pursuant to a Fiscal Agent Agreement by and between the City, for and on behalf of the CFD, and Zions Bancorporation, National Association, and the 2021B Bonds will be issued pursuant to a First Supplement to Fiscal Agent Agreement; and

WHEREAS, The 2021B Bonds will be marketed to potential investors by distribution of a Preliminary Official Statement, and the 2021B Bonds will be sold to the underwriter, Stifel, Nicolaus & Company, Inc, (the "Underwriter") pursuant to a bond purchase agreement ("Bond Purchase Agreement") between the City and the Underwriter; and

WHEREAS, The Port Commission wishes to recommend that the Board of Supervisors, as legislative body of the CFD, adopt a resolution approving the issuance of the 2021B Bonds and related documents and actions; and

WHEREAS, The Port Commission further wishes to recommend that the Board of Supervisors, as legislative body of the IFD, adopt a resolution approving certain documents and actions related to the issuance of the 2021B Bonds, although no changes to or amendments of the Pledge Agreement is required in connection with the issuance of the 2021B Bonds; and

WHEREAS, The forms of the proposed Board of Supervisors resolutions, the First Supplement to Fiscal Agent Agreement, the Preliminary Official Statement, and the Bond Purchase Agreement are on file with the Secretary of the Port Commission; and

WHEREAS, The Commissioners have had the opportunity to review the information in the Preliminary Official Statement; now therefore be it

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


RESOLVED, That the Port Commission recommends that the Board of Supervisors, as legislative body of the CFD, adopt a resolution (i) approving the issuance of the 2021B Bonds in one or more series in the aggregate principal amount not to exceed the lesser of (A) \$68,000,000 and (B) such lower amount required to achieve a 3-to-1 value-to-lien ratio if a revised Appraisal concludes that the market value of the leasehold interests in the taxable parcels in the CFD are lower than \$334,040,000 and (ii) approving related documents and actions; and, be it

RESOLVED, That the Port Commission recommends that the Board of Supervisors, as legislative body of the IFD, adopt a resolution approving certain documents and actions related to the issuance of the 2021B Bonds; and, be it

RESOLVED, That all actions heretofore taken by the officers and agents of the Port with respect to the establishment of the CFD, the IFD and Project Area I, the sale and issuance of the 2021A Bonds and the 2020B Bonds, and the execution and delivery of the documents described herein are hereby approved, confirmed and ratified, and the appropriate officers of the Port are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2021A Bonds and the 2021B Bonds in accordance with this resolution, provided that no such actions shall increase the risk to the City or Port or require the City or Port to spend any resources not otherwise described herein; and, be it

RESOLVED, That the Port Commission hereby authorizes the Executive Director to cause the resolutions and documents described herein to be submitted to the Board of Supervisors and to work with the Director of the Office of Public Finance to finalize and cause the distribution of the Preliminary Official Statement

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 23, 2021.

DocuSigned by:

Secretary
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MEMORANDUM

TO: Honorable Members, San Francisco Board of Supervisors
Mayor London Breed

FROM: Elaine Forbes, Port of San Francisco, Executive Director

SUBJECT: **Resolution Supplementing Resolution No. 196-20 authorizing the issuance and sale of one or more series of Development Special Tax Bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) in the aggregate principal amount not to exceed \$64,900,000; approving related documents, including an Official Statement, a First Supplement to Fiscal Agent Agreement, Bond Purchase Agreement, and Continuing Disclosure Certificate; and determining other matters in connection therewith, as defined herein.**

Resolution approving certain documents and actions related to a pledge agreement by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) and special tax bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); and determining other matters in connection therewith, as defined herein.

DATE: April 13, 2021

Recommended Action

We respectfully request that the Board of Supervisors consider for review and approval the resolution authorizing the issuance of not to exceed \$64,900,000 aggregate principal amount of Development Special Tax Bonds for City and County of San Francisco Community Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (“Mission Rock CFD”) (“Bond Resolution”) and the resolution approving certain documents and actions related to a pledge agreement by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) and special tax bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

Executive Summary

On January 30, 2018, the Port Commission approved a mixed-use development project known as Mission Rock at Seawall Lot 337 and Pier 48 (“Project” or “Mission Rock Project”). Subsequently, on February 13, 2018, the San Francisco Board of Supervisors (“Board”) approved the Project and on

August 15, 2018 the Port and Seawall Lot 337 Associates signed all Project-related documents. The Port owns the land in the Project and leases it for development.

The Port's partner for development of the Project is Seawall Lot 337 Associates, LLC ("Developer"), an affiliate of the San Francisco Giants and Tishman Speyer. The Disposition and Development Agreement ("DDA") and related agreements between the Port and the Developer govern the Project's development.

The entitled Mission Rock Project anticipates up to 1,200 units of new rental housing including 40 percent affordable units, 1.4 million square feet of new commercial and office space, rehabilitation of historic Pier 48, space for small-scale manufacturing, retail and neighborhood services, waterfront parks, and public infrastructure. The Mission Rock Project is located at SWL 337 and Pier 48 bound by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay.

After more than a decade of planning, the Project has broken ground on horizontal infrastructure construction and vertical development. The City will issue bonds using tax increment financing and special taxes to finance horizontal infrastructure at the Project. On October 27, 2020, the Port Commission approved a resolution recommending the issuance of Development Special Tax Bonds. The Board of Supervisors then authorized the issuance of up to \$43,300,000 of Development Special Tax Bonds in December 2020.

The City's Office of Public Finance (OPF) and the City's Underwriter, Stifel, Nicolaus & Company, Incorporated ("Stifel") are finalizing a negotiated sale of the previously authorized Development Special Tax Bonds and expect to close on the sale and deliver funds in May 2021. The not to exceed par amount of \$43,300,000 that was approved by the Board of Supervisors for the first round of Development Special Tax Bonds reflects a 3-to-1 value-to-lien ratio, based on an appraised value of the taxable leasehold interests in the Mission Rock community facilities district ("Mission Rock CFD" or "CFD") of \$130,000,000 as of an October 28, 2020 valuation date.

In the months since the Board of Supervisors approved the initial Development Special Tax Bonds, the Developer and its vertical developer affiliates have undertaken substantial horizontal and vertical improvements in the Project area and paid substantial development impact fees. These improvements and the payment of these impact fees have greatly increased the value of the leasehold interest in the Mission Rock CFD. The latest draft appraisal of the CFD estimates that the market value of the taxable leasehold interests in the Mission Rock CFD as of February 1, 2021 is \$ 324,890,000. Because the Project's bond amounts are limited primarily by the value of the taxable leasehold interest in the CFD and the 3-to-1 value-to lien requirement, the Port and City see an opportunity to enhance the Project's economics by quickly issuing a second round of Development Special Tax Bonds supported by the increased leasehold value.

The Port respectfully requests request Board of Supervisors approval of the attached resolution, which authorizes an additional bond in an amount not to exceed \$64,900,000. If the initial series of Development Special Tax Bonds is issued in the principal amount of \$43,300,000 and the second (proposed) series of Bonds is issued in the principal amount of \$ 64,900,000, the total outstanding principal amount of Development Special Tax Bonds will be \$108,200,000, which would comply with the 3-to-1 value-to-lien requirement based on the \$324,890,000 appraised value.

STRATEGIC PLAN

This item and the Mission Rock Project as a whole support the efforts of the Port's Strategic Plan to enhance and balance the Port's maritime and economic purpose, rich history, and changing relationship with the City so the waterfront continues to be a treasured destination.

The item specifically supports the Port's Strategic Plan strategies of Productivity, and Stability:

Productivity. Redevelopment of a surface parking lot into the Mission Rock neighborhood supports the goal of enhancing the economic vitality of the Port. The Port aims to work with City Controller's Office and Board of Supervisors to establish public financing bonds to fund infrastructure development

Stability. Establishment of IFD and CFD financing districts are projected to have capacity to fund a variety of Port capital projects.

PROJECT BACKGROUND

On January 30, 2018, the Port Commission approved a mixed-use development project known as Mission Rock at Seawall Lot 337 and Pier 48. Subsequently, on February 13, 2018, the San Francisco Board of Supervisors approved the Project and on August 15, 2018 the Port and Seawall Lot 337 Associates signed all Project-related documents.

The Port's partner for development of the Project is Seawall Lot 337 Associates, LLC ("Developer"), an affiliate of the San Francisco Giants and Tishman Speyer. The Disposition and Development Agreement ("DDA") and related agreements between the Port and the Developer govern the Project's development.

The entitled Mission Rock project anticipates up to 1,200 units of new rental housing including 40 percent affordable units, 1.4 million square feet of new commercial and office space, rehabilitation of historic Pier 48, space for small-scale manufacturing, retail and neighborhood services, waterfront parks, and public infrastructure. The Mission Rock mixed-use project is located at SWL 337 and Pier 48, bound by China Basin Channel, Third Street, Mission Rock Street, and San Francisco Bay.

The Project broke ground in December 2020 and the Developer and its vertical developer affiliates are currently constructing horizontal infrastructure and two vertical parcels. This achievement is the result of 11 years of effort, led by the Port Commission, Port and City staff, and the Developer. These efforts include state legislation; neighborhood planning and neighborhood outreach; infrastructure planning and design; shoreline and sea level rise resiliency planning; development of a Special Use District; formation of an infrastructure financing district and community facilities district; and successful collaborations with regulators and partner agencies related to topics like workforce development, affordable housing, transportation, public access, and parks and open space development.

FINANCING BACKGROUND

On September 20, 2019, the Port Commission approved the Phase 1 Budget of the Project, which outlined the expected costs and revenue sources for the phase improvements. The Phase 1 budget included:

- **Project Costs.** Projected hard costs, soft costs, and return on Developer equity for the Phase 1 Horizontal Infrastructure improvements.
- **Projected Revenues.** Sources include:
 - The four Phase 1 prepaid ground leases for the vertical parcels
 - Public financing sources including Community Facilities District (CFD) bond proceeds, CFD pay-as-you-go (“pay-go”) taxes (those not dedicated to bond debt service), and Infrastructure Financing District (IFD) pay-go taxes

Table 1 below summarizes the approved Phase 1 budget sources and uses.

Broadly, the DDA requires the Developer to build horizontal improvements and the Port to reimburse the Developer for horizontal expenses from available sources. Available sources include proceeds from transactions of the Port’s land within the project area (“Development Rights Payments,” which are the value of prepaid ground leases), special taxes from the Mission Rock CFD, and tax increment from IFD Project Area I. In addition to reimbursement for horizontal improvement expenses, the Port must also reimburse the Developer for an 18 percent return on its project investment. Table 1 below summarizes the Phase 1 budget sources and uses.

Table 1. Phase 1 Overview of Sources (\$ millions)*

Description	Entitlement	Phase 1	Total Phase 1
Net Development Rights Payments Advances	42.2	-	42.2
CFD Bonds - Unimproved Land	4.0	31.2	35.2
CFD Bonds - Completed Buildings	-	140.8	140.8
Excess Pay Go Tax Increment	-	47.2	47.2
Total Phase 1 Project Sources	46.2	219.3	265.5

*Numbers are rounded and thus may not appear to sum precisely.

The Board passed an ordinance establishing IFD Project Area I on February 27, 2018, which the Mayor signed on March 6, 2018.

On April 14, 2020, the Board passed a resolution approving the formation of the Mission Rock CFD. The Mayor signed this resolution on April 24, 2020. On May 5, 2020, after a public hearing and landowner vote, the Board approved a resolution determining a not to exceed limit on bonded indebtedness and other debt of \$3,700,000,000 for the Mission Rock CFD, which the Mayor signed on May 15, 2020. Finally, the Board passed an ordinance levying special taxes within the Mission Rock CFD on May 12, 2020, which was signed by the Mayor on May 22, 2020 (“Ordinance 79-20”). Finally, On December 8, 2020, the Board of Supervisors approved a resolution authorizing (i) the City to issue Development Special Tax Bonds in an amount not to exceed \$43,300,000, (ii) the execution and delivery of related financing documents, and (iii) a Pledge Agreement to specify repayment of the authorized bonds.

IFD Project Area I generates revenues for the Project by capturing the tax increment generated by application of the 1% ad valorem tax to increases in the assessed value of the taxable leasehold interests

in the Project above the value in the base year of 2017-2018. Tax increment may begin to be allocated to the IFD from each Sub-Project Area when 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 Mission Rock CFD includes four separate special taxes:

1. **Development Special Tax** – funds horizontal infrastructure on the site; expected 45-year life. The financing plan for the Project assumes that, over time, the City will not need to levy the Development Special Tax to pay debt service because it will be offset by tax increment generated in IFD Project Area I.
2. **Office Special Tax** – funds horizontal infrastructure on the site; 120-year life
3. **Shoreline Special Tax** – a source for ongoing shoreline protection studies and facilities; Shoreline Taxes from Phase I can also fund horizontal infrastructure on the site; 120-year life
4. **Contingent Services Special Tax** – funds ongoing maintenance and services of the area if the Homeowners' Association dues do not fund these services

The proposed Bonds, like the first issuance, will only be secured by the payment of Development Special Taxes. No other Mission Rock CFD special taxes will be pledged to the repayment of the Bonds. However, the IFD Project Area I tax increment will provide an additional security for the Bonds, as discussed below.

Mission Rock CFD Special Tax Bonds

The proposed Bond Resolution would authorize a second sale of special tax bonds for the Mission Rock CFD, in an amount not to exceed \$64,900,000. As with the first Mission Rock CFD bond issuance, the proposed Bonds will be secured by a pledge of the Development Special Tax levied on taxable leasehold interests in the Mission Rock CFD in accordance with Ordinance 79-20 and the Rate and Method of Apportionment of Special Taxes for the Mission Rock CFD ("RMA") adopted at formation.

Bond Sizing and Value-to-Lien Ratio

Two factors limit the amount of CFD special tax bonds sold: 1) the ongoing tax revenue capacity; and 2) an appraisal of the value of the leasehold interests within the CFD. Ongoing tax capacity must be 110 percent of the debt service requirement on any CFD special tax bonds. For example, if the annual debt service payments are \$1.0 million, the annual CFD special tax revenue must be at least \$1.1 million. For the first bond sale at Mission Rock, the Development Special Tax capacity on the first four parcels will far exceed the coverage required for the initial Bonds, with a not-to-exceed amount of \$43.3 million. The expected taxes total \$14.0 million per year while the debt service to support the initial \$43.3 million bond is \$1.8 million for the first year. Therefore, the key constraint leading to the \$43.3 million size of the first issuance was the appraised value of the leasehold interests within the CFD.

Because the City will foreclose on the taxable leasehold interests in the Mission Rock CFD if lessees are delinquent in the payment of the Development Special Tax, the value of the leasehold interests – determined by an appraisal – is an important credit consideration for purchasers of the Bonds. Under the City's Amended and Restated Local Goals and Policies for Community Facilities Districts and Special Tax Districts, the City must sell the Bonds to achieve at least a 3-to-1 value-to-lien ratio based on 1) the appraised value or the assessed value of the leasehold interests in the taxable parcels in the Mission

Rock CFD and 2) special tax and assessment debt encumbering such leasehold interests (including the Bonds). This policy means that the value of the leasehold interests in the Mission Rock CFD must be three times the outstanding amount of the Bonds and any other special tax and assessment debt.

Integra Realty Resources, Inc. (“Appraiser”) prepared an Appraisal Report dated November 9, 2020, with a valuation date of October 28, 2020, estimating the market value of the leasehold interests within the Mission Rock CFD to be \$130,000,000. This appraised value led to the not to exceed par amount of \$43,300,000 for the first issuance of Bonds, based on a 3-to-1 value-to-lien ratio.

Since that date, the Developer has spent significant funds on both horizontal and vertical improvements in the Mission Rock CFD and paid substantial development impact fees. On March 31, 2021, the Appraiser prepared an Updated Appraisal Report, estimating the revised market value of the taxable leasehold interests in the CFD to be \$324,890,000 as of February 1, 2021.

Using a 3-to-1 value to lien ratio on the latest appraised value yields roughly \$108,296,000 in total bond proceeds. After the first issuance of \$43,300,000, the remaining not to exceed amount for the Bonds is the principal amount of \$64,900,000.

These updated valuations therefore enable a second issuance of Mission Rock Special Tax bonds. Based on the current projected valuation, the Port requests the Board of Supervisors approve a resolution authorizing the approval of a second sale of Special Tax Bonds in a par amount not to exceed \$64,900,000.

CFD Bonds, backed by CFD Taxes and Tax Increment

The proposed Bonds will be secured by a pledge of the Development Special Tax levied on taxable property in the Mission Rock CFD in accordance with Ordinance 79-20 and the Rate and Method of Apportionment of Special Taxes for the Mission Rock CFD (“RMA”) adopted at formation.

As with the first authorized financing, the proposed second Mission Rock financing will utilize both CFD and IFD sources. The proposed Bonds will be secured by a pledge of CFD Development Special Taxes, but not any of the other three CFD taxes. The CFD structure allows tax increment generated in the IFD to “offset” the CFD Development Special Taxes. The offset increases the value of the Port’s land by reducing the long-term tax burden on the site. Under this offset structure, tax increment from one year acts as a credit for the next year’s CFD Development Special Tax obligation. Tax increment is expected to be available to offset the CFD Development Special Taxes once the developed property is assessed.

The City began levying Mission Rock CFD special taxes on the Undeveloped Property within the Mission Rock CFD in Fiscal Year (FY) 2020-21. Additionally, the Port executed Vertical Parcel Leases for Parcel G on June 25, 2020 and Parcels A, B, and F on October 6, 2020. The execution of these Parcel Leases initiated a 24-month or longer countdown for the levying of the Mission Rock CFD special tax on Developed Property, as the levy on Developed Property begins in the Fiscal Year after the 24-month anniversary of Parcel Lease execution. Thus, the Mission Rock CFD special tax levy on Developed Property for Parcel G will begin in FY 2022-23 and for Parcels A, B and F in FY 2023-24. Prior to then, the Development Special Tax will be levied on the undeveloped property based upon each parcel’s expected square footage and use, in accordance with the RMA approved by the Board, to provide revenues to fund any debt service obligations. The IFD Project Area I tax increment offset mechanism will begin

when the Assessor finalizes the assessment of each parcel, which is not anticipated to occur until after the Mission Rock CFD Development Special Tax levy on Developed Properties begins.

The proposed Bonds will be sold without a rating (“Non-Rated”). The real estate development is in relatively early stages and likely would not receive an investment grade rating. Non-Rated special tax bonds have unique credit considerations and risk factors for investors, which will be discussed in the risk factors sections of Official Statement for the Bonds. The Bonds are limited obligations of the City, secured by and payable solely from a pledge of the Development Special Taxes levied in the Mission Rock CFD and tax increment generated in IFD Project Area I.

The General Fund of the City and the Port Harbor Fund are not liable for the payment of principal or interest on the Bonds, and the credit of the City, the credit of the Port, and the General Fund of the City are not pledged to the payment of the Bonds. Other than the Special Taxes and the IFD tax increment, the City is not obligated to levy any taxes for repayment of the Bonds

Use of Proceeds

The CFD bond proceeds from this proposed second issuance will finance or reimburse 1) horizontal improvements for the Project, 2) debt service reserve fund, 3) capitalized interest on the CFD bonds, if any, 4) administrative expenses, and 5) costs of issuance.

Table 2 below summarizes the estimated sources and uses for the Bonds, based on current market conditions and the current appraised value.

Table 2. Estimated Sources and Uses of the Special Tax Bonds, Series B 2021

Sources	Amount
Bond Proceeds	
Par Amount	\$ 64,900,000.00
Premium	\$ (70,986.25)
Total Sources	\$ 64,829,013.75

Uses	Amount
Improvement Fund	\$ 58,348,064.95
Debt Service Reserve Fund	\$ 5,005,948.80
<i>Delivery Date Expenses:</i>	
Cost of Issuance	\$826,000.00
Underwriter’s Discount	\$649,000.00
Total Uses	\$ 64,829,013.75

Interest Rate and Projected Debt Service

Based upon current market conditions, a 30-year term, and a true interest cost of 4.00 percent, which assumes the issuance of Bonds on a tax-exempt basis, staff estimates an average annual debt service of approximately \$4.0 million. The anticipated total par amount of \$64.9 million is estimated to result in approximately \$54.5 million in interest payments over the life of the Bonds. The total debt service over the life of the Bonds is estimated at approximately \$119.4 million.

Benefits to the Port and the Project

CFD Bonds, anticipated to be priced with interest rates between 3.25 and 4.0 percent, will repay developer equity earning the higher of an 18 percent return or 1.5 times peak equity for the phase. The Port determined that the 18 percent return was a market-based rate of return. This replacement of higher-interest developer equity with low-interest public financing is the key financial structure of the deal which preserves Port's land value in later phases. An additional \$64,900,000 in special tax bond proceeds would have significant benefits to the project's economics.

The developer contributed \$29.3 million in equity for entitlement costs, which, combined with the return on equity, led to an entitlement sum developer balance of \$46,429,304. This was largely offset by the development rights proceeds from the four phase 1 parcels, which totaled \$43,000,000, leaving a new Developer balance of \$3,429,304 (this Entitlement amount no longer accrues additional return). In addition to the entitlement sum, the Phase 1 budget assumes a Developer equity contribution of \$145,400,000, which will accrue the 18 percent return. Increasing the amount of early special tax bond proceeds allows the City to more quickly repay the Developer's equity contribution and replace the 18 percent per year debt with lower interest, bond debt service.

Method of Sale and Bond Purchase Agreement

Given that the proposed Bonds will be unrated, and the underlying project is a new real estate development project, the City's independent municipal advisor recommend a negotiated sale for this transaction. The Bonds will be secured by payment of Development Special Taxes from specific leasehold interests within the Mission Rock CFD and are outside of the City's customary credit profile. Prior to formation, the Port selected Stifel, Nicolaus & Company, Incorporated ("Stifel") to serve as the Underwriter. Stifel is in the City's Underwriter Pool, which was established via a competitive process, and was selected for this transaction through a competitive RFP. The proposed Bond Resolution approves the form of the Bond Purchase Agreement, which provides the terms of sale of the bonds by the City to Stifel.

The Capital Plan

The Bonds are limited obligations of the City payable solely from the Development Special Tax revenues and tax increment generated in IFD Project Area I and therefore are not subject to policy constraints of the Ten-Year Capital Plan.

ADDITIONAL INFORMATION

The proposed Bond financing requires that the Board of Supervisors, as legislative body of the CFD, adopt a resolution approving the issuance of the Bonds and related documents and actions. The forms

of the financing documents related to the Special Tax Bonds—including the Bond Purchase Agreement, First Supplement to Fiscal Agent Agreement, , Preliminary Official Statement, the Continuing Disclosure Certificate — are also submitted for Board approval.

Bond Purchase Agreement: The City intends to pursue a negotiated sale of the Bonds with a sale of the Bonds to the Underwriter. The Bond Purchase Agreement details the terms, covenants, and conditions for the sale of the Bonds to the Underwriter as well as agreements regarding expenses, closing and disclosure documents.

First Supplement to Fiscal Agent Agreement: The City will execute a Fiscal Agent Agreement in connection with the initial series of Development Special Tax Bonds. The Fiscal Agent Agreement governs the use of Development Special Taxes and tax increment from IFD Project Area I to pay debt service on the Development Special Tax Bonds. The Fiscal Agent Agreement will detail the terms of the initial series of Development Special Tax Bonds, and the First Supplement to Fiscal Agent Agreement will establish the terms of the Bonds, including principal amount, interest rate, redemption, and the conditions for issuance of additional parity bonds. The Fiscal Agent holds Bond proceeds and will disburse them as directed by authorized City representatives.

Preliminary Official Statement (“POS”): The POS is distributed to investors prior to the sale of the Bonds and provides information for investors in connection with the public offering by the City of the Bonds. The POS describes the Bonds, the Project, including sources and uses of funds; security for the Bonds (including information about the Mission Rock CFD and IFD Project Area I); risk factors; and other legal matters, among other information. The Appraisal Report will be attached as an appendix to the Official Statement.

Official Statement. The final Official Statement contains the same information as the POS but includes the results of the pricing of the Bonds (i.e., sale results including principal amounts, offering prices, interest rates, underwriters’ compensation). The Official Statement is distributed to prospective purchasers of the Bonds.

Under the anti-fraud provisions of the federal securities laws, the City is required to ensure that the POS and the Official Statement are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the document as well as City staff charged with preparing the document. Much of the information in the Official Statement was provided by the Developer, and the Developer will certify in writing that the information provided by the Developer is accurate and complete in all material respects. “Material” in this context means that there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. The draft Preliminary Official Statement has been submitted for the Port Commission’s review prior to its publication.

The Board of Supervisors and the Mayor, in adopting and approving the Bond Resolution, approve and authorize the use and distribution of the Preliminary and Final Official Statements by the Underwriter and financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are “deemed final” as of their respective dates.

NEXT STEPS

The Port and OPF staff anticipate the Resolutions and related documents will be introduced to the Board of Supervisors on April 13, 2021. With Board approval and the Mayor's signature, OPF will lead the distribution of the POS and sale of the Bonds. Table 5 below shows an estimated timeline of key financing items.

Table 5. Anticipated Mission Rock CFD Financing Schedule

Item	Date
Introduction of Legislation to Board of Supervisors	April 13, 2021
Capital Planning Committee	April 19, 2021
Budget & Finance Committee Hearing	April 28, 2021
Board Approval of Legislation	May 4, 2021
Sale and Closing of Bonds	August/September 2021

Your consideration of this matter is greatly appreciated. Please contact Raven Anderson (raven.anderson@sfport.com) if you have any questions.

cc: Anna Van Degna, Director of the Controller's Office of Public Finance

ATTACHMENT 1

Good Faith Estimates for the CFD Bonds

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the Underwriter and Municipal Advisor for the CFD Bonds as of April 2021:

1. True interest cost of the Bonds: 4.00%
2. Finance charge for the Bonds, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$ 1,475,000
3. Amount of Bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the Bonds: \$ 58,348,064.95

4. Total payment amount for the Bonds, being the sum of (a) debt service on the Bonds to final maturity, and (b) any financing costs not paid from proceeds of the Bonds:
\$ 119,426,348.89

The information set forth above is based up estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

1 [Authorizing and Ratifying Issuance of Bonded Indebtedness and Other Debt - Special Tax
2 District No. 2020-1 (Mission Rock Facilities and Services) - Not to Exceed \$3,700,000,000]

3 **Resolution authorizing and ratifying the issuance and sale of bonded indebtedness and**
4 **other debt in an aggregate principal amount not to exceed \$3,700,000,000 for the City**
5 **and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities**
6 **and Services); and determining other matters in connection therewith, as defined**
7 **herein.**

8
9 WHEREAS, California Statutes of 1968, Chapter 1333 ("Burton Act") and San
10 Francisco Charter, Section 4.114 and Appendix B, beginning at Section B3.581, empower the
11 City and County of San Francisco ("City"), acting through the San Francisco Port Commission
12 ("Port" or "Port Commission"), with the power and duty to use, conduct, operate, maintain,
13 manage, regulate, and control the lands within Port jurisdiction; and

14 WHEREAS, Seawall Lot 337 Associates, LLC, a Delaware limited liability company
15 ("Master Developer") and the City, acting by and through the Port, are parties to a Disposition
16 and Development Agreement (as amended from time to time, "DDA"), including a Financing
17 Plan (as amended from time to time, "Financing Plan"), that governs the disposition and
18 development of certain parcels in the jurisdiction of the Port, including Seawall Lot 337, 3.53
19 acres located at Terry A. Francois Boulevard from Third Street to Mission Rock Street, China
20 Basin Park and 1/2 acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier
21 50 ("Project Site"), and also provides for development of Pier 48, which DDA was approved by
22 the Board of Supervisors of the City ("Board of Supervisors" or "Board") by Resolution No. 42-
23 18, adopted on February 13, 2018, signed by the Mayor on February 23, 2018, and a copy of
24 which is in Board File No. 180092 ("Mission Rock Project Resolution") ; and
25

1 WHEREAS, The Port collaborated with the State Lands Commission and the
2 Legislature, resulting in an amendment of the Burton Act to lift or suspend its statutory trust
3 use restrictions that impede the Port's ability to realize the development potential of Port
4 lands; under Senate Bill 815 (Stats. 2007, ch. 660, as amended by Stats. 2016, ch. 529) ("SB
5 815"), the Port is authorized to lease certain seawall lots south of Market Street, including the
6 Project Site, for nontrust purposes, providing revenues for rehabilitation of historic wharves
7 and piers and other trust uses; SB 815 allows long-term nontrust uses that are otherwise not
8 permissible under the Burton Act as a primary mechanism to generate Port revenues for trust
9 purposes, including the construction of infrastructure needed for development; and

10 WHEREAS, On November 3, 2015, San Francisco voters approved the Mission Rock
11 Affordable Housing, Parks, Jobs and Historic Preservation Initiative ("Proposition D"), which
12 authorized increased height limits on the Project Site, subject to environmental review, and
13 established a City policy to encourage development of the Project Site; Proposition D
14 specifically provides that it is intended to encourage and implement the lease and
15 development of the Project Site as described in SB 815 to support the purposes of the Burton
16 Act, especially the preservation of historic piers and historic structures and construction of
17 waterfront plazas and open space; and

18 WHEREAS, The proposed development of the Project Site, which is commonly
19 referred to as the Mission Rock project ("Project"), will be a new mixed-use neighborhood that
20 is proposed to include a mix of commercial/office, retail, parking, and market rate and
21 affordable residential uses and approximately eight acres of new and expanded parks and
22 shoreline access; and

23 WHEREAS, Under the DDA, (i) the Master Developer is responsible for master
24 development of the Project Site, including construction of public infrastructure, (ii) the Port and
25 Master Developer will enter into a master lease for all of the Project Site, (iii) the Port will

1 convey development parcels to vertical developers and those parcels will be released from
2 the master lease, and (iv) the Port may enter into a separate lease with the Master Developer
3 (or an affiliate of Master Developer) for development of Pier 48; and

4 WHEREAS, The City anticipates that, in addition to the infrastructure and private
5 development described above, future improvements will be necessary to ensure that the
6 shoreline, public facilities, and public access improvements will be protected should sea level
7 rise in the vicinity of the Project Site, and the Board of Supervisors desires to provide a
8 mechanism to pay for the costs of such improvements; and

9 WHEREAS, At its hearing on October 5, 2017, and prior to recommending proposed
10 Planning Code amendments for approval, by Motion No. M-20017, the Planning Commission
11 certified a Final Environmental Impact Report ("FEIR") for the Project pursuant to the
12 California Environmental Quality Act ("CEQA") (California Public Resources Code, Section
13 21000 et seq.), the CEQA Guidelines (14 Cal. Code Reg., Section 15000 et seq.), and
14 Administrative Code, Chapter 31; a copy of said Motion is on file with the Clerk of the Board in
15 File No. 171117, and is incorporated herein by reference; and

16 WHEREAS, In recommending proposed Planning Code amendments for approval by
17 the Board at its hearing on October 5, 2017, by Motion No. M-20018, the Planning
18 Commission also adopted findings under CEQA, including a statement of overriding
19 consideration, and a Mitigation Monitoring and Reporting Program ("MMRP"), and copies of
20 said Motion and MMRP are on file with the Clerk of the Board in File No. 171117, and are
21 incorporated herein by reference; and

22 WHEREAS, Under Chapter 43, Article X of the San Francisco Administrative Code (as
23 it may be amended from time to time, "Code"), which Code incorporates by reference the
24 Mello-Roos Community Facilities Act of 1982, as amended ("Mello-Roos Act"), the Board is
25

1 authorized to establish a special tax district and to act as the legislative body for a special tax
2 district; and

3 WHEREAS, The Board has conducted proceedings under and pursuant to the Code to
4 form "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock
5 Facilities and Services)" ("Special Tax District"), to authorize the levy of special taxes upon the
6 land within the Special Tax District and to authorize the issuance of bonds and other debt (as
7 defined in the Mello-Roos Act) secured by said special taxes for the purpose of financing
8 certain improvements ("Facilities") and incidental expenses ("incidental expenses"), all as
9 described in those proceedings; and

10 WHEREAS, The Board has determined that such debt may include an agreement by
11 the Special Tax District (or the City on behalf of the Special Tax District) to repay the City,
12 acting by and through the Port Commission, for one or more advances of land proceeds and
13 other sources of Port funding to pay the costs of the Facilities and incidental expenses
14 ("Advances"), which repayment obligation ("Repayment Obligation") may be evidenced by one
15 or more promissory notes ratified or executed by the Special Tax District (or the City on behalf
16 of the Special Tax District) in favor of the Port Commission; and

17 WHEREAS, The Board wishes to ratify, among other things, the execution or
18 ratification of one or more promissory notes to evidence the Repayment Obligation; and

19 WHEREAS, The Board further wishes to authorize the issuance of one or more series
20 of special tax bonds to finance the Facilities, the incidental expenses and related costs and
21 expenses, and wishes to direct City staff to prepare and return to the Board for approval of
22 certain documents providing for the issuance and sale of the special tax bonds; now,
23 therefore, be it

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

25

1 FURTHER RESOLVED, That pursuant to the Code and this Resolution, one or more
2 series of special tax bonds designated the “City and County of San Francisco Special Tax
3 District No. 2020-1 (Mission Rock Facilities and Services) Special Tax Bonds” (“Bonds”) in an
4 aggregate principal amount not to exceed \$3,700,000,000 are hereby authorized to be issued
5 from time to time; the Bonds shall be secured by a pledge of and payable from proceeds of
6 the special taxes levied in the Special Tax District; and, be it

7 FURTHER RESOLVED, That City staff is hereby directed to work with the City’s
8 consultants to prepare the documentation required for the issuance and sale of the Bonds and
9 to return to the Board for its approval of such documentation; and, be it

10 FURTHER RESOLVED, That the Board hereby approves and ratifies the appointment
11 of the Port as the CFD Agent (as defined in the DDA) for the Special Tax District and
12 approves and ratifies all actions taken prior to the date hereof by the Port in its capacity as
13 CFD Agent, including, but not limited to, execution or ratification of one or more promissory
14 notes to evidence the Repayment Obligation and execution of one more pledge agreements
15 with an infrastructure financing district to receive property tax revenues to repay the
16 Repayment Obligation; and, be it

17 FURTHER RESOLVED, That if any section, subsection, sentence, clause, phrase, or
18 word of this Resolution, or any application thereof to any person or circumstance, is held to be
19 invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision
20 shall not affect the validity of the remaining portions or applications of this Resolution, the
21 Board hereby declaring that it would have passed this Resolution and each and every section,
22 subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional
23 without regard to whether any other portion of this Resolution or application thereof would be
24 subsequently declared invalid or unconstitutional; and, be it

25

1 FURTHER RESOLVED, That the Mayor, the Controller, the Director, Department of
2 Elections, Director of the Office of Public Finance, the Clerk of the Board and any and all other
3 officers of the City are hereby authorized, for and in the name of and on behalf of the City, to
4 do any and all things and take any and all actions, including execution and delivery of any and
5 all documents, assignments, certificates, requisitions, agreements, notices, consents,
6 instruments of conveyance, warrants and documents, which they, or any of them, may deem
7 necessary or advisable in order to effectuate the purposes of this Resolution; provided
8 however that any such actions be solely intended to further the purposes of this Resolution,
9 and are subject in all respects to the terms of the Resolution; and, be it

10 FURTHER RESOLVED, That all actions authorized and directed by this Resolution,
11 consistent with any documents presented herein, and heretofore taken are hereby ratified,
12 approved and confirmed by the Board; and, be it

13 FURTHER RESOLVED, That the Board hereby authorizes and directs the Director of
14 the Office of Public Finance and the City Attorney, in consultation with bond counsel, to initiate
15 a judicial validation action with respect to the Special Tax District and the Bonds pursuant to
16 Code of Civil Procedure Section 860 et seq.; and, be it

17 FURTHER RESOLVED, That this Resolution shall take effect upon its adoption.
18

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

21
22 By: _____

23 MARK D. BLAKE
24 Deputy City Attorney

25 n:\vegana\as2020\2000156\01431832.docx



City and County of San Francisco
Tails
Resolution

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 200124

Date Passed: May 05, 2020

Resolution authorizing and ratifying the issuance and sale of bonded indebtedness and other debt in an aggregate principal amount not to exceed \$3,700,000,000 for the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); and determining other matters in connection therewith, as defined herein.

April 07, 2020 Board of Supervisors - CONTINUED

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

April 14, 2020 Board of Supervisors - CONTINUED

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

April 28, 2020 Board of Supervisors - CONTINUED

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

May 05, 2020 Board of Supervisors - ADOPTED

Ayes: 11 - Fewer, Haney, Mandelman, Mar, Peskin, Preston, Ronen, Safai, Stefani, Walton and Yee

File No. 200124

I hereby certify that the foregoing Resolution was ADOPTED on 5/5/2020 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

5.15.20

Date Approved



Mission Rock Community Facilities District CFD Public Financing, Second Issuance

May 5, 2021

Items 6 and 7

Actions for Consideration by Committee

The Port requests the Budget & Finance Committee's positive recommendation of:

Resolution Approving CFD Special Tax Bonds

Resolution Supplementing Resolution No. 196-20 authorizing the issuance and sale of one or more series of Development Special Tax Bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) in the aggregate principal amount not to exceed \$64,900,000; and approving related documents, including an Official Statement, a First Supplement to Fiscal Agent Agreement, Bond Purchase Agreement, and Continuing Disclosure Certificate; and determining other matters in connection therewith, as defined herein.

Resolution approving an IFD Pledge Agreement

Resolution approving certain documents and actions related to a Pledge Agreement by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) and special tax bonds for City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services); and determining other matters in connection therewith, as defined herein.

Overview

- Project Overview
- Financing Structure
- Proposed Bond Issuance
- Next Steps



Mission Rock Overall Summary

At full build out:

- 2.7 to 2.8M GSF total
- Approximately 1,200 housing units, 40% of which will be affordable
- 972K - 1.4M GSF office
- ~240K GSF retail/production
- ~240K GSF Pier 48

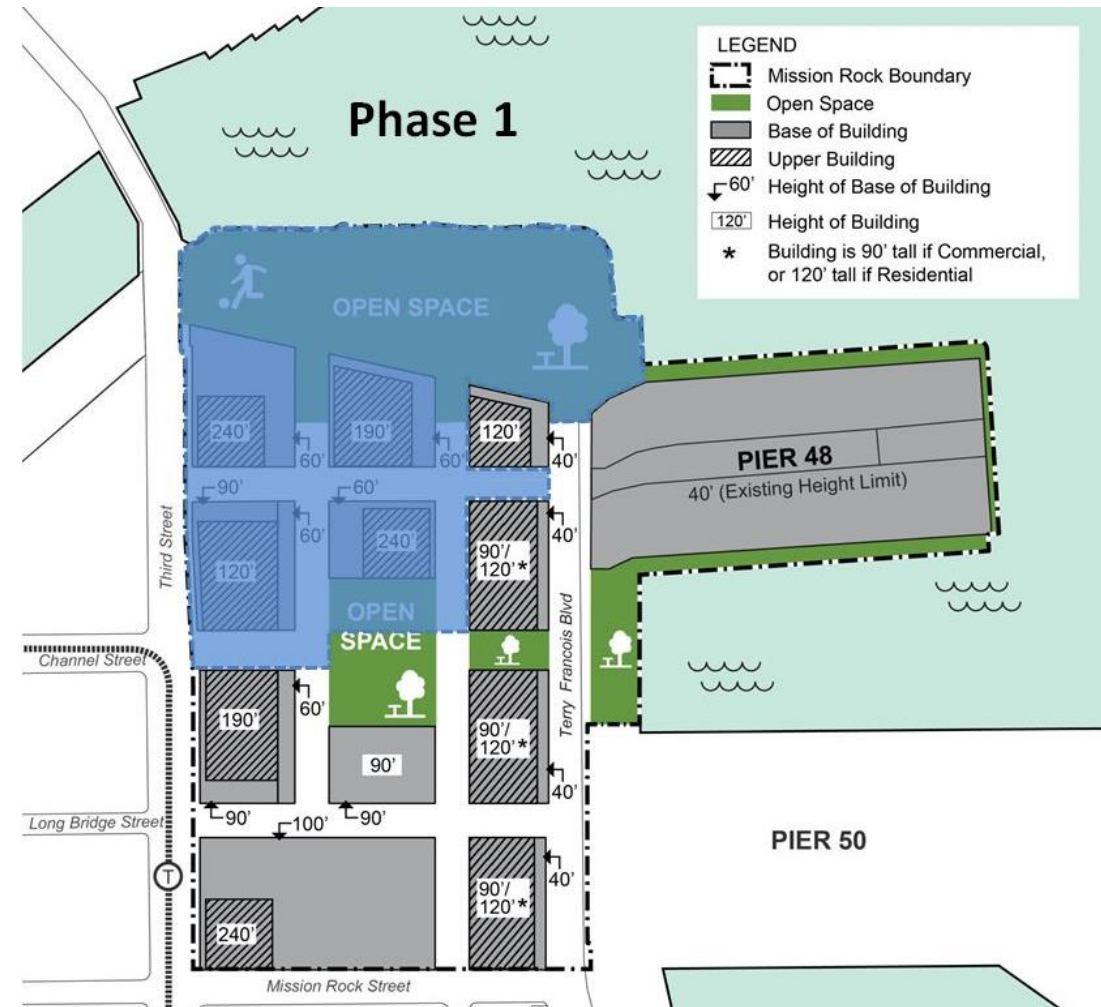


Mission Rock Phase 1

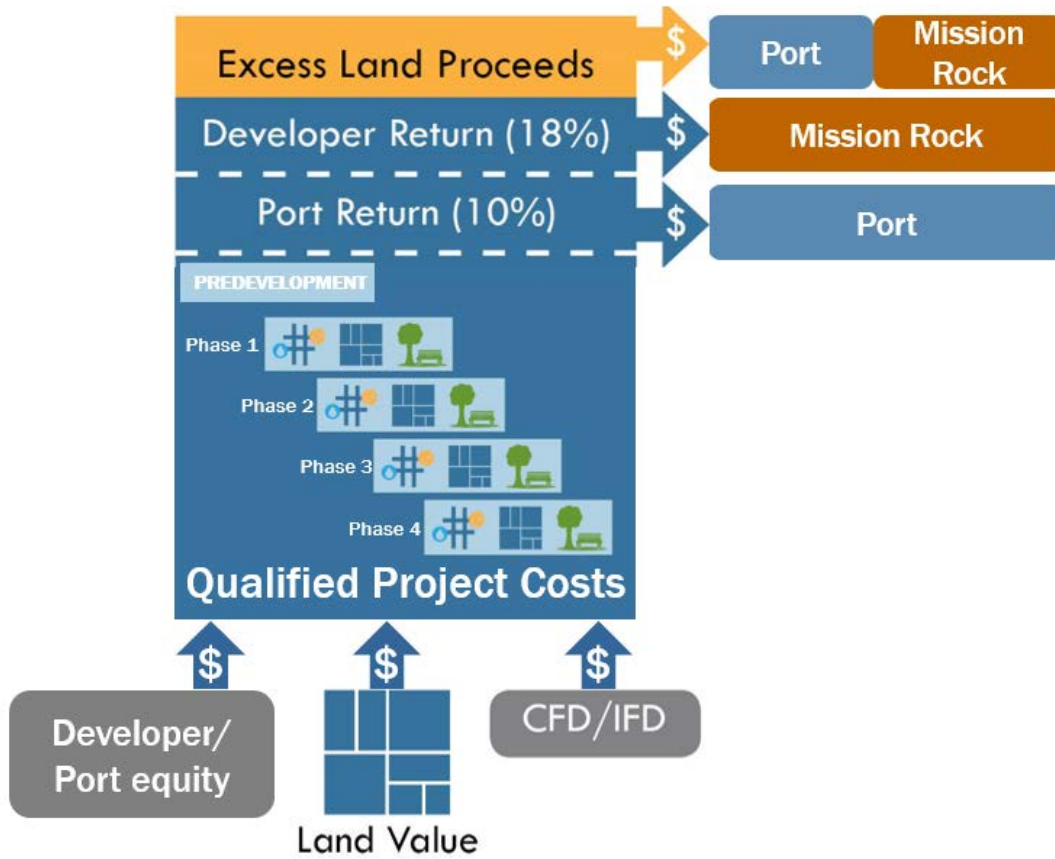
- Housing (2 buildings)
 - 537 units total, 199 affordable
- Commercial Office (2 buildings)
 - 550,000 gross square feet
- Ground Floor Retail
 - 65,000 square feet
- China Basin Park (5.5 Acres)

Latest Updates:

- Horizontal: Phase 1 ~25% complete
- Vertical: Parcels A and G under construction



Project Funding Structure



Strategies to limit Developer Capital and Return:

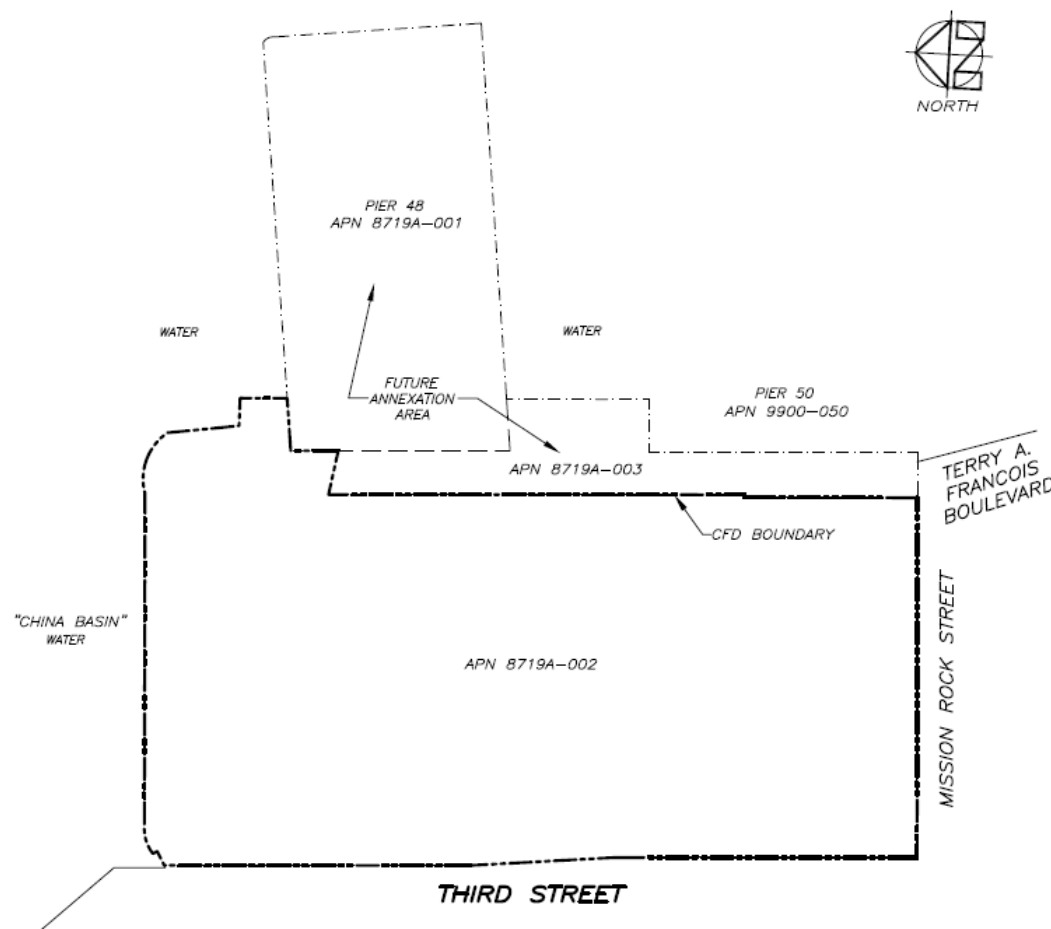
- Use CFD/IFD sources when possible
- Maximize public financing
- Use tax-exempt debt
- Use Port Capital

Overview of Phase 1 Sources and Uses

Description	Entitlement	Phase 1	Total Phase
Total Horizontal Costs	29.3	145.4	174.8
Developer Return	<u>16.9</u>	<u>73.8</u>	<u>90.7</u>
Total Phase 1 Uses	46.2	219.3	265.5
Net Development Rights Payments	42.2	-	42.2
CFD Bonds - Unimproved Land	4.0	31.2	35.2
CFD Bonds - Completed Buildings	-	140.8	140.8
Excess Pay Go Tax Increment	<u>-</u>	<u>47.2</u>	<u>47.2</u>
Total Phase 1 Sources	46.2	219.3	265.5

Public Financing Actions to Date

- **February 2018:** Infrastructure Financing District Project Area I
- **September 2019:** Amendments to the City's Special Tax Law to align to Pier 70 and Mission Rock projects
- **May 2020:** Formation of Community Facilities District
- **December 2020:** Approval of First CFD Bond Issuance



CFD Taxes and Uses

Development Tax

- Funds infrastructure and parks
- 40 years bonding authority

Office Tax

- Funds infrastructure and parks
- More flexible than development tax
- Exists for 120 years

Shoreline Tax

- Funds shoreline protection studies and facilities
- Exists for 120 years

Services Tax

- Funds ongoing operations and maintenance for site
- Exists in perpetuity



Bond Issuance Parameters

- Amount of bonds sold limited by two factors:
 1. Appraised value of the CFD
 - The City has a policy of only issuing CFD debt with a 3:1 value-to-lien ratio
 - Prior appraisal valuation of \$130 million, resulting in \$43.3 million in bonds
 2. Ongoing Tax Revenues
 - Requires 110% debt service coverage
 - Expect far in excess of this in ongoing revenues from Phase I
 - Additional taxes will fund future bond issuances

Opportunity for a Second Issuance

- Since date of prior appraisal (October 2020) there have been significant investments in both horizontal and vertical improvements at the site, increasing the appraised value of the land securing the CFD
- Final appraisal has a valuation of \$324.9 million, which results in a maximum of \$108.2 million in land-based Phase 1 bonds.
 - Presents opportunity for a second issuance of up to ~\$64.9 Million
- An additional \$64.9 million in special tax bond proceeds would have significant benefits to the project's economics
 - Note however, that delays in permitting and first bond issuance have had significant detrimental impacts to Phase 1

Estimated Financing Terms

- Final Maturity of September 1, 2051
- Estimated True Interest Cost: 4.17%
- Estimated Bond Proceeds: \$64.8M
- Estimated Cost of Issuance: \$1.5M
- Average Annual Debt Service: 3.97M
- Estimated Total Debt Service: \$119.42M

Source: PFM



Bond Sources and Uses

- Sale of bonds in amount of \$64.9M results in potential total sources of \$64.8M with premium
- Sources and uses shown in table to right; proceeds used to repay eligible Phase I Infrastructure Improvements

Sources	Amount
Bond Proceeds	
Par Amount	\$ 64,900,000
Premium	\$ (70,986)
Total Sources	\$ 64,829,013

Uses	Amount
Improvement Fund	\$ 58,348,064
Debt Service Reserve Fund	\$ 5,005,948
Delivery Date Expenses:	
Cost of Issuance	\$826,000
Underwriter's Discount	\$649,000
Total Uses	\$ 64,829,013

Bond Overview & Risks

- The proposed Bonds will be sold without a rating (“Non-Rated”). The transaction is for new real estate development still underway and would not receive an investment grade rating.
 - Non-Rated special tax bonds have unique credit considerations and risk factors for investors which are discussed in the Official Statement, including:
 - Until fully built-out, all land-secured special tax bonds bear some degree of development risk. In challenging real estate markets, projects may not reach lease-up or sales targets which could lead to inability or refusal to pay special taxes by developers when due.
 - The Bonds are secured by only 1 taxpayer and its affiliates at this time. Staff has attempted to mitigate this concentration of ownership risk by limiting sales of the Bonds to qualified institutional buyers (which are sophisticated investors who can bear the risk of loss associated with defaults on non-rated securities).
- The Bonds are limited obligations of the City, secured by and payable solely from a pledge of the special taxes levied in in the Mission Rock CFD and tax increment generated in IFD Project Area I.
- While the General Fund of the City is not liable for the payment of principal or interest on the Bonds, and the credit of the City is not pledged to the payment of the Bonds, they still carry the “City and County of San Francisco” issuer name and market recognition and thus carry reputational risk for the City.
- The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances, the City will commence judicial foreclosure proceedings with respect to delinquent special taxes on property within the CFD and will diligently pursue such proceedings to completion.

The Preliminary Official Statement

- Board members are deemed to have a 'gatekeeping' responsibilities under federal securities laws to ensure that staff is aware of information that board members may have unique in their capacity as board members that would have a material bearing of the capacity of the CFD to repay the bonds. Board members cannot approve a POS if they are aware that it contains material misstatements or material omissions.
- In connection with the Bonds, Staff has prepared a preliminary official statement ("POS") for prospective investors. The POS describes:
 - i. The terms of the Bonds
 - ii. Sources of repayment and the security for the Bonds (i.e., CFD special taxes; foreclosure covenant)
 - iii. Information about the CFD and its operations and financial ability of the CFD to make timely payments of principal of and interest on the Bonds.
 - iv. Risk Factors related to investment in CFD bonds
- Prior to the distribution of the POS (and final Official statement with pricing information), the POS will have been thoroughly and critically reviewed by Port and City and staff (in consultation with the City/[Port's] professional advisors, including Disclosure Counsel) to provide the most current material financial and other material information available.



QUESTIONS?