

AGENDA DRAFT

PLEDGE AGREEMENT

by and among

**CITY AND COUNTY OF SAN FRANCISCO INFRASTRUCTURE FINANCING
DISTRICT NO. 2 (PORT OF SAN FRANCISCO)**

and

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

and

**[CORPORATE TRUSTEE],
as Fiscal Agent**

Dated as of ____ 1, 20__

Relating to

**\$____
City and County of San Francisco
Special Tax District No. ____
Special Tax Bonds, Series ____**

PLEDGE AGREEMENT

This PLEDGE AGREEMENT, dated as of ____ 1, 20__ (this "Pledge Agreement"), by and between 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 (the "IFD"), the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation and chartered city organized and existing under the Constitution and the laws of the State of California (the "City") and [CORPORATE TRUSTEE], a national banking association organized and existing under the laws of the United States, as fiscal agent (the "Fiscal Agent") under the Fiscal Agent Agreement (hereinafter defined);

WITNESSETH:

WHEREAS, the IFD is an infrastructure financing district and a legally constituted governmental entity established pursuant to the laws of the State of California, with the legal authority to exercise powers under and pursuant to the provisions of Chapter 2.8 of Division 2 of Part 1 of Title 5 of the California Government Code (the "Law"), including the power to issue bonds;

WHEREAS, an Infrastructure Financing Plan (as defined herein) for the IFD, including Appendix G-2 with respect to Sub-Project Area G-1 (Pier 70 - 28-Acre Site), Sub-Project Area G-2 (Pier 70 - 28-Acre Site) and Sub-Project Area G-3 (Pier 70 - 28-Acre Site) (collectively, the "Sub-Project Areas"), has been adopted in compliance with all requirements of the Law;

WHEREAS, pursuant to Section 53395.2 of the Law, the IFD is authorized to pledge revenues available from the Sub-Project Areas to it pursuant to Article 3 of the Law (commencing with Section 53396) to pay the principal of, and interest on, bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 of Division 2 of Part 1 of Title 5 of the California Government Code, as amended (commencing with Section 53311)) (the "Mello-Roos Act"), the proceeds of which have been or will be used entirely for allowable purposes of the IFD;

WHEREAS, the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X) (the "Special Tax Law") incorporates the Mello-Roos Act by reference in full;

WHEREAS, pursuant to the Special Tax Law, the City and County of San Francisco (the "City") formed the Special Tax District to finance certain improvements (the "Facilities") described in Resolution ____, adopted by the Board of Supervisors of the City on ____, 20__ (the "Resolution of Formation"), and some or all of those Facilities is a facility that may be financed by the IFD;

WHEREAS, concurrently herewith, the City is issuing for and on behalf of the Special Tax District its City and County of San Francisco Special Tax District No. ____ Special Tax

Bonds, Series ____ (the "Special Tax District Bonds") to finance acquisition and construction of the Facilities;

WHEREAS, the IFD and the Special Tax District wish to enter into this Agreement to memorialize a pledge by the IFD of Tax Revenues (as defined herein) as security for and a source of payment of debt service on the Special Tax District Bonds;

NOW, THEREFORE, in consideration of the mutual covenants herein contained it is agreed by and between the parties hereto, as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this Pledge Agreement and of any amendment hereto, and of any certificate, opinion, estimate or other document herein mentioned, have the meanings herein specified. Any capitalized term not defined herein shall have the meaning given to such term in the Fiscal Agent Agreement.

"Administrative Expenses" means any or all of the following: _____.

"Annual Debt Service" means, for each Bond Year, the sum of (i) interest due on the outstanding Special Tax District Bonds and other Parity Debt in such Bond Year, assuming that the outstanding Special Tax District Bonds and other Parity Debt are retired as scheduled, and (ii) the principal amount of the outstanding Special Tax District Bonds and other Parity Debt due in such Bond Year.

"Bond Year" means the one-year period beginning on September 2 in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the closing date of the Special Tax District Bonds and shall end on September 1, 20__.

"City" means the City and County of San Francisco, a chartered city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"Fiscal Agent" means [Corporate Trustee], or any successor as fiscal agent under the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the Fiscal Agent Agreement dated as of ____ 1, 20__, between the City and the Fiscal Agent, pursuant to which the Special Tax District Bonds are being issued.

"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.

"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.

"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 February 23, 2016 and the Mayor approved on March 11, 2016, as amended by Ordinance No. __, passed on _____, 2018 and the Mayor approved on _____, 2018, as heretofore amended and as may hereafter be amended in accordance with the law.

"Law" means Chapter 2.8 of Division 2 of Part 1 of Title 5 of the California Government Code and the acts amendatory thereof and in supplement thereto. Whenever reference is made in this Pledge Agreement to the Law, reference is made to the Law as in force on the date of the execution of this Pledge Agreement, unless the context otherwise requires.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, as certified in writing by the IFD to the City and the Fiscal Agent.

"Ordinance" means any ordinance of the City Council of the City levying the Special Taxes, including but not limited to Ordinance No. ____ enacted by the Board of Supervisors of the City on ____, 20__.

"Parity Debt" has the meaning given that term in Section 6 of this Pledge Agreement.

"Parity Debt Instrument" means any instrument providing for the issuance or incurrence of Parity Debt.

"Plan Limit" means the limitation, if any, contained in the Infrastructure Financing Plan on the number of dollars of taxes which may be divided and allocated to the IFD with respect to the Project Area pursuant to the Infrastructure Financing Plan and the Law.

"Special Tax District Bonds" means the City and County of San Francisco Special Tax District No. __ Special Tax Bonds, Series ____, issued and outstanding under the Fiscal Agent Agreement.

"Special Tax Law" means the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time.

"Special Taxes" means the special taxes levied by the City Council within the Special Tax District under the Act, the Ordinance and this Agreement.

"Subordinate Debt" has the meaning given that term in Section 7 of this Pledge Agreement.

"Subordinate Debt Instrument" means any instrument providing for the issuance or incurrence of Subordinate Debt.

["Sub-Project Area G-" means Sub-Project Area G-__ (Pier 70 - 28-Acre Site).]

"Sub-Project Areas" means, collectively, Sub-Project Area G-1 (Pier 70 - 28-Acre Site), Sub-Project Area G-2 (Pier 70 - 28-Acre Site) and Sub-Project Area G-3 (Pier 70 - 28-Acre Site).

"Tax Revenues" means all taxes annually allocated within the Plan Limit and paid to the IFD with respect to [the Sub-Project Areas]/[Sub-Project Area G-_] pursuant to the Law, and as provided in the Infrastructure Financing Plan.

Section 2. Payment of Tax Revenues. The IFD and the City agree that the IFD shall pay to the Fiscal Agent, for deposit into the Special Tax Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, all Tax Revenues received during each Fiscal Year by no later than each January 1 (or as soon thereafter as the IFD receives its tax increment from the City) and June 20 (or as soon thereafter as the IFD receives its tax increment from the City) thereof until the amount so transferred to the Special Tax Fund established under the Fiscal Agent Agreement equals the sum of (i) Annual Debt Service, (ii) Administrative Expenses and (iii) amounts required to replenish the Reserve Fund (as provided in the Fiscal Agent Agreement), in each case for such Fiscal Year, less amounts on deposit in the Bond Fund and the Special Tax Fund and held under the Fiscal Agent Agreement. The IFD and the City agree that such Tax Revenues paid to the Fiscal Agent shall be pledged to the payment of debt service on, and other amounts payable with respect to, the Special Tax District Bonds, and shall not be applied for any other purpose, except as permitted under the Fiscal Agent Agreement.

Section 3. Pledge and Assignment. Subject to the limitations regarding the use of tax increment to pay outstanding indebtedness as set forth in the Infrastructure Financing Plan (to the extent applicable), the IFD, for the security of the IFD's payment obligation hereunder, hereby pledges the Tax Revenues to the Fiscal Agent, and creates a lien thereon for the benefit of the Fiscal Agent, and such pledge and lien shall be subject to no prior pledge or liens except as provided in Section 6 below, and the pledge and lien created hereby shall attach and be binding and effective without the need for any physical delivery, recordation, filing, or further act.

Section 4. Excess Tax Revenues. Tax Revenues in excess of the amounts required for the IFD to meet its obligations hereunder (the "Excess Tax Revenues") shall be used by the IFD for authorized purposes under the Infrastructure Financing Plan.

Section 5. Coverage Covenant; Plan Limit.

(a) The IFD agrees that it will not issue or incur any additional obligations or take any action regarding the pledge of Tax Revenues such that the amount of Tax Revenues for the then current Fiscal Year, will be less than ____% of Maximum Annual Debt Service.

(b) The IFD shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the IFD to pay meet its payment obligations under this Pledge Agreement and with respect to any outstanding Parity Debt when due.

Section 6. Issuance of Parity Debt. In addition to the pledge under this Agreement, the IFD may issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the its obligations under this Pledge Agreement (“Parity Debt”) to finance and/or refinance activities that are permitted to be financed by the IFD with respect to [the Sub-Project Areas]/[Sub-Project Area G-__] in such principal amount as shall be determined by the IFD. The IFD may issue and deliver any such Parity Debt subject to the following specific conditions all of which are hereby made conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default hereunder, under any Parity Debt Instrument or under any Subordinate Debt Instrument shall have occurred and be continuing, unless such event of default shall be cured by the issuance of the Parity Debt, and the IFD shall otherwise be in compliance with all covenants set forth in this Indenture;

(b) Except as provided in (f) below, the Tax Revenues received or estimated to be received for the then current Fiscal Year (i) calculated using a tax rate of (1%) and (ii) based on the most recent taxable valuation of property in [the Sub-Project Areas]/[Sub-Project Area G-__] as evidenced by the records of the IFD, plus an assumed increase in Tax Revenues of two percent (2%), shall be at least equal to _____ percent (___%) of Maximum Annual Debt Service, including within such Maximum Annual Debt Service, the amount of annual debt service on the Parity Debt then proposed to be issued or incurred;

(c) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable;

(d) The aggregate amount of the principal of and interest on the Special Tax District Bonds, all outstanding Parity Debt and any Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues, if any, permitted under the Plan Limit to be allocated and paid to the IFD following the issuance of such Parity Debt;

(e) The IFD shall deliver to the City and the Fiscal Agent a written certificate certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) - (d) of this Section have been satisfied.

(f) Paragraph (b) shall not apply to the issuance or incurrence of any Parity Debt the net proceeds of which will be used solely to refund all or any portion of the Special Tax District Bonds or any outstanding Parity Debt, provided that debt service payable in each year with respect to the proposed Parity Debt is less than the debt service otherwise payable in each year with respect to the Special Tax District Bonds or Parity Debt, or portion thereof, proposed to be refunded.

Section 7. Issuance of Subordinate Debt. In addition to the pledge under this Agreement, the IFD may issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a subordinate basis to the its obligations under this Pledge Agreement (“Subordinate Debt”) in such principal amount as shall be determined

by the IFD. The IFD may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the then existing limitation, if any, on the amount of Tax Revenues allocable and payable to the IFD under the Infrastructure Financing Plan, then the aggregate amount of the principal of and interest to accrue on the Special Tax District Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the IFD following the issuance of such Subordinate Debt; and

(b) The IFD shall deliver to the Trustee a Written Certificate of the IFD certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in paragraph (a) above have been satisfied.

Section 8. Term. The term of this Pledge Agreement shall commence on the date of issuance of the Special Tax District Bonds, and shall end on the earlier of the date no Special Tax District Bonds are outstanding or ____, 20__, which date is the last day the IFD may repay indebtedness or receive property taxes under the Infrastructure Financing Plan; provided that such date shall be extended to the date on which no Special Tax District Bonds are outstanding, if later than May ____, 20__, if the IFD determines that payments of Tax Revenues hereunder may be made after ____, 20__, without violating either the Infrastructure Financing Plan or the Law.

Section 9. Amendment. This Pledge Agreement may be amended only with the prior written consent of the parties thereto and if the City shall have received an opinion of nationally recognized bond counsel that such amendment does not adversely affect the tax-exempt nature of interest on the Special Tax District Bonds.

IN WITNESS HEREOF, the parties hereto have executed this Pledge Agreement as of the day and year first above written.

CITY AND COUNTY OF SAN
FRANCISCO INFRASTRUCTURE
FINANCING DISTRICT NO. 2 (PORT
OF SAN FRANCISCO)

By: _____
Authorized Officer

CITY AND COUNTY OF SAN
FRANCISCO

By: _____
Authorized Officer

[CORPORATE TRUSTEE], as Fiscal
Agent

By: _____
Authorized Officer