PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2021

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

NEW ISSUE - BOOK-ENTRY ONLY **NO RATING**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2021 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

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

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

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

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the "District") will be issuing Development Special Tax Bonds, Series 2021 (the "2021 Bonds"). The 2021 Bonds are being issued on behalf of the District, which was established by the City, pursuant to a Fiscal Agent Agreement, dated as of February 1, 2021 (the "Fiscal Agent Agreement"), by and between the City and ____________, as fiscal agent (the "Fiscal Agent"). The 2021 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, (iv) administrative expenses, and (v) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

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

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

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

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

The 2021 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the 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 2021 Bonds will be available for delivery through the book-entry facilities of DTC on or about February __, 2021.

STIFEL

Dated: January __, 2021

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* Preliminary, subject to change.

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

(Base CUSIP[†] _____)

Maturity Date (September 1)	Principal Amount[*]	Interest Rate	Yield	Price	CUSIP[†]

$________ ___% Term Bonds due September 1, 20__– Yield: ____% Price: ____% CUSIP[†]: __________

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[*] 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 2021 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021 Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2021 Bonds.

CITY AND COUNTY OF SAN FRANCISCO
MAYOR

London N. Breed

BOARD OF SUPERVISORS[(1)]

_____________, *Board President, District 7*

_____________, *District 1*
Catherine Stefani, *District 2*
_____________, *District 3*
Gordon Mar, *District 4*
_____________, *District 5*
Matt Haney, *District 6*
Rafael Mandelman, *District 8*
_____________, *District 9*
Shamann Walton, *District 10*
_____________, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *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
____
_____, _____

[(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 2021 Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal 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 2021 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the 2021 Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

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

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

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

FORWARD LOOKING STATEMENTS

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

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

[insert location map

The above map shows the location of the Mission Rock Project. The 2021 Bonds will be secured by Development Special Taxes levied in the District. No property of the District is pledged to the repayment of the 2021 Bonds, nor shall any resources of the City be available to pay debt service on the 2021 Bonds.

OFFICIAL STATEMENT

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

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco, 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 2021 (the "2021 Bonds"). The 2021 Bonds and any Parity Bonds (as defined herein) are collectively referred to herein as the "Bonds."

Authority for the 2021 Bonds

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

- a Fiscal Agent Agreement, dated as of February 1, 2021 (the "Fiscal Agent Agreement"), by and between the City and __________, 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. 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 15, 2020, as supplemented by Resolution No. ____ adopted by the Board of on ____, 2020 and approved by Mayor London N. Breed on _______, 2020 (collectively, the "Resolution").

Use of Proceeds

The 2021 Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District (the "Facilities"), (ii) a capitalized interest account, (iii) a debt service reserve fund (the "2021 Reserve Fund"), (iv) administrative expenses and (v) costs of issuance, all as further described herein. See "THE FINANCING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The District and the Mission Rock Project

The District contains 12 blocks of land within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48 owned by the City, operating by and through the San Francisco Port Commission (the "Port"),

[*] Preliminary, subject to change.

100770313.8

and leased to Seawall Lot 337 Associates, L.L.C. (the "Master Developer"), a Delaware limited liability company. The property in the District is entitled under the Planning Code for the development of 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,119 for-rent multifamily residential units; 40% of the residential units will be affordable (i.e., for low and moderate income households earning between 45-150% of the area median income). The District is expected to be developed in four phases as part of the Mission Rock Project. See "THE MISSION ROCK PROJECT" herein.

The Master Developer is developing the Mission Rock Project, which is a public-private partnership among the San Francisco Giants, Tishman Speyer (as defined herein), the Port of San Francisco (previously defined as the "Port") and the City to develop a waterfront mixed-use neighborhood on the 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.

Appraisal

The firm of Integra Realty Resources, Inc. (the "Appraiser") has been retained by the City and has prepared an Appraisal Report dated October 21, 2020 (the "Original Appraisal Report") with a valuation date of April 22, 2020, estimating the market value of the leasehold interest in the District that is subject to the Development Special Taxes securing the 2021 Bonds. The Appraiser concluded in the Appraisal Report that the market value in bulk of the leasehold interest in the appraised properties as of April 22, 2020 is $150,400,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report.

The Appraiser has also prepared an Update Appraisal Report dated November 9, 2020 (the "Update Appraisal Report," and together with the Original Appraisal Report, the "Appraisal Report") with a valuation date of October 28, 2020, estimating the market value of the leasehold interest in the District that is subject to the Development Special Taxes securing the 2021 Bonds. The Appraiser concluded in the Update Appraisal Report that the market value in bulk of the leasehold interest in the appraised properties as of October 28, 2020 is $130,000,000, subject to certain assumptions and limiting conditions set forth in the Update Appraisal Report.

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

The Original Appraisal Report and the Update Appraisal Report appraised the leasehold interest value of the parcels subject to the Development Special Taxes within the District, representing 11 of the 12 blocks within the District, with Block D2 (intended to include a parking garage and retail space) excluded. The developable uses of Block D2 are not subject to the lien of the Development Special Taxes securing the 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.*

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."

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 public 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 2021 Bonds

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

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

Security for the Bonds

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

Under the Rate and Method, with respect to each fiscal year, if and to the extent IFD Payment Amounts have been received by the Fiscal Agent during the prior fiscal year, the Development Special Taxes required to be levied overall in the District will be reduced by the amount of IFD Payment Amounts on hand. See "SECURITY FOR THE BONDS – General," " – 2021 Reserve Fund" and " – Infrastructure Financing District Pledge Supporting Bonds" 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.

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 Rate and Method provides for the levy of special taxes other than the Development Special Tax in the District. Only the Development Special Taxes are pledged under the Fiscal Agent Agreement and constitutes 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.

2021 Reserve Fund

The City, on behalf of the District, will establish under the Fiscal Agent Agreement a debt service reserve fund (the "2021 Reserve Fund") as additional security for the 2021 Bonds and certain 2021 Related Parity Bonds (defined below). The 2021 Reserve Fund will initially be funded with proceeds of the 2021 Bonds in an amount equal to the 2021 Reserve Requirement (defined below). See "SECURITY FOR THE BONDS – 2021 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 on Leasehold Interests in Taxable Parcels 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. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Continuing Disclosure

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

Risk Factors

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

No Rating

The 2021 Bonds are not rated. See "NO RATING" herein.

Further Information

Brief descriptions of the 2021 Bonds, the security for the Bonds, special risk factors, the District, the Port, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2021 Bonds, the Fiscal Agent Agreement, the Pledge Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2021 Bonds, the Fiscal Agent Agreement, 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 2021 Bonds, see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS" hereto.

THE FINANCING PLAN

The 2021 Bonds are being issued to finance: (i) the Facilities, (ii) the 2021 Reserve Fund, (iii) administrative expenses, and (iv) costs of issuance.

The Facilities to be financed by the 2021 Bonds are expected to consist of water, sewer and storm drain infrastructure, roadways, streetscape, and parks and open space.

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:

Sources of Funds	
Principal Amount	$
[Net] [Premium/Discount]	
Total Sources	
Uses of Funds	
Deposit to Improvement Fund	$
Deposit to 2021 Capitalized Interest Account	
Deposit to 2021 Reserve Fund	
Deposit to Administrative Expense Fund	
Costs of Issuance[(1)]	
Total Uses	$

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

THE 2021 BONDS

Description of the 2021 Bonds

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

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

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

Redemption*

Optional Redemption. The 2021 Bonds maturing on or after September 1, 20__ are subject to optional redemption as directed by the City, from sources of funds other than prepayments of 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 2021 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

* Preliminary, subject to change.

Redemption Dates	Redemption Price
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 2021 Bonds maturing on September 1, ___ (the "Term 2021 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 (September 1)	Principal Amount Subject to Redemption

(maturity)

Provided, however, if some but not all of the Term 2021 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 2021 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 2021 Reserve Fund shall be used to redeem 2021 Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2021 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

Redemption Date	**Redemption Price**
Any Interest Payment Date on or before March 1, 20__	____%
September 1, 20__ and March 1, 20__	____
September 1, 20__ and March 1, 20__	____
September 1, 20__ and any Interest Payment Date thereafter	____

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

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

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

Selection of Bonds for Redemption. Whenever the City has called for redemption of less than all of the 2021 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 2021 Bonds of any maturity, the Fiscal Agent shall select the 2021 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 2021 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2021 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2021 Bonds were to be redeemed in accordance with the Fiscal Agent Agreement.

The Fiscal Agent

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

Debt Service Schedule

The following is the debt service schedule for the 2021 Bonds, assuming no redemptions other than mandatory sinking fund redemptions. The 2021 Bonds have been sized to provide 110% debt service coverage from the net available Development Special Tax Revenues anticipated from the levy on Parcels A, B, F and G alone. See also Table 11 in "THE MISSION ROCK PROJECT - Projected Development Special Tax Levy, Assessed Values and Value to Lien Ratios" herein.

Year Ending (September 1)	Principal	Interest	Total
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 and all moneys deposited in the Bond Fund (including the Development Special Tax Prepayments Account) and, until disbursed as provided in the Fiscal Agent Agreement, in the Development Special Tax Account. The Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the 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.

"Revenues" means all amounts pledged under the Fiscal Agent Agreement to the payment of principal of, premium, if any, and interest on the Bonds, consisting of the following: (i) Development Special Tax Revenues, (ii) IFD Payment Amounts, and (iii) any other amounts remitted by the City to the Fiscal Agent with written directions to deposit the same to the Revenue Fund; but such term does not include amounts deposited to the Administrative Expense Fund or the Improvement Fund, or any earnings thereon.

"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 District under the Special Tax Financing Law, the Rate and Method, the Ordinance and the Fiscal Agent Agreement.

"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 (as defined in the Rate and Method and including, among other things, debt service on the Bonds and replenishment of reserve funds for the Bonds).

"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.

"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.

"IFD Payment Amount" is defined in the Pledge Agreement (defined herein), but generally represents the payment as of each July 1 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 City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the "IFD") to the Fiscal Agent by the IFD pursuant to the Pledge Agreement. Under the Rate and Method, if and to the extent IFD Payment Amounts have been received by the Fiscal Agent during the prior fiscal year, the Development Special Taxes required to be levied overall in the District will be reduced by the amount of IFD Payment Amounts on hand. See

“ – Infrastructure Financing District Pledge Supporting Bonds” below, “SECURITY FOR THE BONDS – Infrastructure Financing District Pledge Supporting Bonds” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

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. In accordance with the Rate and Method, if a lease is terminated, the Development Special Taxes cannot be levied on the fee interest in the property. There are very limited termination rights in the Master Lease and Parcel Leases (defined below). In order to eliminate the risk of termination, the Master Lease and each Parcel Lease includes language requiring such lease to remain in effect so long as bonds are outstanding. In addition, the City will covenant in the Fiscal Agent Agreement to inhibit Port from terminating any Leasehold Interest in a Taxable Parcel except by entering into a replacement lease and, in connection with a replacement lease, to cause the Port 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 may waive any interest in excess of the interest due on the Bonds and any penalties). See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” 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 2021 Bonds.

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

“2021 Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2021 Reserve Fund so that the balance therein is equal to the 2021 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2021 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 “ - 2021 Reserve Fund.” No 2021 Related Parity Bonds will be issued concurrently with issuance of the 2021 Bonds.

Unavailable Amounts. Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the 2021 Bonds.

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

Revenue Fund

Deposits in the Revenue Fund. Pursuant to the Fiscal Agent Agreement, there is established a "Revenue Fund" and a "Development Special Tax Account" and a "Tax Increment Account" within the Revenue Fund, each to be held by the Fiscal Agent. The Fiscal Agent will deposit amounts received from or on behalf of the City and the IFD consisting of Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The Fiscal Agent will deposit Development Special Tax Revenues in the Development Special Tax Account and the IFD Payment Amounts in the Tax Increment Account. The City has agreed in the Fiscal Agent Agreement to promptly remit any Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Revenue Fund. Notwithstanding the foregoing,

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

(ii) any Development Special Tax Revenues constituting the collection of delinquencies in payment of Development Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, without preference or priority, for transfer to the 2021 Reserve Fund to the extent needed to increase the amount then on deposit in the 2021 Reserve Fund up to the then 2021 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not 2021 Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and third, to be held in the Development Special Tax Account for use as described below under "- *Disbursements*"; and

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

Disbursements from the Revenue Fund. Amounts required to be transferred from the Revenue Fund shall be withdrawn first from the Tax Increment Account, until no further amounts remain therein, and then the Development Special Tax Account. At least seven (7) days prior to each Interest Payment Date or redemption date, as applicable, the Fiscal Agent will withdraw from the Revenue Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2021 Reserve Fund and any reserve account for Parity Bonds that are not 2021 Related Parity Bonds, the 2021 Capitalized Interest Account, the 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 not theretofore paid from a transfer described in subparagraph (ii) under "- Development Special Tax Account;"

(ii) without preference or priority (a) to the 2021 Reserve Fund an amount, taking into account amounts then on deposit in the 2021 Reserve Fund, such that the amount in the 2021 Reserve Fund is equal to the 2021 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2021 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 Revenue Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2021 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds),

(iii) to the Administrative Expense Fund, to the extent of any shortfall of amounts in the Administrative Expense Fund to pay Administrative Expenses, and

(iv) on each October 1, beginning on October 1, 2021, all of the moneys remaining in the Revenue Fund shall be transferred to the Port for deposit and application in accordance with a Disposition and Development Agreement (defined below as the "DDA") (including paying any amounts due on the promissory notes described in the financing plan under the DDA (see " – Parity Bonds" below)).

Bond Fund

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

Flow of Funds for Payment of Principal and Interest. At least ten (10) Business Days before each Interest Payment Date, 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 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 2021 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 2021 Bonds and any 2021 Related Parity Bonds. Amounts so withdrawn from the 2021 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 2021 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.

2021 Reserve Fund

The District will establish under the Fiscal Agent Agreement a 2021 Reserve Fund for the benefit of the 2021 Bonds and any 2021 Related Parity Bonds. The District is obligated to fund the 2021 Reserve Fund in an amount equal to the 2021 Reserve Requirement.

"2021 Reserve Requirement" means, as of the date of calculation, an amount equal to the lesser of

(i) Maximum Annual Debt Service on the 2021 Bonds and any 2021 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 2021 Bonds and any 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 2021 Bonds and any Related Parity Bonds;

provided, however,

(A) that with respect to the calculation of clause (iii), the issue price of the 2021 Bonds or any 2021 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 2021 Bonds or any 2021 Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2021 Bonds or any 2021 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 2021 Reserve Fund on the date of issuance of the 2021 Bonds (if they are the only Bonds covered by the 2021 Reserve Fund) or the most recently issued series of 2021 Related Parity Bonds (if any 2021 Related Parity Bonds are covered by the 2021 Reserve Fund) except in connection with any increase associated with the issuance of 2021 Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2021 Reserve Fund in connection with the issuance of a series of 2021 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 2021 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2021 Bonds or any 2021 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.

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 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 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 (as defined in the Rate and Method) 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" means, 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. For any Taxable Parcel on which a structure is built and occupied without execution of a Parcel Lease, such Taxable Parcel shall be categorized as Developed Property in the Fiscal Year in which a Certificate of Occupancy was issued on or prior to June 30 of the preceding Fiscal Year.

"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 the 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 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 has determined, pursuant to the Financing Plan, is available to reduce the amount of Development Special Tax levied against Assessed Parcels.

"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 and was formed by Ordinance No. 34-18.

"Review Authority" means 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.

"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-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.

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

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

"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 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 (FY 2019-20)	Base Development Special Tax Tax Zone 2 (FY 2019-20)
Market-Rate Residential Square Footage	\$8.58 per Market-Rate Residential Square Foot	\$8.58 per Market-Rate Residential Square Foot
Office Square Footage	\$6.50 per Office Square Foot	\$6.50 per Office Square Foot
Excess Exempt Square Footage	\$8.58 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$6.50 per Excess Exempt Square Foot if Office Square Footage was reduced	\$8.58 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$6.50 per Excess Exempt Square Foot if Office Square Footage was reduced

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 2021 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. 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 STD. 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 2021 Bonds, if additional revenue is needed after Step 1 in order to meet the Development Special Tax Requirement after Capitalized Interest 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.

Infrastructure Financing District Pledge Supporting Bonds

General. 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.

Under the IFD Law, the Board of Supervisors formed 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.

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" (as defined in APPENDIX H – "INFRASTRUCTURE FINANCING DISTRICT"). Under the Pledge Agreement, the IFD pledges Pledged Tax Increment (as defined in APPENDIX H – "INFRASTRUCTURE FINANCING DISTRICT") as security for and a source of payment of the IFD Payment Amount by the IFD to the Fiscal Agent.

As described in "SECURITY FOR THE BONDS – Revenue Fund," the Fiscal Agent will deposit the IFD Payment Amount in the Tax Increment Account of the Revenue Fund, and the IFD Payment Amount is available pay debt service on the Bonds, replenish the 2021 Reserve Fund and the debt service reserve funds for Parity Bonds that are not 2021 Related Bonds, and pay Administrative Expenses.

Under the Rate and Method, if and to the extent IFD Payment Amounts have been received by the Fiscal Agent during the prior fiscal year, the Development Special Taxes required to be levied overall in the District will be reduced by the amount of IFD Payment Amounts on hand. Under the Rate and Method, the Pledge Agreement and the Fiscal Agent Agreement, IFD Payment Amounts will not exceed the Development Special Taxes that would have been levied in the absence of IFD Payment Amounts. See APPENDIX B – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES" hereto

The IFD Payment Amount is available to pay debt service on the 2021 Bonds and any Parity Bonds.

See APPENDIX H – "INFRASTRUCTURE FINANCING DISTRICT."

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.

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.

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 the Superior Courts 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." Such judicial foreclosure proceedings are not mandatory.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City. 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, 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 2021 Reserve Fund is at least equal to the 2021 Reserve Requirement and (3) the amount in the reserve account for any Parity Bonds that are not 2021 Related Parity Bonds is at least equal to the required amount.

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. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

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

No Teeter Plan

The Board of Supervisors adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, in 1993 pursuant to Resolution No. 830-93. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. 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 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.

Parity Bonds

The District is authorized to incur $3,700,000,000 of bonded indebtedness and other debt. 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 2021 Bonds will be the first series of Bonds issued under the Fiscal Agent Agreement. The City may issue Parity Bonds in addition to the 2021 Bonds under 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 anticipates issuing Parity Bonds in the amount of approximately $275 million over the next five years. The City may issue such Parity Bonds, on a parity basis with the 2021 Bonds, subject to the following specific conditions precedent:

(A) *Compliance.* The City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the District's $3,700,000,000 limitation on debt.

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

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

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

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

(iii) no deposit to either the 2021 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2021 Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Value.* The Development 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) a portion of the aggregate principal amount of any and all other bonds issued by or for a community facilities 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 (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year plus (v) the aggregate principal amount of any and all special tax bonds that are payable from other special taxes than the Development Special Taxes under the Rate and Method (the "Other Special Tax District Bonds") equal to the aggregate outstanding principal amount of the Other Special Tax District Bonds.

(E) *Coverage.* An independent financial consultant shall certify that for each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Development Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses 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 the purpose of calculating the Development Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds, the City shall not include for any Fiscal Year the Development Special Taxes that may be levied on any parcel of Undeveloped Property (as defined in the Rate and Method) that is delinquent in the payment of Development Special Taxes on the date of the Officer's Certificate described in clause (G) below.

"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).

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, which is currently outstanding in the principal amount of $43,144,905.86. 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, and the promissory note is not secured by a pledge of Development Special Tax Revenues. See " – Revenue Fund" above.

See "SPECIAL RISK FACTORS – Future Indebtedness" herein.

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

The City may issue Other Special Tax District Bonds as long as 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 any fixed assessment liens on the parcels in the Special Tax District subject to the levy of Development Special Taxes, plus (iii) a portion of the aggregate principal amount of any and all Other District Bonds equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year plus (iv) the aggregate principal amount of any and all Other Special Tax District Bonds (including any proposed Other Special Tax District Bonds). Except in the provisions of the Fiscal Agent Agreement described in this paragraph, the Fiscal Agent Agreement does not 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.

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.]

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.

Only the property in the District is subject to the Development Special Tax that secures payment on the 2021 Bonds. Pier 48 is part of the Mission Rock Project, but is not currently located within the District. Pier 48 is ___ acres located to the east of the District and is currently used for storage. Pier 48 is identified as 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 at the time of annexation into the District, whereupon a special tax will become a continuing lien on the Leasehold Interest in Pier 48 according to the Rate and Method. See "THE MISSION ROCK PROJECT" for more information about Pier 48.

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

Impact of COVID-19 Pandemic on San Francisco Economy. Since late winter 2020, the City has been facing significant negative impacts of the global COVID-19 pandemic and efforts to contain it, including the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools throughout the City and the United States. The pandemic has negatively affected travel, commerce, employment and financial markets globally and in the City. 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 and the unemployment rate in the City has risen from 2.3% in February 2020 to 8.8% in August 2020.] While many layoffs have been classified as temporary, no assurances can be given as to the nature of any re-hiring that may occur as shelter-in-place orders are loosened and the economic recovery takes shape. Many of the City's large private employers have encouraged employees to work remotely during the pandemic 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 in San Francisco.

The City cannot predict how long the current economic recession will last or the impacts on the City's and the region's economy, but such impacts may be material and adverse. See "SPECIAL RISK FACTORS – COVID-19 Pandemic" below.

Also, in recent years and in 2020, California has experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City. The fires have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions year over year as a result of changing weather patterns due to climate change. See "RISK FACTORS – Natural Disasters and Other Events" herein.

THE MISSION ROCK PROJECT

The 2021 Bonds have been sized to be secured by the development of Phase 1 of the Mission Rock Project. Unpaid Development Special Taxes do not constitute a personal indebtedness of the leaseholders *of the parcels within the District. There is no assurance that the present leaseholders or any subsequent leaseholders will have the ability to pay the Development Special Taxes or that, even if they have the ability, they will choose to pay the Development Special Taxes. A leaseholder may elect not to pay the Development Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment of the Development Special Tax or the principal or interest on the Bonds directly from the leaseholders of property within the District, or the ability to control who becomes a subsequent leaseholder of any property within the District. The City, on behalf of the District, however, has covenanted in the Fiscal Agent Agreement for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Development Special Taxes on property 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.*

Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (the "Master Developer") has provided the following information with respect to development of the horizontal and vertical development of the area consisting of Seawall Lot 337, 3.53 acres of Terry A. Francois Boulevard from Third Street to Mission Rock Street, and ½ acre to the east of Terry A. Francois Boulevard between Pier 48 and Pier 50 (the "Mission Rock Project"). No assurance can be given by the City that all information is complete or accurate. No assurance can be given by the City 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 public 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 2021 Bonds. Since the leaseholders of the parcels are subject to change, the development plans outlined below may not be continued by the subsequent leaseholders if the parcels are reconveyed to different leaseholders, although development by any subsequent leaseholder may be subject to the DA and DDA (as such terms are defined below) and will be subject to the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur. If and to the extent that expected funding and financing sources are inadequate to pay the costs to complete the planned development of Phase 1 by the Master Developer and other financing by the Master Developer is not put into place, there could be a shortfall in the funds required to complete the planned development of Phase 1 by the Master Developer. If the development of the Mission Rock Project, including the public infrastructure supporting the District, is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Development Special Taxes, which, in turn, could result in the inability of the City to make full and punctual payments of debt service on the 2021 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 2021 Bonds.

History

The Mission Rock Project is located on Seawall Lot 337, which is the largest seawall lot of the Port’s 7.5 miles of tidelands and submerged lands along San Francisco Bay. 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 located just south of China Basin and has been used as a surface parking lot and event space since 1999.

The District includes lands subject to a public trust under the Burton Act (stats. 1968, ch. 1333, as amended) and a transfer agreement with the State of California. The Burton Act and that transfer agreement 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 Project Site (as defined below) to permit development of improvements that may be used for nontrust uses to enable higher economic development and revenues. The Port will use nontrust lease revenues, as well as repayment of lease revenues advanced for infrastructure costs, to preserve its historic resources and for other public trust-consistent uses permitted under SB 815.

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 Project Site in 2010.

Seawall Lot 337 consists of approximately 12 development parcels (sometimes also referred to herein as “Blocks”). Eleven of the Blocks are planned for a mix of commercial/office, retail, and market rate and affordable residential uses. 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” below. One or two public parking garages are expected to serve the development and other nearby uses, including baseball games and other events at Oracle Park. Most planned buildings will have ground floor retail or neighborhood-serving uses.

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, 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.

The Port Commission and the Board of Supervisors each adopted findings under the California Environmental Quality Act, including a statement of overriding considerations.

The Master Developer of the Mission Rock Project

The City, by and through the Port, owns the fee title to all of the property in the District.

The Master Developer’s parent company 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 Services, L.L.C., a Delaware limited liability company, an entity owned by the San Francisco Giants baseball franchise (herein, the “San Francisco Giants”), and (ii) TSCE 2007 Mission Rock, L.L.C., a Delaware limited liability company, that is an affiliate of Tishman Speyer Crown Equities 2007 LLC, a Delaware limited liability company (herein, “Tishman Speyer”).

San Francisco Giants. One of the oldest teams in Major League Baseball, the 136-year old franchise moved to San Francisco from New York in 1958. After playing a total of 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. The San Francisco Giants have a long history of working with constituents to develop successful real estate projects in the San Francisco market.

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.

Overview of the Mission Rock Project

The property in the District is part of the larger Mission Rock Project within the Mission Bay neighborhood of the City. The Mission Rock Project encompasses approximately 28 acres 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, and includes Pier 48.

The Mission Rock Project represents an opportunity to construct a new, vibrant neighborhood while strengthening the existing surrounding community. In addition to offering world-class office, residential, and retail space, the Mission Rock Project includes substantial park space and waterfront exposure in urban downtown San Francisco; China Basin Park, a five-acre, waterfront park, is expected to be delivered in Phase 1. Further, the site is located adjacent to mass transit and near major Bay Area thoroughfares. The site has immediate access to Muni light rail which offers connectivity to BART at Embarcadero station within about 15 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. Lastly, the site is located immediately south of Oracle Park and just north of the new Chase Arena, home to the National Basketball Association’s Golden State Warriors team. This, coupled with concerts and other events, is expected to attract an influx of activity and contribute to a vibrant, walkable environment at the Mission Rock Project.

Seawall Lot 337 Associates, LLC (previously defined as the “Master Developer”) is developing the Mission Rock Project, which is a public-private partnership among the San Francisco Giants, Tishman Speyer (as defined herein), the Port of San Francisco (previously defined as the “Port”) and the City and County of San Francisco (previously defined as the “City”) to develop a waterfront mixed-use neighborhood on the property currently serving as a parking lot for Oracle Park. 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 between 45-150% of the area median income.

- 8 acres of parks and open space, including a signature waterfront park.

- 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.

Pier 48 is part of the Mission Rock Project, but is not currently located within the District. Pier 48 is identified as a Future Annexation Area and may be annexed into the District. Pier 48 is not part of the Master Lease (as defined herein) at this time. The Master Developer, however, will enter into an interim lease of Pier 48 for parking and event use, as discussed in the DDA. Because Pier 48 is not the subject of the Master Lease, the development plans for Pier 48 are not discussed in this Official Statement and all future references to the Mission Rock Project (such as cost estimates and development timelines) do not include Pier 48.

The property that is subject to the Master Lease (the "Project Site") is owned, and will continue to be owned, by the City, by and through the Port. As the Mission Rock Project is developed, development sites will be leased by the Port to Vertical Developers (as defined herein) pursuant to the DDA and VDDAs (as defined herein).

The Mission Rock Project is expected to be developed in four Phases, as follows:

Phase 1: Blocks A, B, F, and G, and China Basin Park

Phase 2: Blocks C, D1, and D2

Phase 3: Block E

Phase 4: Blocks H, I, J, and K

An overview of the anticipated development of the Mission Rock Project is set forth in Table 2 below.

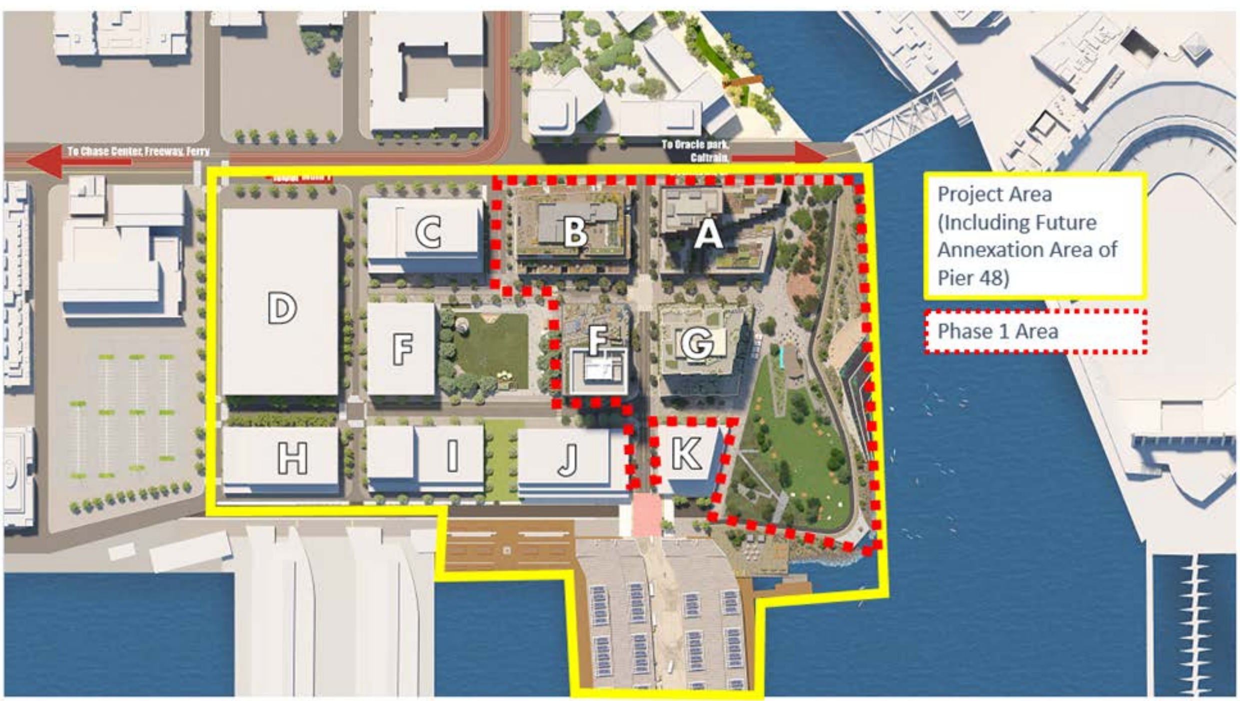
Table 2
City and County of San Francisco
Special Tax District No. 2020-1
(Mission Rock Facilities and Services)
Overview of the Mission Rock Project

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	214,335	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	4	2	0.75	--	119,320	21,977
J	4	2	0.72	--	118,820	22,524
K	4	2	0.41	96,450	--	9,230
D2(2)	2	2	1.62	--	--	10,327
Totals			**9.53**	**820,558**	**1,288,756**	**235,839**

(1) Square footage amounts shown above represents the expected rentable (leaseable) square footage for office, residential, 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 – Block G" herein.

(2) Block D2's intended uses include a parking garage and retail space. Those developable uses are not subject to the lien of the Development Special Taxes securing the Bonds.

The Mission Rock Project is depicted in the following diagram:



As set forth in Table 2, five of the 12 development blocks will include construction of residential rental property. An overview of the proposed residential development in the Mission Rock Project is set forth below in Table 3.

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

			Number of Units		
Block	**Phase**	**Tax Zone**	**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	4	2	128	64	192
K	4	2	92	39	131
Totals			**672**	**447**	**1,119**

[1] Below market rate rental units.

Phase 1 horizontal improvements commenced through early works permits in January 2020 and are scheduled to be completed in the second half of 2022. Phase 2 horizontal construction is expected to commence in September 2021 for completion in late 2023. Horizontal construction for Phases 3 and 4 is expected to commence in 2022 and 2024, respectively.

Phase I vertical improvements are scheduled to begin in November 2020 and to be complete by the first quarter of 2023. Phase 2 vertical construction is expected to commence in January 2022 with a 2024 completion date. Vertical construction for Phases 3 and 4 is expected to commence in 2023 and 2024 respectively. The Master Developer has secured funding for the completion of the horizontal improvements that will allow for the construction to commence on Phase 1 parcels. For more detail on funding for Phase 1 vertical construction, see "THE MISSION ROCK PROJECT - Development and Financing Plan for Phase 1" herein.

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.

DDA. The Disposition and Development Agreement, dated August 15, 2018 (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 Master Developer cannot proceed with any Phase until a number of conditions precedent are met, including 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.

The DDA contemplates that the Port and the Master Developer would enter into the Master Lease pursuant to which the Master Developer will ground lease the Project Site, as discussed further below.

The DDA also provides the Master Developer the option to acquire a ground lease interest in each vertical development site (each a "Block" or "Vertical Parcel") at fair market value by entering into a vertical development and disposition agreement, the form of which is attached to the DDA (a "VDDA") for each Vertical Parcel. A form of ground lease agreement, to be attached to each VDDA (a "Parcel Lease"), is also included in the DDA. The VDDAs and Parcel Leases are discussed further below.

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, property tax increment 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 bond proceeds (secured by liens on the leasehold interests on the Master Lease and the Parcel Leases) and special taxes levied in the District; (ii) property tax increment generated by development within the Mission Rock Project, captured through sub-project areas of the IFD (such project areas generally corresponding to the boundaries of the District); (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.

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 entire District is within the leased premises. 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. In addition, 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. The area to be developed in subsequent Phases (Phases 2, 3, and 4) remains within the Master Lease premises, and the Master Developer may continue to use this area for parking, construction staging, and other ancillary uses. This process is 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. 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. Pursuant to the VDDA, a Vertical Developer will lease the applicable Vertical Parcel for a period of up to seventy-five (75) years. Each Parcel Lease for the Vertical Parcels in Phase 1 was fully prepaid through Development Rights

Payments upon conveyance of the Parcel Lease. Parcel Leases in subsequent Phases are expected to require a mix of Development Rights Payments and annual ground rent. Development Rights Payments will be required to the extent provided in the Phase Budget, as some Development Rights Payments received by the Port will be loaned to the District (each loan, a "DRP Advance") and the DRP Advances will be used to pay the Master Developer for horizontal development costs and associated developer return. The Port is not obligated to convey Parcel Leases under a VDDA (other than the Phase 1 Vertical Parcels) unless a minimum annual rent at least equal to the "Reserve Rent" ($3.5 million for the entire site, allocated among the development parcels) will be payable. The Parcel Leases will permit development of a mix of office, retail, restaurant, parking, and market rate and affordable residential uses.

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 Phase Sub (Phase 1) – a 100% subsidiary of the Master Developer – 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, but excluding vertical development Blocks A, B, F, and G.

On December 18, 2019, the Master Developer and Phase 1 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 1 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 1 Sub now constitutes the Phase Transferee (as defined in the DDA) with respect to Phase 1.

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 Master Developer has the right to exercise the option to enter into a VDDA to acquire a leasehold interest from the Port in each Vertical Parcel that is part of such phase through an affiliate Vertical Developer, and such portions shall be developed by the applicable Vertical Developer in accordance with the terms of the applicable VDDA. The Port's approval of each Phase, including, but not limited to, the Phase Budget, the rent for each Vertical Parcel in the Phase, and estimated construction dates, is required before the Port enters into a VDDA with each Vertical Developer for the applicable Phase. The four Phases, and their respective Vertical Parcels, are depicted in the map below. Phase 1, which is comprised of four Vertical Parcels labeled as parcels A, B, F, and G, was approved by the Port in September 2019.

Subdivision Mapping Process. The Master Developer began to process various subdivision maps in order to establish development parcels. The Master Developer, through its affiliate Mission Rock Horizontal Phase Sub (Phase 1), 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 1 (i.e., Blocks A, B, F, and G), and the subdivider affiliate entered into a Public Improvement Agreement for the public improvements associated with Phase 1. The Final Subdivision Maps for 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

Cost Estimates of Public Improvements for the Mission Rock Project. The table below identifies those improvements and fees that are required to be constructed by the Master Developer in order to develop the property in the District as of June 30, 2020.

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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 Public Improvements for Mission Rock Project
(as of June 30, 2020)

Description	Estimated Public Improvement Costs	Spent To Date	Percent Complete
Phase 1			
Entitlement Phase	$ 29,330,000	$29,330,000	100.00%
Demo/Prep/Grading	13,744,835	4,056,706	29.51
Utilities	13,413,225	-	-
MRU Systems[(1)]	35,928,038	-	-
Streetscape	4,123,109	-	-
Interim	1,124,588	-	-
China Basin Park	27,397,300	-	-
Additional Items	3,909,273	-	-
General Conditions/Requirements	4,663,731	1,137,305	24.39
Indirect Costs & Contingency	21,369,589	2,926,098	13.69
Soft Costs			
A&E & Testing	15,733,607	10,072,987	64.02
Fees/Bonds/Permits/City	7,193,694	1,085,054	15.08
Developer Reimbursables	13,461,848	6,974,142	51.81
Insurance	3,009,376	1,714,941	56.99
Legal/Accounting/Tax	3,563,560	3,958,351	111.08
Entitlement-Related	2,662,554	2,610,953	98.06
Other Soft Costs	10,057,001	231,008	2.30
Totals Phase 1	**[$174,757,289]**	**$63,459,080**	**[36.31%]**
Phase 2-4			
Demo/Prep/Grading	$ 14,064,402	-	-
Utilities	13,725,081	-	-
MRU Systems[(1)]	20,000,000	-	-
Streetscape	4,218,971	-	-
Interim	1,150,735	-	-
Additional Items	4,000,163	-	-
General Conditions/Requirements	4,772,162	-	-
Indirect Costs & Contingency	34,859,080	-	-
Soft Costs	21,805,984	-	-
Totals Phase 2-4	**[$128,161,369]**	**-**	**-**
Totals for Mission Rock Project	**[$302,918,658]**	**$63,459,080**	**[20.95%]**

[(1)] The MRU Systems will initially be financed by sources other than the Master Developer. However, the Master Developer is expected to enter into a note payment agreement to guaranty the repayment of the principal on the bond anticipation notes issued to initially finance the MRU systems. See "-- Sustainable Blackwater and Thermal Energy Facilities" herein.

Horizontal Financing Plan. To date, the Master Developer has financed its site development costs related to the property in the Mission Rock Project through Master Developer equity and DRP Advances. The Master Developer estimates that, as of June 30, 2020, the remaining costs to be incurred by the Master Developer to complete its planned development within Mission Rock Project will be approximately $[239.5] million. The Master Developer estimates that the costs necessary to complete the horizontal infrastructure required for build-out of Phase 1 is approximately $[174.7] million, of which approximately

$[63.4] million has been spent to date. The Master Developer expects to use DRP Advances, Master Developer equity, Mission Rock Utilities bond anticipation notes proceeds (see " - Sustainable Blackwater and Thermal Energy Facilities" below) and 2021 Bond proceeds to complete its development and believes that it will have sufficient funds available to complete the Horizontal Improvements in accordance with the development schedule described in this Official Statement.

A summary of the expected cash flow for the Mission Rock Project is set forth below:

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

	Actual Through 6/30/20[(1)]	**Projected Through 12/31/21**	**Projected After 1/1/22**	**Totals**
Sources Phase 1				
DRP Advances[(2)]	$ 4,000,000	$ 39,000,000	$ -	$ 43,000,000
CFD Proceeds	0	35,200,000	188,014,973	223,214,973
Developer Equity	63,459,080	96,298,209	20,000,000	174,757,289
TOTAL SOURCES PHASE 1	**$67,459,080**	**$165,498,209**	**$208,014,973**	**$440,972,262**
Uses Phase 1				
Entitlement Costs[(3)]	$29,330,000	$ -	$ -	$ 29,330,000
Phase 1 Infrastructure[(4)]	34,129,080	91,298,209	20,000,000	145,427,289
TOTAL USES PHASE 1	**$63,459,080**	**$ 91,298,209**	**$ 20,000,000**	**$174,757,289**
NET CASH FLOW PHASE 1	**$ 4,000,000**	**$ 74,200,000**	**$188,014,973**	**$266,214,973**
Sources Phase 2-4				
DRP Advances[(2)]	$ -	$ -	$ 23,000,000	$ 23,000,000
CFD Proceeds	-	-	123,686,784	123,686,784
Developer Equity	-	5,000,000	97,691,993	102,691,993
TOTAL SOURCES PHASE 2-4	**$ -**	**$ 5,000,000**	**$244,378,777**	**$249,378,777**
Uses Phase 2-4				
Phases 2-4 Infrastructure	$ -	$ 5,000,000	$ 97,691,993	$102,691,993
TOTAL USES PHASE 2-4	**$ -**	**$ 5,000,000**	**$ 97,691,993**	**$102,691,993**
NET CASH FLOW PHASE 2-4	**$ -**	**$ -**	**$146,686,784**	**$146,686,784**
NET CASH FLOW	**$ 4,000,000**	**$ 74,200,000**	**$334,701,757**	**$412,901,757**

____
(1) Includes only revenues and costs associated with the construction of infrastructure through June 30, 2020; does not include every source or cost incurred by the Master Developer through June 30, 2020.
(2) 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" above.
(3) 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.

(4) Master developer obligation 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 Public Improvement Agreement.

Although the Master Developer expects to have sufficient funds available to complete its 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. Any contributions by the Master Developer or any such entity to fund the costs of such development are entirely voluntary.

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 – Sea Level Rise and Risks Associated with Global Climate Change" 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 Hazards."

Utilities.

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

Utility	Provider
Potable Water	San Francisco Public Utilities Commission
Non-Potable Water (District-Scale)	Mission Rock Utilities
Sewer	San Francisco Public Utilities Commission
Gas	PG&E
Electric	San Francisco Public Utilities Commission
Thermal Energy (District-Scale)	Mission Rock Utilities
Telecom	Comcast and AT&T

Sustainable Blackwater and Thermal Energy Facilities. The DDA requires the Master Developer to develop a thermal district energy system (the "DES") and a black water recycling system ("Blackwater Facility" and together with the DES, the "MRU Systems") for the Mission Rock Project. The MRU Systems will serve the Mission Rock Project, but be owned by Mission Rock Utilities, Inc., a non-stock corporation organized under Delaware law ("MRU").

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 (which includes 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 DES 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. The DES will contain heating and cooling equipment for the entire development which will replace the need to have this type equipment inside each building. The initial system will utilize cooling towers using non-potable water from the Blackwater Facility. Ultimately, the DES is planned to integrate a bay water energy exchange system for both heating and cooling.

The Blackwater Facility and the DES will be located separately in two of the first four buildings being constructed as part of Phase 1 of the Mission Rock Project. 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 will require each property at the District 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.

The MRU Systems anticipated to be 100% debt-financed in phases. For the initial phase of financing, the California Pollution Control Financing Authority is expected to issue bond anticipation notes in the amount of $25 million for the benefit of Mission Rock Utilities. The bond anticipation notes will serve as interim financing, expected to be refinanced with permanent financing. The Master Developer is expected to enter 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 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. 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 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 and the Vertical Developers are required to comply with the Mission Rock SMP pursuant to the Master Lease 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. Seawall Lot 337 was formerly used for commercial and industrial purposes along San Francisco Bay. 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 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.

Phase 1 of the Mission Rock Project

In addition to its interest in the Master Developer, Mission Rock Partners also controls [(subject to customary major decision rights in favor of minority limited partners)] and 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 Blocks A, B, F, and G (as applicable) (each such owner of a ground leasehold interest being referred to as a "Vertical Developer" and collectively as the "Vertical Developers").

Upon conveyance of ground leasehold interests in Blocks A, B, F and G to Parcel A Vertical Developer, Parcel B Vertical Developer, Parcel G Vertical Developer, and Parcel F 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.

The expected development and the anticipated construction schedule in Phase 1 is summarized in the tables below:

Table 6
City and County of San Francisco
Special Tax District No. 2020-1
(Mission Rock Facilities and Services)
Overview of Phase 1 of Mission Rock Project

	Block A	**Block B**	**Block F**	**Block G**
Leaseholder	Mission Rock Parcel A Owner L.L.C.	Mission Rock Parcel B Owner L.L.C.	Mission Rock Parcel B Owner L.L.C.	Mission Rock Parcel G Owner L.L.C.
Use	Residential	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	2023-2024	2023-2024	2023-2024	2022-2023
Ground Breaking	11/1/2020	2/1/2021	2/1/2021	11/1/2020
Core/Shell Completion	11/1/2022	3/1/2022	12/1/2022	12/1/2021
Lease Up Commencement	5/1/2023	8/1/2022	6/1/2023	4/1/2022
Stabilization	3/1/24(2)	5/1/23(3)	3/1/24(4)	1/1/23(5)

(1) Square footage amounts shown above represent the expected rentable (leaseable) 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 Visa's Lease.

Financing Plan for Phase 1

To date, the Master Developer has funded its site development costs related to Phase 1 of the Mission Rock Project through internally generated funds and DRP Advances. The Master Developer estimates that the costs necessary to complete the Horizontal Improvements required for build-out of Phase 1 is $174.8 million and estimates that, as of June 30, 2020, the remaining costs to complete its planned development within Phase 1 of the Mission Rock Project will be approximately $111.3 million. The Master Developer expects to use DRP Advances, internal funding, and 2021 Bond proceeds to complete its development and believes that it will have sufficient funds available to complete Phase 1 in accordance with the development schedule described in this Official Statement.

Although the Master Developer expects to have sufficient funds available to complete its development of the 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. Any contributions by the Master Developer or any such entity to fund the costs of such development are entirely voluntary.

Vertical Development and Financing Plans

A more detailed description of Phase 1 of the Mission Rock Project is set forth below.

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 the Vertical Developer expects to have sufficient funds available to complete its development activities on Blocks 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 the Vertical Developer or any other source when needed. Any contributions by the Vertical Developer or any of its parent companies to fund the costs of such development are entirely voluntary.

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

All four vertical parcels are capitalized through joint venture partnerships between Mission Rock Partners (Tishman Speyer and San Francisco Giants as co-General Partners) and a series of institutional limited partners. All equity commitments required for the construction of the vertical parcels are fully approved by each of the partners. The limited partner group consists of a) the US subsidiary of a publicly-traded, international real estate investment company with approximately $60 billion of assets and b) a consortium of Tishman Speyer's discretionary separate managed accounts.

Block A. The Parcel A Vertical Developer is developing Block A as a 23-story building that will consist of 283 residential units, approximately 58,136 rentable square feet of office space, and approximately 20,931 rentable square feet of first floor retail. All of the residential units are rental units. Located at the northwest corner of the site, Block A will offer scenic views from the residential units. Block A, designed by renowned architecture firm MVRDV, draws inspiration from the western U.S. landscape and mimics a cascading canyon. Of the 283 residential units in Block A, 102 are below-market rental units ("inclusionary units"), set at rental rates for 90%-150% of area-median-income. 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.

As of September, 2020, the Parcel A Vertical Developer has incurred approximately $41.7 million on pre-development, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional $232.7 million will be required to be expended on such costs to complete the building on Block A. The foregoing costs are exclusive of internal financing repayment. The Parcel A Vertical Developer, in collaboration with Eastdil Secured, is in the process of placing with a commercial bank a $137.4 million loan secured by Block A (50% LTC). The Vertical Developer expects the remaining costs to be financed from equity.

The site permit has been filed and approved as of October 2020, and is expected to be issued in late October or November. The first addendum to the site permit that allows for vertical construction is anticipated to be issued in November 2020.

Block B. The Parcel B Vertical Developer is developing Block B as an 8-story 280,000 rentable square foot building that will consist of 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, Block B features expansive floor plates, abundant natural light, and lush outdoor spaces. Each floor is punctured with multiple outdoor gardens and terraces for employees to enjoy.

As of September 2020, the Parcel B Vertical Developer has incurred approximately $18.7 million on pre-development, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional $314.0 million will be required to be expended on such costs to complete the building on Block B. [The foregoing costs are exclusive of internal financing repayment.] The Parcel B Vertical Developer will finance the remaining costs to complete Block B through equity.

The site permit has been filed and approved as of October 2020. The Master Developer expects the permit will be pulled in early 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, as well.

Block F. The Parcel F Vertical Developer is developing Block F as a 23-story building that will consist of 254 residential units and approximately 44,197 rentable square feet of first floor retail. All of the residential units are rental units. Designed by world-famous Studio Gang Architects, Block F will feature beautifully oscillating floor plates that cascade into a mesa on the first through third floors. The mesa will include retail and outdoor activation for residents to enjoy.

Of the 254 residential units in Block F, 97 are below-market rental units set at rates from 90% - 150% of area-median-income. 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.

As of September 2020, the Parcel F Vertical Developer has incurred approximately $40.8 million on pre-development, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional $154.0 million will be required to be expended on such costs to complete the building on Block F.

The Parcel F Vertical Developer will finance the remaining costs to complete Block F through up to $97.6 million in loan proceeds (50% LTC). The Vertical Developer anticipates beginning the marketing process for Parcel F financing in late 2020. The Vertical Developer expects the remaining costs to be financed from equity. The site permit has been filed and approved as of October 2020. The Master

Developer expects the permit will be pulled in early 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, as well.

Block G. The Parcel G Vertical Developer is developing Block G as a 13-story 313,000 square foot building that will consist of approximately 302,920 square feet of office and 18,435 square feet of retail. The site permit has been filed and approved as of October 2020, and is expected to be issued in late October or November. The first addendum to the site permit that allows for vertical construction is anticipated to be issued in November 2020.

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

Pertinent terms of the lease are outlined below:

- Tenant: Visa, Inc. [(NYSE: V; S&P: AA-)]
- 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 first quarter of 2023)

The milestones outlined in the lease to Visa Inc. provide cushion time relative to the Master Developer's estimated construction schedule. While Visa, Inc. has the right to terminate if the Master Developer does not commence vertical construction by September 20, 2021, the Master Developer's schedule estimates vertical construction to begin in October 2020 (translating to 11 months cushion). While the Visa, Inc. lease permits termination if the Master Developer fails to deliver the last tranche of the building within 32 months of commencing construction, the Master Developer's estimated construction schedule totals 20 months (translating to 12 months cushion).

As of September 2020, the Parcel G Vertical Developer has incurred approximately $149.4 million on pre-development, on-site infrastructure, and on-site development costs and fees, and anticipates that an additional $285 million will be required to be expended on such costs to complete the building on Block G.

The Parcel G Vertical Developer is currently negotiating loan documents with Bank of America, N.A. ("BAML") for a total loan commitment of $285 million (the "Loan"). A syndicate of lenders will be responsible for each making their pro rata share of the Loan, with BAML also acting as the administrative agent for the Loan. The Loan will be secured by the leasehold interest in Block G, with an expected close of October 2020. The Vertical Developer expects the remaining costs to be funded with equity.

In addition to Table 6, please see tables below for more detail on vertical Blocks A, B, F, and G:

Table 7
City and County of San Francisco
Special Tax District No. 2020-1
(Mission Rock Facilities and Services)
Blocks A and F – Residential Unit Summary
(as of June 30, 2020)

	Block A		Block F	
Floor Plan	**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. 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)] Inclusionary units are included in totals. See also Table 3 above.

Table 8
City and County of San Francisco
Special Tax District No. 2020-1
(Mission Rock Facilities and Services)
Blocks A, B, F, and G – Financing Summary
(as of September 30, 2020)

Block	% Equity	% Debt	Total Capitalization ($ in millions)	Total Debt ($ in millions)	Total Equity ($ in millions)	Lender	Financing Status
Block A	50%	50%	$274.5	$137.2	$137.2	TBD	Loan Document Negotiation
Block B	100	-	332.7	-	332.7	N/A	N/A
Block F	50	50	194.8	97.4	97.4	TBD	Marketing
Block G	35	65	434.5	285.0	149.5	BAML and Syndicate	Loan Document Negotiation

China Basin Park. The proposed 4.4 acre waterfront public park known as China Basin Park is being developed by the Phase 1 Sub as part of the Horizontal Improvements. China Basin Park will consist of a variety of features and programs, including a great lawn, a pedestrian promenade lined with shops and restaurants, a café pavilion, an overlook which will house the Willie McCovey statue, waterfront tidal shelves, a coastal play area, and a paved plaza for gathering. China Basin Park is currently in its permitting and schematic design stages, however it has received required design approvals from both the Port and the Bay Conservation and Development Commission (BCDC). According to the BCDC design review board minutes, the design review board does not need to review the project again. The projected schedule for China Basin Park assumes groundbreaking in mid-2021 and completion in late 2022. China Basin Park will be accepted by the Port after completion. China Basin Park is not taxed by the District.

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.

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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	Expected Land Uses	Expected Square Footage	Expected Maximum Development Special Tax Revenues (FY 2019-20)*	Expected Maximum Office Special Tax Revenues (FY 2019-20)*	Expected Maximum Shoreline Special Tax Revenues (FY 2019-20)*
		TAX ZONE 1			
Parcel A	Market-Rate Residential Square Footage	146,000	$1,252,680	$0	$0
	Office Square Footage	48,447	314,906	93,018	88,174
Parcel B	Market-Rate Residential Square Footage	0	0	0	0
	Office Square Footage	255,008	1,657,552	489,615	464,115
Parcel G	Market-Rate Residential Square Footage	0	0	0	0
	Office Square Footage	283,323	1,841,600	543,980	515,648
Parcel F	Market-Rate Residential Square Footage	113,000	969,540	0	0
	Office Square Footage	0	0	0	0
		TAX ZONE 2			
Parcel C	Market-Rate Residential Square Footage	0	0	0	0
	Office Square Footage	355,000	2,307,500	571,550	646,100
Parcel D	Market-Rate Residential Square Footage	76,800	658,944	0	0
	Office Square Footage	0	0	0	0
Parcel E	Market-Rate Residential Square Footage	0	0	0	0
	Office Square Footage	141,000	916,500	227,010	256,620
Parcel H	Market-Rate Residential Square Footage	96,000	823,680	0	0
	Office Square Footage	49,999	324,994	80,498	90,998
Parcel I	Market-Rate Residential Square Footage	0	0	0	0
	Office Square Footage	152,000	988,000	244,720	276,640
Parcel J	Market-Rate Residential Square Footage	0	0	0	0
	Office Square Footage	152,000	988,000	244,720	276,640
Parcel K	Market-Rate Residential Square Footage	62,400	535,392	0	0
	Office Square Footage	49,999	324,994	80,498	90,998
TOTAL EXPECTED REVENUES (FY 2019-20 $)			**$13,904,280**	**$2,575,611**	**$2,705,932**

____

*Beginning July 1, 2020 and each July 1 thereafter, 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.

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 Expected Maximum Development Special Tax Revenues	FY 2020-21 Development Special Tax Levied(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	$ 1,696,805
Parcel B	1	0	255,008	255,008	1,690,703	218,993	260,477	37,607	1,794,188
Parcel F	1	113000	0	113,000	988,931	128,094	152,359	21,997	1,049,461
Parcel G	1	0	283,323	283,323	1,878,431	243,309	289,400	1,954,320	1,993,407
Subtotal		**259,000**	**586,778**	**845,778**	**$ 6,157,003**	**$ 797,503**	**$ 948,576**	**$ 2,049,490**	**$ 6,533,860**
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**	**$ 6,533,860**

* 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 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 2021 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 2021 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 2021 Bonds and administrative expenses.

[5] The Parcel Lease Execution Date for the remaining Phase I parcels is October 6, 2020, therefore the parcels will become Developed Property in fiscal year 2023-24. Per Section F of the Rate and Method, the Maximum Development Special Tax is levied on all parcels of Developed Property.

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

Property Values

Assessed Value. The aggregate assessed value of the Taxable Parcels within the District, as shown on the tax roll for Fiscal Year 2020-21, is $29,354,677 (sources: San Francisco Assessor's Office; Goodwin Consulting Group, Inc.). The sale prices of the Taxable Parcels on which the Assessed Value is based were established through [______________], and, as a result, such sales prices, and consequently the assessed value, may not be reflective of an arms-length market transaction with adequate market exposures. Accordingly, there can be no assurance that the assessed valuations of the Taxable Parcels with the District accurately reflect market 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 Original Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 182 thereof. The Update Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page [54] thereof. See Appendix G.

The Original Appraisal Report of the leasehold interest in all Taxable Parcels within the District dated October 21, 2020, was prepared by the Appraiser in connection with the issuance of the 2021 Bonds. The purpose of the Original Appraisal Report was to estimate the market value of the leasehold interest in all Taxable Parcels in the District as of April 22, 2020, which is the effective date of the Original Appraisal Report. For purposes of the Original Appraisal Report, the inspection of the Taxable Parcels in the District occurred on April 22, 2020.

The Update Appraisal Report of the leasehold interest in all Taxable Parcels within the District dated November 9, 2020, was prepared by the Appraiser in connection with the issuance of the 2021 Bonds. The purpose of the Update Appraisal Report was to estimate the market value of the leasehold interest in all Taxable Parcels in the District as of October 28, 2020, which is the effective date of the Update Appraisal Report. For purposes of the Update Appraisal Report, the inspection of the Taxable Parcels in the District occurred on April 22, 2020.

The values are subject to a hypothetical condition that the proceeds of the 2021 Bonds are available to reimburse for certain of the public improvements in the District that have been completed as of the date indicated in the Appraisal Report.

The Appraisal Report appraised the leasehold interest value of Taxable Parcels within the District, but excluded Block D2 (intended to include a parking garage and retail space) within the District. The developable uses of Block D2 are not subject to the lien of the Development Special Tax securing the Bonds.

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 Original Appraisal Report, the Appraiser estimated that, as of April 22, 2020, the market value in bulk of the leasehold interest in the Taxable Parcels within the District is $150,400,000. Subject to the various conditions and assumptions set forth in the Update Appraisal Report, the Appraiser estimated that, as of October 28, 2020, the market value in bulk of the leasehold interest in the Taxable Parcels within the District is $130,000,000. The Appraisal Report is set forth in full in Appendix G.

The value of property within the District is an important factor in determining the investment quality of the 2021 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.

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. Pursuant to the Act and the Rate and Method, the principal amount of the 2021 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 – 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)

						Projected Development Special Tax Levy			Maximum Development Special Tax Revenues		
Planning Parcel	Phase	Market-Rate 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*
Parcel A	1	146,000	48,447	194,447	$ 8,044,200	$ 1,696,805	$ 11,244,754	0.72	$ 1,598,937	$ 4,881,695	1.65
Parcel B	1	0	255,008	255,008	19,047,800	1,794,188	11,890,111	1.60	1,690,703	5,161,864	3.69
Parcel F	1	113,000	0	113,000	13,691,900	1,049,461	6,954,797	1.97	988,931	3,019,292	4.53
Parcel G	1	0	283,323	283,323	30,509,800	1,993,407	13,210,338	2.31	1,878,431	5,735,015	5.32
Subtotal		**259,000**	**586,778**	**845,778**	**$ 71,293,700**	**$ 6,533,860**	**$ 43,300,000**	**1.65**	**$ 6,157,003**	**$ 18,797,866**	**3.79**
Parcel C	2	0	355,000	355,000	$ 18,151,700	$ 0	$ 0	0.00	$ 2,353,650	$ 7,185,899	2.53
Parcel D	2	76,800	0	76,800	5,085,000	0	0	0.00	672,123	2,052,050	2.48
Parcel E	3	0	141,000	141,000	7,252,300	0	0	0.00	934,830	2,854,118	2.54
Parcel H	4	96,000	49,999	145,999	8,398,500	0	0	0.00	1,171,647	3,577,140	2.35
Parcel I	4	0	152,000	152,000	7,085,600	0	0	0.00	1,007,760	3,076,779	2.30
Parcel J	4	0	152,000	152,000	7,043,900	0	0	0.00	1,007,760	3,076,779	2.29
Parcel K	4	62,400	49,999	112,399	5,689,300	0	0	0.00	877,593	2,679,369	2.12
Subtotal		**235,200**	**899,998**	**1,135,198**	**$ 58,706,300**	**$ 0**	**$ 0**	**0.00**	**$ 8,025,363**	**$ 24,502,134**	**2.40**
Total		**494,200**	**1,486,776**	**1,980,976**	**$ 130,000,000**	**$ 6,533,860**	**$ 43,300,000**	**3.00**	**$ 14,182,366**	**$ 43,300,000**	**3.00**

* *Preliminary, subject to change*
(1) Based on Attachment 3 of the Rate and Method.
(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 2021 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 have not been levied in Fiscal Years prior to 2020-21, thus offering no historical information regarding payment delinquencies. 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 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.

Direct and Overlapping Debt

The following table details the direct and overlapping debt currently encumbering property within the District.

Table 12

[to come]

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 2021 Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of 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 2021 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 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" herein.

Public Infrastructure Construction Delays. Phase I public infrastructure is under construction by the Phase 1 Sub. The Vertical Developers of Blocks A, B, F and G will require completion of certain portions of the Phase 1 Horizontal Improvements in order to receive regulatory approval to occupy the buildings they construct. The Phase 1 Sub is obligated to construct the Horizontal Improvements, and is party to a Public Improvement Agreement ("PIA") with the City, pursuant to which the Phase 1 Sub has provided subdivision improvement bonds for use by the City in the event the Phase 1 Sub fails to complete construction of the Phase 1 Horizontal Improvements. However, the City has no obligation to complete construction of the Phase 1 Horizontal Improvements if Phase 1 Sub fails to complete construction, and a determination to complete Phase 1 Horizontal Improvements would be subject to approval by the Board of Supervisors. [The Vertical Developers will have Vertical Coordination Agreements ("VCAs") with the [Phase 1 Sub/Master Developer] which set forth a schedule for construction by the [Phase 1 Sub/Master Developer]'s of the Horizontal Improvements obligations, but the Vertical Developers will not have the right, either through the PIA or the VCAs, to construct the Horizontal Improvements required to obtain regulatory approvals to occupy the buildings to be constructed on Blocks A, B, F and G.

Phase I Horizontal Improvements include the use of lightweight cellular concrete ("LCC") in-lieu of native fill materials beneath the roadways and public spaces. Since LCC has not been applied to such areas before in San Francisco, the City requires this material to meet its adopted design criteria, be subject to a ten-year warranty period, while monitoring its post-construction performance, before fully accepting the LCC infrastructure. Prior to approving the use of LCC as part of the Phase I Horizontal Improvements, the City convened two independent panels to review the Phase I Sub's engineering proposal for the use of LCC and undertook an 18-month period of diligence including a test of LCC on the Mission Rock Project site. If the LCC does not meet the City's final acceptance criteria, then the Phase 1 Sub is obligated under the Mission Rock Project entitlements to take actions to repair, remediate, or replace the failed infrastructure.

Should the Phase 1 Sub fail to complete construction of the Phase 1 Horizontal Improvements, the buildings to be constructed will not have access to public infrastructure and will be inherently less valuable than property with access to public infrastructure and provide less security to the Bondowners in the event the District forecloses on a Leasehold Interest due to the nonpayment of Development Special Taxes. Any delays in developing required infrastructure, or the decision not to construct required infrastructure, 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 1 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.

Failure to Develop Properties. As of ______________, 2020, _____________ is under construction. 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 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.

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 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 2021 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 2021 Bonds.

None of the holders of Leasehold Interests is obligated in any manner to continue to own, or to develop, any of such property. 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.

COVID-19 Pandemic

On February 11, 2020, the World Health Organization 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 World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the President of the United States, the Governor of the State of California and the Mayor of the City.

To date there have been over 11,000 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to continue 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 9, 2020, the National Bureau of Economic Research determined that the United States had entered into a recession during the prior months. The COVID-19 pandemic has disrupted the regional and local economy with widespread business closures and significantly higher levels of unemployment.

In addition, stock markets in the United States and globally experienced sharp declines in market value following the onset of the COVID-19 emergency and, although market values have rebounded, increased volatility in the financial markets continues. It is widely expected that global, national and local economies will continue to be negatively affected by the COVID-19 pandemic, at least for some period of time.

All counties in the Bay Area (including the City) announced shelter-in-place (“Shelter-in-Place”) emergency orders, which direct individuals to stay home, except for certain 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 a similar Shelter-in-Place emergency order effective for the entire State. The State and various counties have allowed limited reopening of retail establishments, at times under limitations such as only providing outdoor or curbside service, based on local performance against public health indicators.

[On May 28, 2020, Mayor Breed released a multi-stage reopening plan for the City. The reopening plan outlined anticipated stages for businesses and activities to resume operations in San Francisco dependent on key health indicators. A June 11, 2020 update to the City’s Shelter-in-Place order provided guidance for new allowable business operations including outdoor dining, in-store retail, and non-essential office work. Further reopenings proposed for June 29, 2020 and July 13, 2020 were paused due to an increase in local COVID-19 cases. On July 17, 2020, the same day San Francisco was placed on the State of California’s county watch list, Mayor Breed and Dr. Grant Colfax announced that the City’s schedule for reopening would remain on pause to slow the spread of COVID-19.

On August 28, 2020 the State adopted a new, color coded, four-tiered framework to guide reopening statewide. Counties can be more restrictive than this State framework. Beginning on August 31, 2020, the City was designated to be in the red tier (the second most restrictive tier).

On September 29, 2020, based on the City moving into the less-restrictive orange tier, the City announced it will move forward on reopening indoor restaurants and places of worship, and other activities including plans for outdoor family entertainment, playgrounds and indoor movie theaters.

In late October, the State assigned the City to yellow on its tiered reopening system. The yellow tier imposes fewer restrictions than the orange tier previously assigned to the City. Beginning October 27, the City reopened "non-essential" offices at limited capacity. The City expected to also move forward on expanding other businesses and activities over a schedule of weeks.

On November 11, citing a significant increase in the rate of infections, Governor Newsom announced a reassignment of tiers throughout California, including reassigning the City and County to the red tier.

Future updates to the City's Order are uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.]

The impact of COVID-19 and public health orders is likely to evolve over time, which could adversely impact the development within 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) continued 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 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.

The 2021 Bonds are limited obligations of the City, secured by and payable solely from Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 on the City's finances is for informational purposes only. The City has no obligation to pay debt service on the 2021 Bonds from any sources other Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the City, the Underwriter, the Master Developer nor the Vertical Developers can predict the ultimate effects of the COVID-19 outbreak or whether any such effects will not have material adverse effect on the ability to develop the Mission Rock Project, including District, as planned and described herein, or the availability of Development Special Taxes from District in an amount sufficient to pay debt service on the 2021 Bonds. See "SECURITY FOR THE BONDS – Limited Obligation" and "THE CITY - Impact of COVID-19 Pandemic on San Francisco Economy" herein.

Parity Taxes and Special Assessments

The Development Special Taxes and any penalties thereon will constitute a lien against the Leasehold Interests on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes (including the other special taxes levied under the Rate and Method) and special assessments levied by the City and other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Development Special Taxes have priority over all existing and future private liens imposed on the Leasehold Interests. The City, however, 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. Any such other special taxes or assessments may have a lien on such Leasehold Interests on a parity with the Development Special Taxes.

Value to Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the "collateral" supporting the willingness of property owners 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 property or 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. Land and leasehold interest values are sensitive to economic cycles. Assessed values may not reflect the current market value of property or a leasehold interest in such property. A downturn of the economy or other market factors may depress land or leasehold interest values and lower the value-to-lien ratios. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the property value is less than its allocable share of debt.) Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a 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. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances. Debt issuance by another entity could dilute value to lien ratios.

Billing of Development Special Taxes

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

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

Collection of Development Special Taxes

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 2021 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent 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 2021 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the 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 – Covenant for Superior Court Foreclosure."

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 2021 Bonds and to replenish the 2021 Reserve Fund to an amount equal to the 2021 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 2021 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

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. *Moreover, 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 2021 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.*

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 2021 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.

See "SECURITY FOR THE BONDS – 2021 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, collections of Development Special Taxes will reflect actual delinquencies.

Exempt Properties

The Act provides that properties or entities of the State, federal or local government are exempt from the Development Special Taxes; provided, however, the Act further provides that a Leasehold Interest within the District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Development Special Taxes, will continue to be subject to the Development Special Taxes. The Act also provides that if property subject to the Development Special Taxes is acquired by a public entity, including the City, through eminent domain proceedings, the obligation to pay the Development Special Taxes with respect to that property is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested. In particular, insofar as the Act requires payment of the Development Special Taxes by a federal entity acquiring property within the District, it may be unconstitutional. *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.*

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 Leashold 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 2021 Bonds. Such payments will result in a mandatory redemption of 2021 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 2021 Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2021 Bonds. See "THE 2021 BONDS – Redemption –Redemption from Development Special Tax Prepayments" herein.

Future Indebtedness

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; these special taxes have a lien on a parity with the lien of the Development Special Taxes. The City anticipates issuing Parity Bonds in the amount of approximately $275 million over the next five years. In addition, the City anticipates issuing approximately $60 million in bonds payable from Office Special Tax revenues. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Development Special Taxes. The City is authorized to issue on behalf of the District bonded indebtedness and other debt, including the 2021 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."

Natural Disasters and Other Events

Natural or man-made disasters, such as flood, wildfire, tsunamis, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City generally and/or specifically in the District. 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. Such events could also damage critical City infrastructure, including without limitation the seawall at Seawall Lot 337. 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.

As a result of the occurrence of events like those described in the preceding paragraph, a substantial portion of the Leasehold Interest owners in the District may be unable or unwilling to pay the Development Special Taxes when due, and the 2021 Reserve Fund for the 2021 Bonds may become depleted. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

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.

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 Mission Rock Project 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.

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.

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

In addition, bankruptcy of 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 2021 Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the 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 2021 Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice arid 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 2021 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 2021 Reserve Fund and perhaps, ultimately, a default in payment of the 2021 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 2021 Bonds are outstanding.

California Constitution Article XIIIC and Article XIIID

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 XIIIC and XIIID to the State Constitution, which articles contain a number of provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments, fees and charges. According to the "Official Title and Summary" of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the "authority of local governments to impose taxes and property-related assessments, fees and charges." On July 1, 1997 California State Senate Bill 919 ("SB 919") was signed into law. SB 919 enacted the "Proposition 218 Omnibus Implementation Act," which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIIC and XIIID.

Article XIIID of the State Constitution reaffirms that the proceedings for the levy of any Development Special Taxes by the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIIIA. The District has completed its proceedings for the levy of Development Special Taxes in accordance with the provisions of Section 4 of Article XIIIA. 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 XIIIC 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 XIIIC 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 2021 Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Development Special Taxes in a manner which does not interfere with the timely repayment of the 2021 Bonds, but which does reduce the maximum amount of 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 2021 Bonds.

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

Validity of Landowner Elections

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the "Court"), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego. The CCFD is a financing district established under San Diego's charter and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

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

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

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego's argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State's constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of 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 2021 Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2021 Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2021 Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the 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 2021 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2021 Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2021 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

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

CONTINUING DISCLOSURE

The City

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2021 Bonds (the "City Disclosure Certificate"), the City has covenanted for the benefit of owners of the 2021 Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. Each Annual Report is to be filed not later than nine months after the end of the City's fiscal year (which date shall be June 30 of each year), commencing with the report for the 2019-20 Fiscal Year (which is due not later than March 31, 2021). 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.

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.

Mission Rock Partners

Mission Rock Partners is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the 2021 Bonds (the "Developer Disclosure Certificate"), the Mission Rock Partners 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 1 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 Mission Rock Partners 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 Mission Rock Partners.

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 2021 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the 2021 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2021 Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a 2021 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2021 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2021 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2021 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2021 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2021 Bonds who purchase the 2021 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2021 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2021 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2021 Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 2021 Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2021 Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2021 Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2021 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2021 Bonds.

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

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

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

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

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

UNDERWRITING

Stifel, Nicolaus & Co. Incorporated (the "Underwriter") purchased the 2021 Bonds at a purchase price of $_________, representing the principal amount of the 2021 Bonds less an Underwriter's discount of $__________ and [plus/minus] a [net] original issue [premium/discount] of $________. The Underwriter intends to offer the 2021 Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

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

LEGAL OPINION AND OTHER LEGAL MATTERS

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2021 Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2021 Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2021 Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2021 Bonds.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, and Norton Rose Fulbright US LLP, as Disclosure Counsel, is contingent on the issuance of the 2021 Bonds.

Norton Rose Fulbright US LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2021 Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriter to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein, no facts have come to the attention of the personnel with Norton Rose Fulbright US LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2021 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addresses of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel.

NO LITIGATION REGARDING THE DEVELOPMENT SPECIAL TAXES OR 2021 BONDS

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2021 Bonds will be furnished to the Underwriter at the time of the original delivery of the 2021 Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Development Special Taxes or to issue the 2021 Bonds.

NO RATING

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

MUNICIPAL ADVISOR

The City has retained Public Financial Management, Inc., as Municipal Advisor in connection with the issuance of the 2021 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 2021 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 2021 Bonds.

Compensation paid to the Municipal Advisor is contingent upon the successful issuance of the 2021 Bonds.

MISCELLANEOUS

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

By: ________________________________

APPENDIX A

**DEMOGRAPHIC INFORMATION REGARDING THE
CITY AND COUNTY OF SAN FRANCISCO**

The information contained in this Appendix A is provided for informational purposes only. No representation is made that any of the information contained in this Appendix A is material to the holders from time to time of the 2021 Bonds, and the District has not undertaken in its Continuing Disclosure Certificate to update this information. The 2021 Bonds are limited obligations of the City, secured by and payable solely from the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021 Bonds are not payable from any other source of funds other than Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2021 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2021 Bonds.

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY AND COUNTY OF SAN FRANCISCO

The following economic and demographic data for the City and County of San Francisco (the "City") is presented for informational purposes only. Repayment of the Bonds is not a General Fund obligation of the City. Investors must review the entire Official Statement for a description of the security for and payment of the Bonds.

General

The City was established in 1850 and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City's legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. Key public services provided by the City include public safety and protection, public transportation, water and sewer, parks and recreation, public health, social services and land-use and planning regulation. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

Elected officials include the Mayor, Members of the Board of Supervisors, Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer. Since November 2000, the eleven-member Board of Supervisors has been elected through district elections. The eleven district elections are staggered for five and six seats at a time and held in even-numbered years. Board members serve four-year terms and vacancies are filled by Mayoral appointment.

An educated workforce, a critical mass of successful business, and easy access to transit and financial capital drive economic growth in the City. The unprecedented growth of the last decade, driven by the technology sector, has made the City the center of the Bay Area's regional economy and among the fastest growing large counties in the country.

COVID 19 Pandemic

The economic and demographic data contained in this appendix are the latest available, but are as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the District, the City, and the region or of expected Special Tax Revenues. See "SPECIAL RISK FACTORS – COVID 19 Pandemic" in the forepart of this Official Statement.

Population

The populations of the City and County of San Francisco for the last 10 fiscal years are shown in the following table.

POPULATION
City and County of San Francisco
2000 through 2020

Fiscal Year	Population
2010	805,235
2011	812,826
2012	825,863
2013	841,138
2014	852,469
2015	862,004
2016	876,103
2017	879,166
2018	883,305
2019[1]	887,463

[1] 2019 population estimated by multiplying the estimated 2018 population by the 2018-2019 growth rate.
Source: U.S. Census Bureau.

Employment

The following table summarizes industry employment in the City and County of San Francisco from 2015 through 2019. Trade, transportation and utilities, professional and business services, education/health services and leisure/hospitality are the largest employment sectors in the City.

EMPLOYMENT BY INDUSTRY
City and County of San Francisco
2015 through 2019

Industry	Employment(1)				
	2015	2016	2017	2018	2019
Agriculture	200	100	200	200	200
Construction	18,500	20,900	21,400	23,300	23,800
Manufacturing	10,300	12,300	13,100	12,700	13,700
Trade, Transportation & Utilities	74,900	82,500	84,700	88,200	83,800
Information	31,700	40,200	45,000	48,000	51,500
Financial Activities	52,000	57,400	57,100	58,900	62,300
Professional and Business Services	184,600	193,400	198,500	209,400	205,600
Education and Health Services	85,700	89,800	90,300	93,700	93,000
Leisure and Hospitality	93,300	97,000	95,900	98,000	102,000
Other Services	26,200	27,400	27,800	28,700	28,100
Government	91,600	96,100	98,100	99,400	99,100
Total	668,900	717,100	732,100	760,500	763,000

(1) Employment is reported by place of work: it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not sum to totals due to rounding.
Source: California State Employment Development Department, Labor Market Information Division.

The following tables summarize the civilian labor force, employment and unemployment in the City and County of San Francisco from 2010 to 2019. The annual average unemployment rate in the City in 2019 was approximately 2.12%.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City and County of San Francisco
Annual Averages, 2010 through 2019
(not seasonally adjusted)

Year	Civilian Labor Force	Employed Labor Force[1]	Unemployed Labor Force[2]	Unemployment Rate[3]
2010	486,000	442,700	43,300	8.9%
2011	494,800	454,900	39,900	8.1
2012	509,400	474,900	34,500	6.8
2013	516,300	488,100	28,200	5.5
2014	528,600	505,500	23,100	4.4
2015	541,900	522,200	19,700	3.6
2016	555,800	537,500	18,300	3.3
2017	564,500	548,000	16,500	2.9
2018	569,300	555,600	13,700	2.4
2019	583,200	570,400	12,800	2.2

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) Calculated using unrounded data.
Source: California State Employment Development Department, Labor Market Information Division.

Major Private Employers

The following table shows the largest private employers located in the City and County of San Francisco as of January 2020.

LARGEST PRIVATE EMPLOYERS
City and County of San Francisco

Employer[1]	Number of Employees	Rank
Salesforce	9,100	1
Wells Fargo & Co.	7,296	2
United Airlines	6,153	3
Sutter Health	6,134	4
Uber	5,500	5
Kaiser Permanente	4,602	6
Gap Inc.	4,500	7
Allied Universal	3,524	8
PG&E Corp.	3,500	9
Airbnb Inc.	3,000	10
Total	53,309	

(1) Amazon, ranked number 8 on the 2019 list, did not provide updated numbers by press time.
Source: San Francisco Business Times 2020 Book of Lists

Construction Activity

The level of construction activity in the City and County of San Francisco as measured by total building permits for residential units is shown in the following tables.

BUILDING PERMITS
City and County of San Francisco
2015 through 2019

	2015	2016	2017	2018	2019
Valuation ($000)					
Residential	$1,979,777	$2,136,564	$2,555,954	$2,231,737	$1,730,003
Non-Residential	2,257,106	1,525,638	1,995,459	2,293,555	1,461,943
TOTAL	$4,236,882	$3,662,202	$4,551,412	$4,525,292	$3,191,946
Dwelling Units					
Single Family	66	127	46	95	135
Multiple family	3,604	4,080	4,211	5,098	3,208
TOTAL	3,670	4,207	4,257	5,184	3,343

Source: Construction Industry Research Board/CIRB.

Taxable Sales

Taxable sales in the City and County of San Francisco from 2015 through 2019 are shown in the following table.

TAXABLE SALES
2015 through 2019
($ in Thousands)

	2015	2016	2017	2018	2019
Clothing and Clothing Accessories Stores	$2,163,743	$2,132,167	$2,056,070	$2,046,414	$2,024,642
General Merchandise	865,958	837,698	814,324	790,845	754,836
Food and Beverage Stores	830,061	843,717	863,215	856,217	860,691
Food Services and Drinking Places	4,441,352	4,670,360	4,743,633	4,844,464	5,037,657
Home Furnishings & Appliances	1,010,769	965,918	916,777	1,018,00	1,027,825
Building Material and Garden Equipment and Supplies Dealers	588,279	586,373	605,3711	681,369	702,290
Motor Vehicle and Parts Dealers	565,638	573,964	628,666	674,00	601,908
Gasoline Stations	471,495	428,473	490,255	583,48	548,674
Other Retail Stores	2,136,115	2,223,654	2,373,545	2,535,667	2,662,901
Total Retail and Food Services	$13,073,413	$13,262,327	$13,492,197	$14,030,469	$14,221,424
All Other Outlets	5,839,078	6,174,841	5,981,674	6,312,252	6,671,325
Total All Outlets(1)	$18,912,492	$19,437,168	$19,473,871	$20,342,721	$20,892,749

(1) Columns may not sum to totals due to rounding.
Source: California State Board of Equalization; and California Department of Tax and Fee Administration.

Assessed Valuation of Taxable Property

Assessed valuations of taxable property in the City and County of San Francisco for fiscal years 2008-09 through 2020-21 are shown in the following table:

ASSESSED VALUATION OF TAXABLE PROPERTY
Fiscal Years 2008-09 through 2020-21
($ in Thousands)

Fiscal Year	Net Assessed[1] Valuation (NAV)	% Change from Prior Year	Total Tax Rate per $100[2]	Total Tax Levy[3]	Total Tax Collected[3]	% Collected June 30
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	301,409,161[4]	7.2%	N/A	N/A	N/A	N/A

[1] Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.
[2] Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.
[3] The Total Tax Levy and Total Tax Collected through fiscal year 2019-20 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2020-21 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.
[4] Based on initial assessed valuations for fiscal year 2020-21

Source: Office of the Controller, City and County of San Francisco.
SCO source noted in (3): http://www.sco.ca.gov/files -ARD-Tax-info/TaxDeling/sanfrancisco.pdf

Income

The following tables provide a summary of per capita personal income for the City and County of San Francisco, the State of California and the United States, and personal income and annual percent change for the City and County of San Francisco, for 2010 through 2019.

PER CAPITA PERSONAL INCOME
2010 through 2019

Year	San Francisco	California	United States
2010	$ 71,556	$43,634	$40,546
2011	77,633	46,170	42,735
2012	85,455	48,798	42,453
2013	86,619	49,277	44,851
2014	90,600	52,234	47,058
2015	103,867	55,758	48,978
2016	109,760	57,739	49,870
2017	120,576	60,156	51,885
2018	127,304	63,557	54,446
2019	Not available	66,661	45,593

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Transportation

The City is reliant on a complex multimodal infrastructure consisting of roads, bridges, highways, rail, tunnels, airports, and bike and pedestrian paths. The development, maintenance, and operation of these different modes of transportation are overseen by various agencies, including the California Department of Transportation ("Caltrans") and San Francisco Municipal Transportation Agency ("SFMTA"). The Metropolitan Transportation Commission plays a role in the planning and funding of the City's transportation. These and other organizations collectively manage several interstate highways and state routes, two subway networks, two commuter rail agencies, trans-bay bridges, transbay ferry service, local bus service, international airports, and an extensive network of roads, tunnels, and bike paths.

SFMTA is a department of the City responsible for the management of all ground transportation in the City. The SFMTA has oversight over the Municipal Railway (Muni) public transit, as well as bicycling, paratransit, parking, traffic, walking, and taxis. The SFMTA is governed by a Board of Directors who are appointed by the Mayor and confirmed by the San Francisco Board of Supervisors. The SFMTA Board provides policy oversight, including budgetary approval, and changes of fares, fees, and fines, ensuring representation of the public interest. The San Francisco Municipal Railway, known as Muni, is the primary public transit system of the City and operates a combined light rail and subway system, the Muni Metro, as well as large bus and trolley coach networks. Additionally, it runs a historic streetcar line, which runs on Market Street from Castro Street to Fisherman's Wharf. It also operates the famous cable cars, which have been designated as a National Historic Landmark and are a major tourist attraction.

Bay Area Rapid Transit ("BART"), a regional Rapid Transit system, connects San Francisco with the East Bay through the underwater Transbay Tube. The line runs under Market

Street to Civic Center where it turns south to the Mission District, the southern part of the city, and through northern San Mateo County, to the San Francisco International Airport, and Millbrae. Another commuter rail system, Caltrain, runs from San Francisco along the San Francisco Peninsula to San Jose and Gilroy. Amtrak California Thruway Motorcoach runs a shuttle bus from three locations in San Francisco to its station across the bay in Emeryville. Additionally, BART offers connections to San Francisco from Amtrak's station in Richmond.

San Francisco Bay Ferry operates from the Ferry Building and Pier 39 to points in Oakland, Alameda-Bay Farm Island, South San Francisco, and north to Vallejo in Solano County. The Golden Gate Ferry is the other ferry operator with service between San Francisco and Marin County. SolTrans runs supplemental bus service between the Ferry Building and Vallejo. To accommodate the large amount of San Francisco citizens who commute to the Silicon Valley daily, companies like Google and Apple provide private bus transportation for their employees, from San Francisco locations to their corporate campuses on the peninsula.

In recent years, the City has increased its investments to modernize its aging transportation infrastructure. A $500 million general obligation bond, approved by voters in November 2014, is funding an array of projects that will improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs. Approximately $100 million of these funds are allocated for major infrastructure improvements along Market Street, the City’s most prominent downtown corridor and the spine of the City’s transportation network.

The City is in the final stages of constructing the Central Subway. When completed, the $1.6 billion rail project will extend subway service in the City, connecting Chinatown, the Financial District and the City’s convention center with the existing above ground light rail line along Third Street. Other significant transit improvement projects in planning or construction phases include the installation of a new bus rapid transit along Van Ness Avenue and enhancements to other rail and bus rapid transit routes serving other areas of the City. Road conditions in the City have significantly improved due to new investments in street repaving and other roadway improvements which benefit transit riders and motorists, and are also intended to make City streets safer for pedestrians, bicyclists, children and people with disabilities.

See “SPECIAL RISK FACTORS – COVID 19 Pandemic” in the forepart of this Official Statement.

Education

San Francisco Unified School District (“SFUSD”) established in 1851, is the only public school district within the City and is the seventh largest school district in California, with enrollment of 60,390 in 2019 in more than 130 schools and employing over 9,600 total employees. SFUSD administers both the school district and the San Francisco County Office of Education, making it a “single district county.” The City also has approximately 300 preschool programs primarily operated by Head Start, SFUSD, private for-profit, private non-profit and family child care providers. All 4-year-old children living in the City are offered universal access to preschool through the “Preschool for All” program.

The University of California, San Francisco ("UCSF") is the sole campus of the University of California system entirely dedicated to graduate education in health and biomedical sciences and operates the UCSF Medical Center which is a major local employer A 43-acre Mission Bay campus was opened in 2003, complementing its original facility in Parnassus Heights and contains research space and facilities to foster biotechnology and life sciences entrepreneurship. UCSF operates approximately 20 facilities across the City.

The University of California, Hastings College of the Law, founded in Civic Center in 1878, is the oldest law school in California and claims more judges on the state bench than any other institution. San Francisco's two University of California institutions have formed an official affiliation in the UCSF/UC Hastings Consortium on Law, Science & Health Policy.

San Francisco State University is part of the California State University system and is located near Lake Merced. The school has approximately 30,000 students and awards undergraduate, master's and doctoral degrees in approximately 100 disciplines.

The City College of San Francisco, with its main facility in the Ingleside district, is one of the largest two-year community colleges in the country and has an enrollment of approximately 100,000 students and offers an extensive continuing education program.

Founded in 1855, the University of San Francisco, a private Jesuit university located on Lone Mountain, is the oldest institution of higher education in San Francisco. Golden Gate University is a private, nonsectarian, coeducational university formed in 1901 and located in the Financial District. The Academy of Art University is one of the largest institutes of art and design in the nation. Founded in 1871, the San Francisco Art Institute is the oldest art school west of the Mississippi. The California College of the Arts, located north of Potrero Hill, has programs in architecture, fine arts, design, and writing. The San Francisco Conservatory of Music grants degrees in orchestral instruments, chamber music, composition, and conducting. The California Culinary Academy, associated with the Le Cordon Bleu program, offers programs in the culinary arts. California Institute of Integral Studies, founded in 1968, offers a variety of graduate programs in its Schools of Professional Psychology & Health, and Consciousness and Transformation.

See "SPECIAL RISK FACTORS – COVID 19 Pandemic" in the forepart of this Official Statement.

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 2021

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") with respect to the 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 15, 2020, as supplemented by Resolution No. ____ adopted by the Board of Supervisors on ____, 2020 and approved by Mayor London N. Breed on _______, 2020 (collectively, the "Resolution") and Fiscal Agent Agreement, dated as of February 1, 2021, by and between the City and _________, 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 2019-20 Fiscal Year (which is due not later than March 31, 2021), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided the Annual Report for the 2019-20 Fiscal Year shall consist solely of the financial statements of the City and the Official Statement dated _____, 2021 related to the Bonds (which need not be reposted to EMMA). If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

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

(b) the principal amount and total debt service of the outstanding Bonds, as of each June 30 preceding the date of the Annual Report.

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

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

(e) a completed table for the then current fiscal year, as follows:[

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

]

(f) for any delinquent parcels in the District:

- number of parcels delinquent in payment of the Development Special Tax,
- amount of total delinquency and delinquency as a percentage of total Development Special Tax, and
- status of the City's actions to pursue foreclosure proceedings upon delinquent properties pursuant to the Fiscal Agent Agreement,

in each case, for the most recently concluded Fiscal Year.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Development Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available (with ownership information based on the most recent information available, which is not necessarily the most up to date information as of the date of the report).

(h) any changes to the Rate and Method since the filing of the prior Annual Report.

(i) to the extent not otherwise provided pursuant to the preceding items (a)-(h), annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

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

SECTION 5. Reporting of Significant Events.

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

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the City; or
10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[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: February __, 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 2021
Date of Issuance:	February __, 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 February __, 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 2021

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 2021 (the "**Bonds**").

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of ________ 1, 2021 (the "**Fiscal Agent Agreement**"), by and between the City, for and on behalf of the District, and _____________, 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" of another Person 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 this Disclosure Certificate, the following entities shall be considered Affiliates of the

Developer: (i) Phase 1 Sub; (ii) Mission Rock Parcel A Owner L.L.C.; (iii) Mission Rock Parcel B Owner L.L.C.; (iv) Mission Rock Parcel F Owner L.L.C.; and (v) Mission Rock Parcel G Owner L.L.C.

"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.

"Fiscal Year" shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement, dated _____ __, 2021, relating to the Bonds.

"Participating 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.

"Repository" shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

"Semiannual Report" shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"State" shall mean the State of California.

SECTION 3. Provision of 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 send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination is other than the Developer), the City, and the Participating 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 in the Official Statement under the captions "THE MISSION ROCK PROJECT."

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and the number of parcels for which vertical leases have closed, all since the Official Statement or the most recent Semiannual Report.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer to or affecting the horizontal or vertical development of the Property or the time for construction of any public or private improvements to the property to be made by the Developer (the "**Developer Improvements**").

4. Any lease by the Developer or any Affiliate of the Property or any portion thereof to another Person (other than end users), including a description of the property leased and the identity of the Person that so purchased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

SECTION 5. Reporting of Significant Events.

(a) Until the Developer's obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer or any Affiliate on any loan [or guaranty] of the Developer or any Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment

of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Property.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or 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 of its Affiliates which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Improvements, or litigation which if decided against the Developer or any of its Affiliates, 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) upon issuance of a TCO by the City for all of Blocks A, B, F, and G, or

(c) as to Block A, upon issuance of a TCO by the City for Block A; or

(d) as to Block B, upon issuance of a TCO by the City for Block B; or

(e) as to Block F, upon issuance of a TCO by the City for Block F; or

(f) as to Block G, upon issuance of a TCO by the City for Block G; or

(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.

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 theirs 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**. The Developer shall, in connection with any vertical lease of land within the District to a non-Affiliate of the Developer which will result in the transferee becoming responsible for the payment of more than twenty percent (20%) of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the property leased; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

SECTION 13. **Identifying Information for Filings with EMMA**. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. **Developer as Independent Contractor**. In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

SECTION 15. **Notices**. Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer:	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: ________@tishmanspeyer.com
With copy to	San Francisco Giants 24 Willie Mays Plaza San Francisco, CA 94107 Attn: _________ Email: ______@sfgiants.com
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 [Port team member]

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: _______________________________

Name: ______________________________

Title: _______________________________

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021 Bonds. The 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each of the 2021 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to die provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *Information on such website is not incorporated by reference herein.*

Purchases of 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTCs partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners well be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021 Bond documents. For example, Beneficial Owners of 2021 Bonds may wish to ascertain that the nominee holding the 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Fiscal Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2021 Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

APPENDIX G

APPRAISAL REPORT

Integra Realty Resources
San Francisco

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:
April 22, 2020

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

Integra Realty Resources
San Francisco

555 Meridian Avenue
Suite C
San Jose, CA 95126

T 408.299.0444
F 408.299.0449
www.irr.com

October 21, 2020

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, 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 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 in bulk of the appraised properties, subject to a hypothetical condition, as of April 22, 2020 is presented in the table below:

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value of the Special Tax District	Leasehold	April 22, 2020	$150,400,000

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 April 22, 2020. 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 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a 30-day lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors are experiencing negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant impact on other real estate sectors, especially considering the surge in unemployment in recent weeks.

Given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or differently than projected under stable market conditions. Our valuation is based upon the best information as of the effective date. Please refer to the *COVID-19 Impact on Current Valuation* section of the attached report.

Respectfully submitted,

INTEGRA REALTY RESOURCES - SAN FRANCISCO

Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
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Email: kziegenmeyer@irr.com

Eric Segal, MAI
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Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037
Telephone: 415-715-4690
Email: ldiaz@irr.com

Table of Contents

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	City and County of San Francisco
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	April 22, 2020
Date of the Report	October 21, 2020
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 April 22, 2020. 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 (Corona) Virus have resulted in cancellations of a substantial number of business meetings, conferences, and sporting and entertainment events in the coming 3-6 months; the implementation of personal quarantine procedures; a 30-day lock-out for travel from most of Europe to the U.S.; and substantial reductions (and restrictions) in other travel by air, rail, bus, and ship.

As of the effective date of this report, tourism, lodging, and tourist-related food and beverage and retail sectors are experiencing negative effects due to the substantial decline in social movement and activity. A prolonged outbreak could have a significant impact on other real estate sectors, especially considering the surge in unemployment in recent weeks.

Given the degree of overall uncertainty present in the economy, forecasts and projections contained herein may change dramatically, or differently than projected under stable market conditions. Our valuation is based upon the best information as of the effective date. Please refer to the *COVID-19 Impact on Current Valuation* section of the attached report.

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	City and County of San Francisco

A summary of the subject blocks and associated acreage is provided below. The project is divided into two tax zones and will be developed over four phases, with Phase 1 coinciding with Tax Zone 1 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 parks and opens spaces.

Block Overview

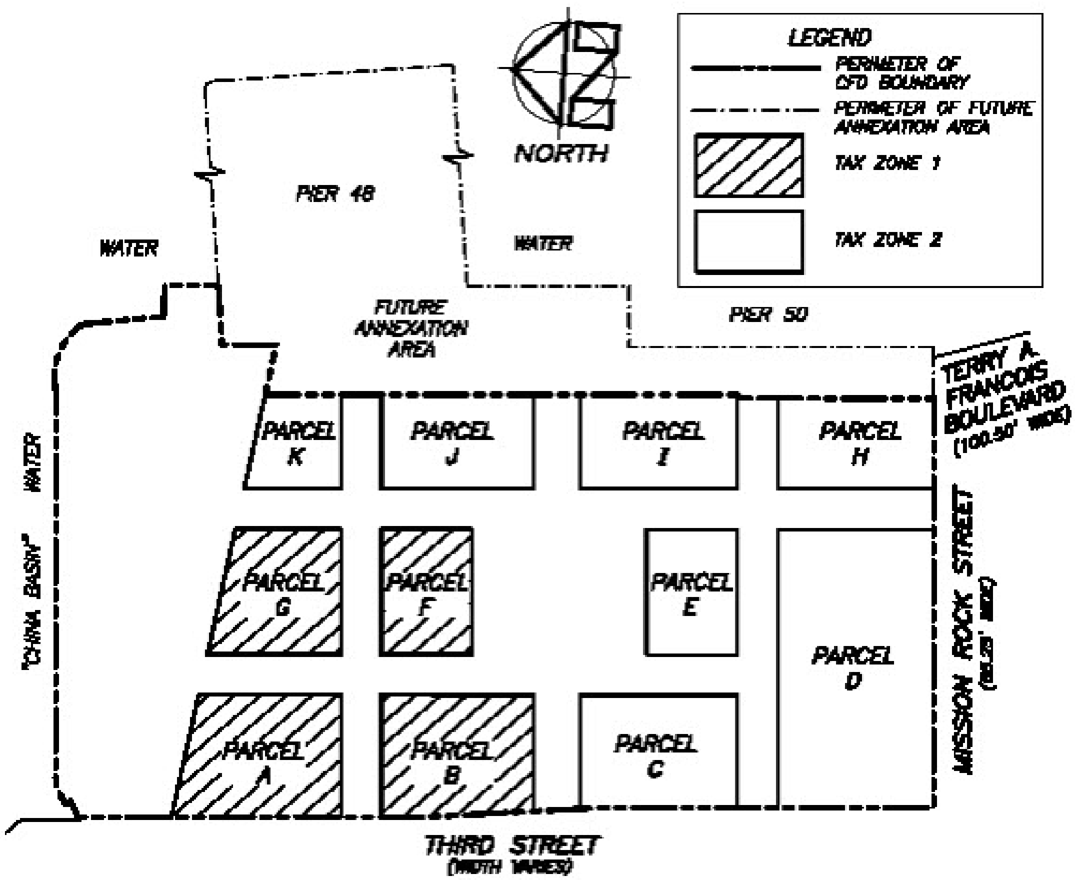
Block	Phase	Tax Zone	Acreage	Square Feet	Use
A	1	1	0.96	41,818	Residential
B	1	1	0.93	40,511	Office
F	1	1	0.58	25,265	Residential
G	1	1	0.78	33,977	Office
C	2	2	0.90	39,204	Office
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office
H	4	2	0.72	31,363	Residential
I	4	2	0.75	32,670	Office
J	4	2	0.72	31,363	Office
K	4	2	0.41	17,860	Residential
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 includes a parking garage which is not taxable. It is excluded from the appraisal.*

ATTACHMENT 2

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

IDENTIFICATION OF TAX ZONES



MARTIN M. RON ASSOCIATES, INC.
Land Surveyors
859 HARRISON STREET, SUITE 200
San Francisco, California 94107
JANUARY 31, 2020

Sale History

To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date. 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. The Port of San Francisco has entered into a 30-year ground lease agreement with the master developer, known as Seawall Lot 337 Associates, LLC, on the lease agreement. 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). Alternatively, the ground lease is terminated when the Port has issued the final certificate of occupancy for the project and accepted the final audit.

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, 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, April 22, 2020. The date of the report is October 21, 2020. 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.

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 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 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 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 for the appraised property.

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

Kevin Ziegenmeyer, MAI, and Laura Diaz conducted an on-site inspection of the property on April 22, 2020. Eric Segal, MAI, has 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 on a daily basis. Healthcare and economic responses to this crisis are unfolding in the present, with no quantifiable data currently 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. As noted, the level of impact of COVID-19 remains largely unknown at this time.

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 city/county 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 7.78 million residents and has shown moderate growth over the past five years, with an average annual growth rate of 0.8%. 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	2014	2015	2016	2017	2018	2019	%/Yr
Alameda	1,590,603	1,613,168	1,631,088	1,646,156	1,656,884	1,669,301	1.0%
Contra Costa	1,099,843	1,113,759	1,128,574	1,139,746	1,147,879	1,155,879	1.0%
Marin	260,913	262,509	263,144	262,927	262,803	262,879	0.2%
Napa	140,414	141,102	141,778	141,718	140,966	140,779	0.1%
San Francisco	**849,421**	**858,708**	**865,992**	**873,352**	**880,980**	**883,869**	**0.8%**
San Mateo	753,472	760,679	766,649	769,570	772,372	774,485	0.6%
Santa Clara	1,882,230	1,906,511	1,925,306	1,936,052	1,947,798	1,954,286	0.8%
Solano	424,145	427,744	431,346	436,801	439,102	441,307	0.8%
Sonoma	496,887	500,882	503,133	504,859	502,866	500,675	0.2%
Total	**7,497,928**	**7,585,062**	**7,657,010**	**7,711,181**	**7,751,650**	**7,783,460**	**0.8%**

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.

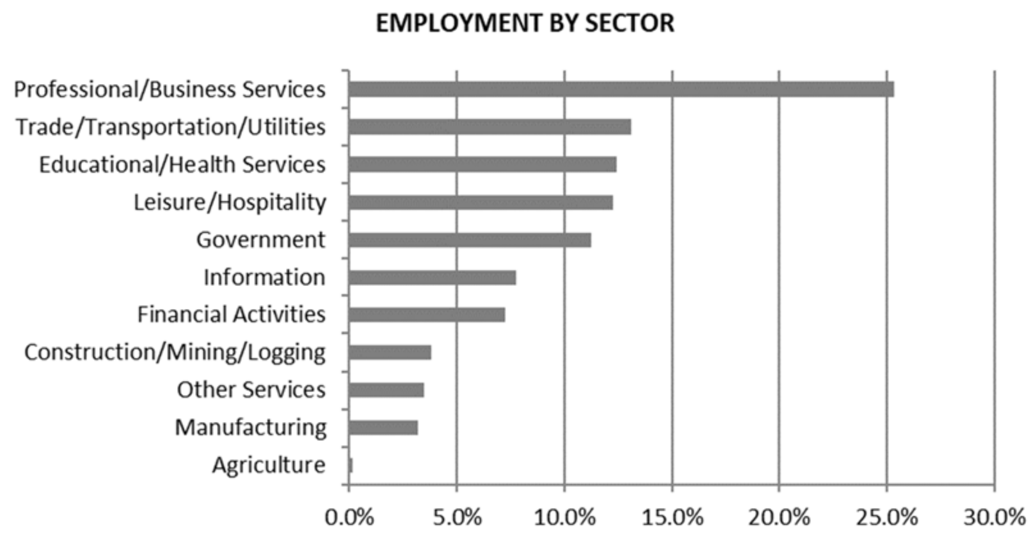
Employment Trends						
	2014	2015	2016	2017	2018	2019
Labor Force	528,600	541,400	555,300	563,800	569,300	583,200
Employment	505,500	521,700	537,000	547,300	555,600	570,400
Job Growth	17,400	16,200	15,300	10,300	18,600	23,100
Unemployment Rate	4.4%	3.6%	3.3%	2.9%	2.4%	2.2%

Source: California Employment Development Department

The average annual unemployment rate in San Francisco County in 2019 was 2.2%. As of February 2020, the average rate was 2.2%, compared to rates of 4.3% for California and 3.8% for the nation. San Francisco has one of the lowest unemployment rates in California.

For most areas within the state and nation, including San Francisco, unemployment declined from 2004-2007, increased from 2008-2010, and has declined since 2011. This trend is expected to change as a result of the current COVID-19 crisis. In an effort to prevent the spread and impact of the virus, indefinite public health Stay-At-Home Orders have been issued for the counties that make up the Sacramento MSA, along with a statewide order issued by the governor on March 19th, which direct residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. These unprecedented measures have left just "essential" businesses open. The closure of non-essential businesses will impact some sectors of the workforce more significantly than others, but it is too early to forecast how many jobs could be lost.

The chart on the following page indicates the percentage of total employment for each sector within the city/county.



Source: California Employment Development Department

As illustrated above, San Francisco's largest employment sector is Professional and Business Services, accounting for roughly 25% of all employment and continuing to outpace all other major industries in terms of job growth. The remainder of employment is divided among all other industry sectors, with Trade/Transportation/Utilities (which includes wholesale and retail trade); Leisure and Hospitality; Educational and Health Services; and Government each accounting for roughly 11% - 13% of the total. The following table shows the largest employers in the city/county – it's worth noting PG&E has announced plans to relocate out of San Francisco and has placed their headquarters building on the market for sale.

Largest Employers

	Employer	Industry	Employees
1	University of California San Francisco	Education	34,690
2	City and County of San Francisco	Government	32,749
3	San Francisco Unified School District	Education	10,506
4	Salesforce	Technology	8,000
5	Wells Fargo & Co.	Financial Activities	7,747
6	Kaiser Permanente	Healthcare	6,659
7	Sutter Health	Healthcare	5,359
8	Uber Technologies, Inc.	Technology	5,000
9	Gap, Inc.	Retail	4,000
10	PG&E Corporation	Utilities	3,800

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2019

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.

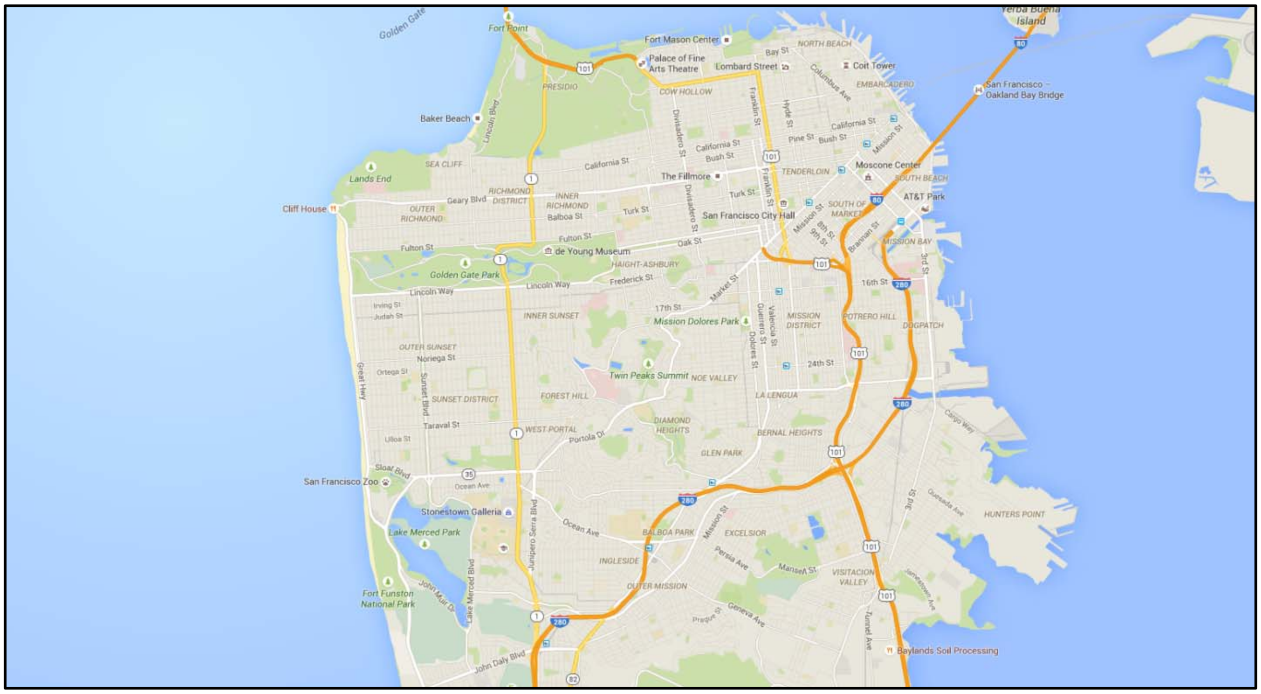
As indicated above, vehicular access to the city/county of San Francisco is provided by the Golden Gate Bridge from the north, the Bay Bridge from the east, and the southern peninsula (San Mateo and Santa Clara Counties) to the south. Public transportation is provided by Amtrak trains, bus service and 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 $104,552 in 2018 dollars (most recent data available). This is significantly higher than the state of California's median income of $71,228. 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 Oracle (formerly 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

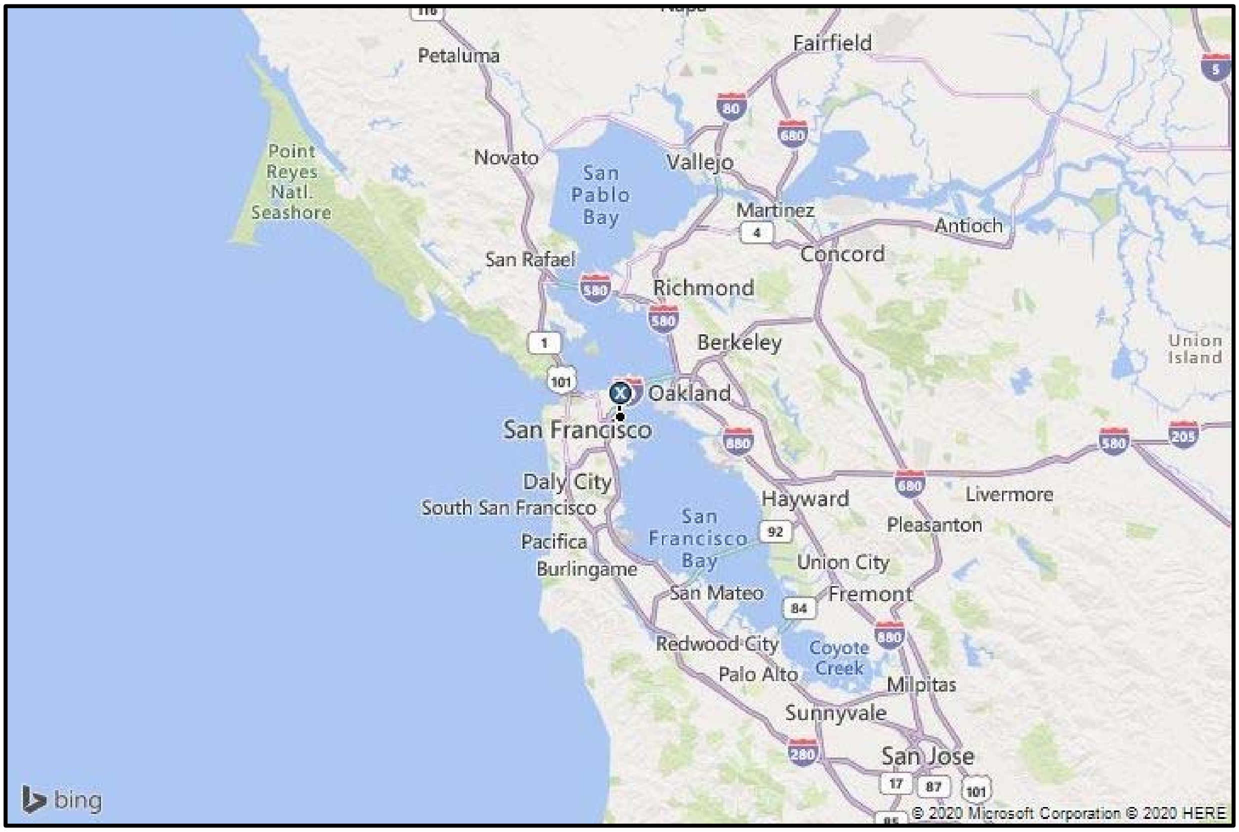
San Francisco is a city rich with cultural and recreational opportunities that attract residents and visitors alike. The city is home to live theater, symphony, ballet, opera, many diverse restaurants, professional sports teams, numerous public parks, a national recreation area, museums, beaches and 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 has seen improvement in employment and economic conditions over the past few years. Unemployment is very low and represents one of the lowest rates in California. Most real estate sectors have moved beyond recovery to a stage of expansion. However, 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


Petaluma
Fairfield
Point Reyes Natl. Seashore
Novato
San Pablo Bay
Vallejo
Martinez
Antioch
Concord
San Rafael
Richmond
Berkeley
Union Island
Oakland
San Francisco
Daly City
South San Francisco
Hayward
Livermore
Pleasanton
San Francisco Bay
Pacifica
Burlingame
Union City
San Mateo
Fremont
Redwood City
Coyote Creek
Palo Alto
Milpitas
Sunnyvale
San Jose
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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	3rd 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 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

2020 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	San Francisco County
Population 2010	7,991	65,580	445,510	805,235
Population 2020	13,567	90,361	510,920	893,702
Population 2025	14,525	96,368	536,260	933,038
Compound % Change 2010-2020	5.4%	3.3%	1.4%	1.0%
Compound % Change 2020-2025	1.4%	1.3%	1.0%	0.9%
Households 2010	3,949	31,229	185,585	345,811
Households 2020	6,872	44,810	217,652	389,167
Households 2025	7,348	47,971	229,414	407,622
Compound % Change 2010-2020	5.7%	3.7%	1.6%	1.2%
Compound % Change 2020-2025	1.3%	1.4%	1.1%	0.9%
Median Household Income 2020	$181,532	$155,655	$106,097	$121,916
Average Household Size	1.8	1.9	2.3	2.2
College Graduate %	70%	63%	51%	57%
Median Age	35	39	39	39
Owner Occupied %	35%	35%	32%	35%
Renter Occupied %	65%	65%	68%	65%
Median Owner Occupied Housing Value	$994,575	$1,073,682	$986,900	$1,157,923
Median Year Structure Built	2007	2002	1955	1943
Average Travel Time to Work in Minutes	40	36	36	37

Source: Environics Analytics

As shown in the previous table, the current population within a 10-minute drive time of the subject is 90,361, and the average household size is 1.9. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to San Francisco County overall, the population within a 10-minute drive time is projected to grow at a faster rate.

Median household income is $155,655, which is higher than the household income for San Francisco County. Residents within a 10-minute drive time have a higher level of educational attainment than those of San Francisco County, though median owner occupied home values are lower.

Land Use

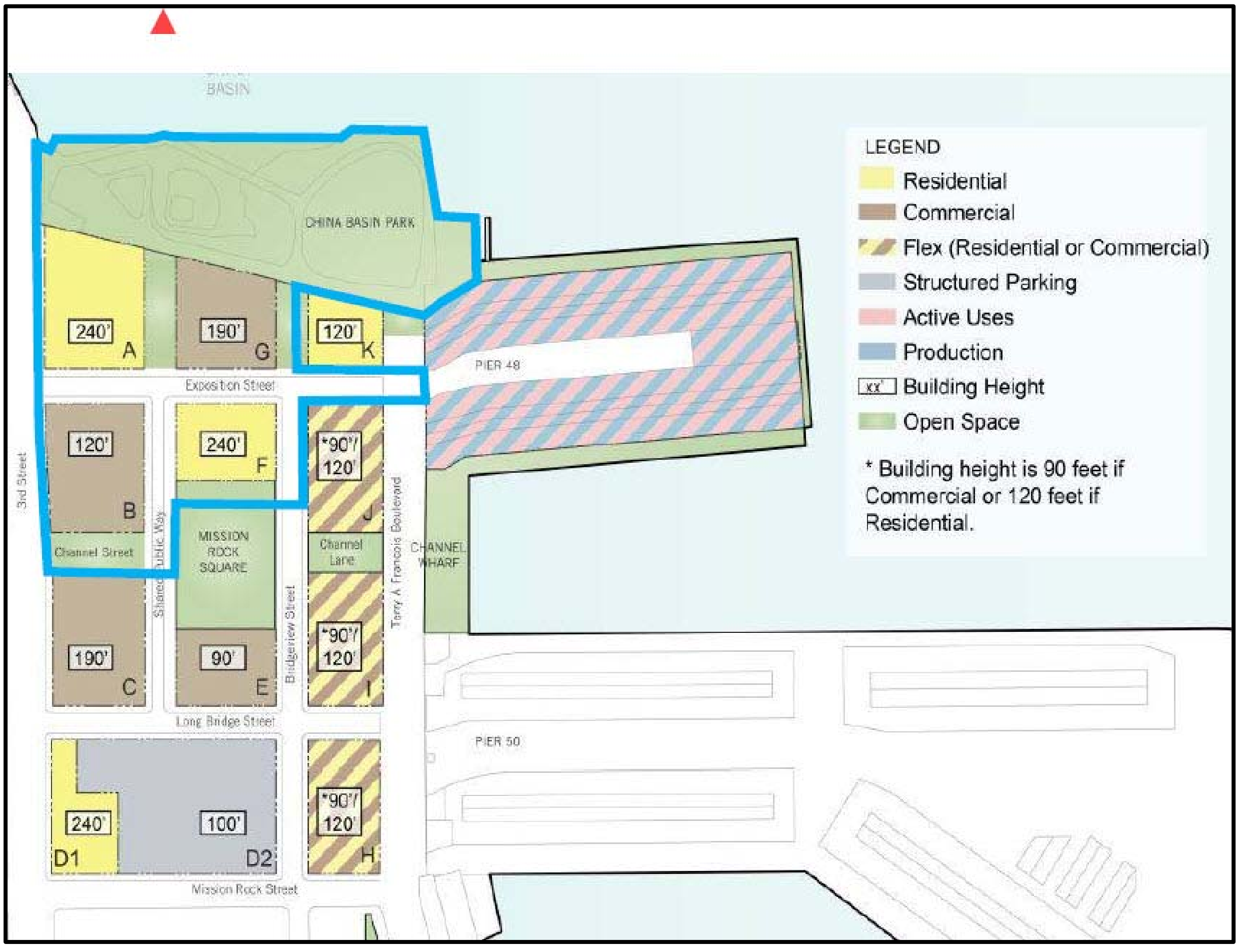
The area is urban in character and in the redevelopment phase of its life cycle. Land uses immediately surrounding the subject reflect a mix of residential and commercial properties, along with some public open spaces. Typical ages of building improvements range from new to greater than 50 years. As 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 1 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 below.

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

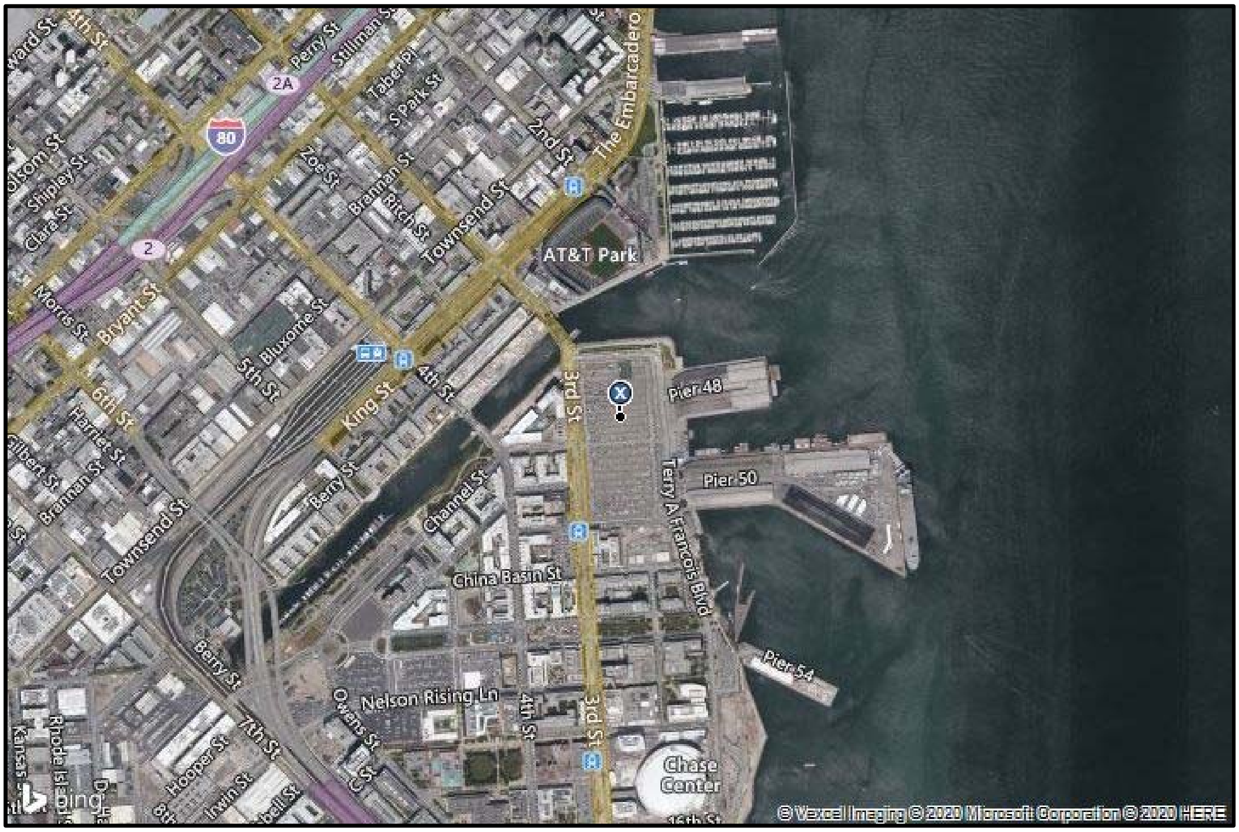
**Excludes Channel Wharf (0.48 acres) & Pier 48 (8.02 acres), which will be annexed later.*

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. Given the history of the area and the growth trends, it is anticipated that property values will continue to increase over the long term. However, in the near future, property values are expected to remain stable in light of the uncertainty surrounding COVID-19.

Surrounding Area Map



AT&T Park has been renamed Oracle Park.

Multifamily Market Analysis

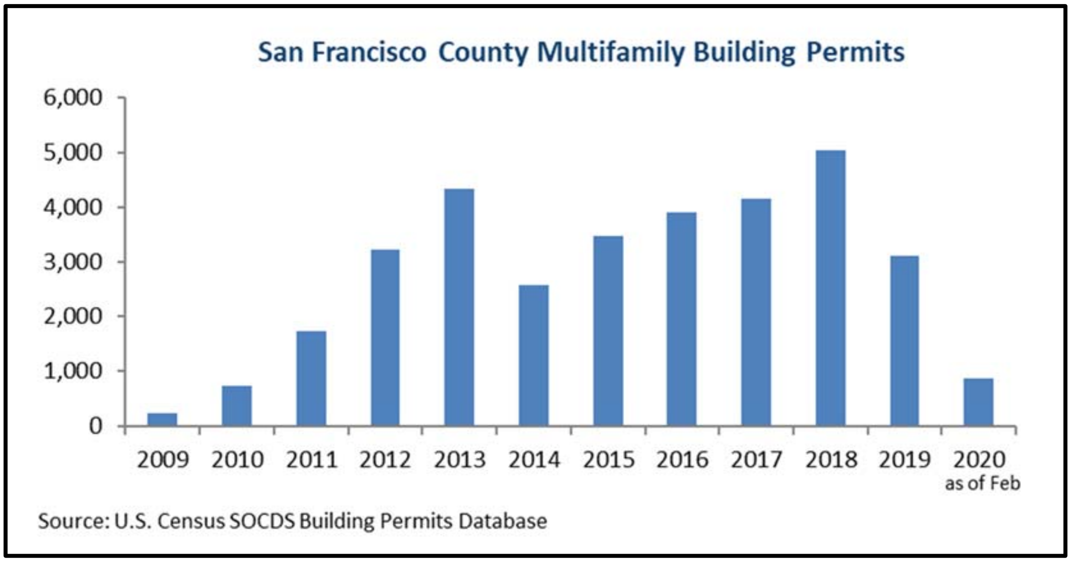
It is noted this section of the report contains market information reported as of the end of the first quarter of 2020, largely prior to the recent events related to the worldwide COVID-19 outbreak. In light of the fact we are in the early stages of fighting this pandemic, there is very little market data available that would allow us to accurately quantify either the short- or long-term impact on the commercial real estate market. Healthcare and economic responses to this crisis are still unfolding and changing daily. 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 San Francisco Bay Area multifamily market has continued to be active in response to strong demand. 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 has led to a surge in new multifamily construction over the past four years. Demand has kept pace with development, prompting vacancy rates throughout most of the areas in or below the 5% range.

The subject is located within the San Francisco market area. Specifically, the market includes San Francisco County, which encompasses the north end of the San Francisco Peninsula in the San Francisco Bay Area. The map below highlights the San Francisco County boundaries.

New Construction

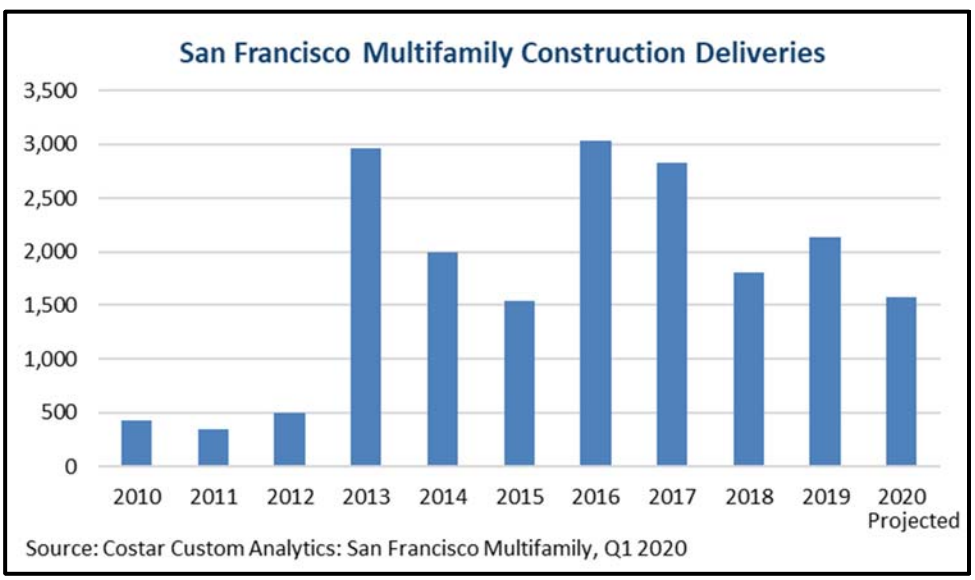
The following chart indicates the number of multifamily building permits issued over the past decade in San Francisco County according to US Census Bureau data. It is noted these figures include for-rent apartments and for-sale condominiums within projects with five or more units.



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.

The CB Richard Ellis Snapshot reports for the San Francisco Bay Area Multifamily market indicate just under 3,000 multifamily units were completed in 2017 and roughly 2,000 units were completed in 2018. The report indicates 1,330 units were completed in the first half of 2019 (most recent data available). The majority of new developments have been concentrated in the South of Market (SoMa) and Mission Bay/China Basin/Potrero Hill submarkets.

The following illustrates new construction deliveries over the past ten years and the projected number of deliveries in 2020, as reported by Costar.



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, was completed in the first quarter 2020 in the Potrero Hill neighborhood. The Madelon, a 272-unit project at 2000 Bryant Street in the Mission District, was completed during the first half of 2020.

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. As a result, supply growth could decline considerably in several years, once the current projects under construction are delivered. 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
50 Jones / 50 Jones Street	303	Mid-Market	Q3 2020
Fifteen Fifty / 1550 Mission St	550	South of Market	Q3 2020
Cityspaces 333 / 333 12th Street	200	South of Market	Q2 2020
Alexan Bryant / 955 Bryant Street	185	Mission Bay	Q1 2021
Trinity Place / 1177 Market Street	501	South of Market	Q3 2021
30 Otis Street	354	South of Market	Q3 2021
The Tenderloin / 361 Turk Street	146	Civic Center	Q3 2021
1028 Market Street	186	Mid-Market	Q4 2021
1140 Harrison Street	372	South of Market	Q4 2021

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%, as indicated in the following table.

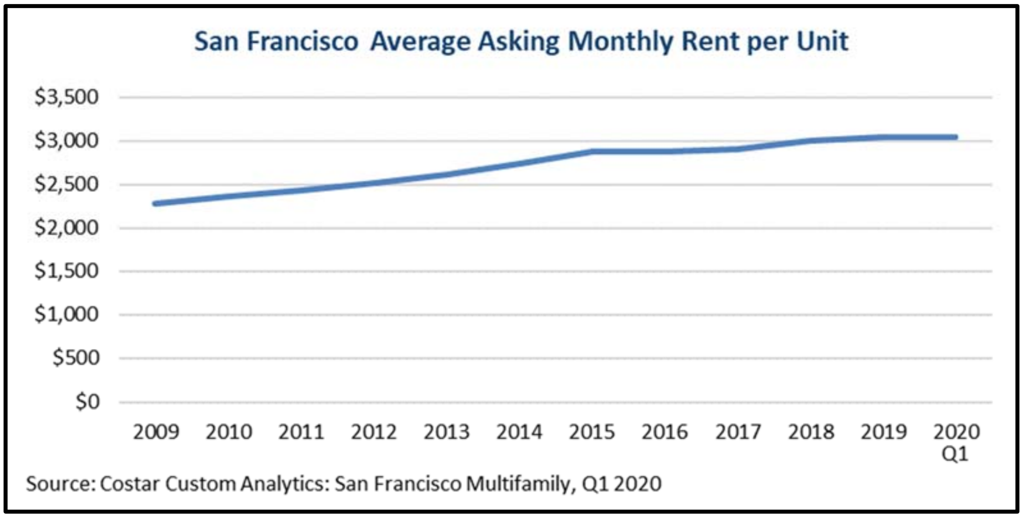
Source: Costar Custom Analytics: San Francisco Multifamily, Q1 2020

More recently, the rate has ranged from 4.0% to 5.4% over the past three years, with the high end of the range reported as of the first quarter 2020, as illustrated below.

Source: Costar Custom Analytics: San Francisco Multifamily, Q1 2020

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 first quarter 2020 was $3,039, a slight decrease of 0.2% over the previous quarter and a slight increase of 0.2% year-over-year. Rental rates have been stabilizing over the past four years.

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 is expected to continue into 2020. Average asking rental rates ranged from $2,205 per unit/month in the Bayview/Visitacion Valley submarket to $3,907 per unit/month in the Mission Bay/China Basin/Potrero Hill submarket. In terms of vacancy, a rate of 0% was reported for Treasure/Yerba Buena Island, with the next lowest vacancy in the Haight-Ashbury/Castro/Noe Valley/Mission submarket at 3.9%. The highest overall vacancies were reported in the Mission Bay/China Basin/Potrero Hill and South of Market submarkets, at 10.1% and 9.0%, respectively. These two submarkets had the highest level of new deliveries over the past 12 months, contributing to the higher vacancy.

The following table highlights the number of multifamily units in inventory, number of new construction units delivered and under construction, recent average asking rental rates and vacancy 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	5,733	0	54	$2,205	6.9%
Civic Center / Tenderloin	12,936	149	636	$2,481	4.4%
Downtown San Francisco	26,214	0	319	$2,746	4.7%
Haight-Ashbury/Castro/Noe Valley/Mission	24,414	379	2,313	$2,799	3.9%
Marina/Pacific Heights/Presidio	15,182	0	0	$3,719	5.7%
Mission Bay/China Basin/Potrero Hill	8,602	697	536	$3,907	10.1%
Richmond/Western Addition	25,426	114	126	$2,404	4.5%
South of Market	14,266	1,145	1,348	$3,866	9.0%
Sunset/Lakeshore	10,434	0	0	$3,023	5.7%
Treasure/Yerba Buena Island	624	0	266	$2,505	0.0%
San Francisco Market Total	143,831	2,484	5,598	$3,039	5.4%

Source: Costar Custom Analytics: San Francisco Multifamily, Q1 2020

Sales Activity

The strong market fundamentals and economy in the San Francisco market have made it an attractive capital investment market. As rental rates have continued to increase following the recession of 2008, capitalization rates have decreased and pricing has likewise increased, making San Francisco the most expensive multifamily market in the county. More recently, capitalization rates have held steady in the high 3% to low 4% range and remain among the lowest in the country. Properties with value-add potential are in demand as investors look to renovate and compete with nearby luxury rentals. While, investment activity has been strong, the first quarter 2020 showed signs of moderation as rental rate growth is diminishing and vacancy rates are stabilizing with new inventory added. Looking forward, deal volume may be affected by the recently implemented rent control bill, which will cap annual rent growth for properties older than 15 years at 5% plus CPI or 10%, whichever is lower, potentially affecting some properties. Likewise, the current pandemic and expected recession increases uncertainty among investors and lenders.

Looking Ahead

Over the past several years, the San Francisco multifamily market has thrived, with steady rent increases and very low vacancy rates. New construction activity has likewise been strong, with significant projects still in progress and scheduled for completion over the next two to three years.

While underlying economic factors were in place for sustained growth 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. As of the effective date of this appraisal, six Bay Area counties, including San Francisco County, have issued public health Shelter-In-Place Orders, recently extended to be in effect until at least May 3rd. Coupled with a statewide order issued by the governor on March 19th, the orders direct residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. The statewide order is in place indefinitely. These unprecedented measures undertaken to prevent the spread and reduce the impact of the virus have left just "essential" businesses open. The following excerpt from market research reports published by Costar summarizes how the market is viewing the current COVID-19 pandemic.

> “Given the current lack of pertinent economic data points as the crises unfolds, analysis of the virus's longer-term ramifications, specific to the commercial real estate market, are difficult to know. Near term economic figures will likely decline sharply, with long term effects on businesses, unemployment, and wage growth likely dependent on the length of the crisis. The depth and breadth of the current coronavirus outbreak will depend on both the healthcare response, as well as the economic and fiscal policy responses. Those responses are still unfolding, with several levels of economic stimulus looking to protect those being most affected by the virus.”

While the near-term outlook for the San Francisco multifamily market is uncertain, strong fundamentals in place prior to the recent events surrounding COVID-19 position the market for stability over the long term.

Office Market Analysis

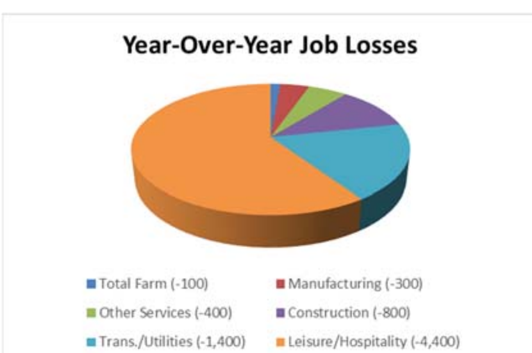
It is noted this section of the report contains market information reported as of the end of the first quarter of 2020, largely prior to the recent events related to the worldwide COVID-19 outbreak. In light of the fact we are in the early stages of fighting this pandemic, there is very little market data available that would allow us to accurately quantify either the short- or long-term impact on the commercial real estate market. Healthcare and economic responses to this crisis are still unfolding and changing daily. 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 remains the primary catalyst for growth in the San Francisco office market, with unemployment at among the lowest levels in 20 years. After very strong absorption in 2018, net absorption began declining and reached negative levels in the fourth quarter 2019 and the first quarter 2020. Vacancy, which had been on a downward trend since late 2017, likewise increased in the first quarter. Rental rates have been increasing for the past three years and continued to increase this quarter, though at a more tempered pace.

Employment

Employment conditions in the region have been improving since 2011, reaching near full employment in recent years. As a result, job growth, although positive, has been moderating. Jobs have been becoming increasingly difficult to fill, particularly as less people are moving into the area due to high housing costs and very limited affordable housing options.

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) was up 1.5% year-over-year as of March 2020, with 17,300 jobs added to the market. The largest job growth sector was Professional and Business Services, with 9,400 jobs added. The chart to the right illustrates the year-over-year job growth by industry.



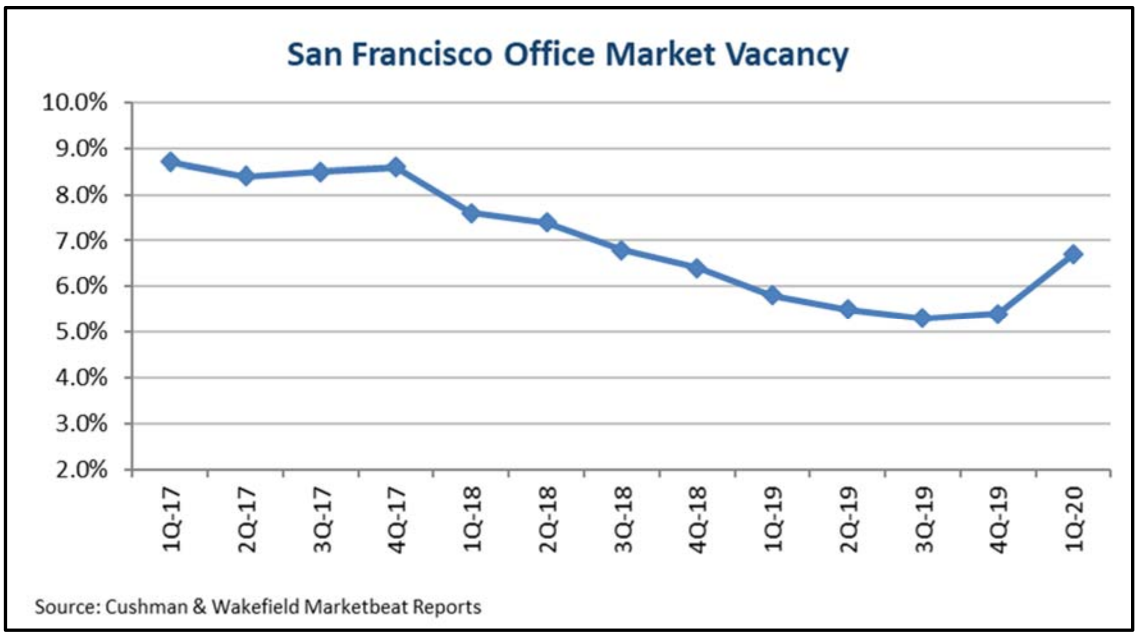
Although the overall market has shown job growth, some industries have sustained a greater impact to employment resulting from the efforts to slow the spread of the COVID-19 virus. Specifically, the leisure and hospitality and the trade/transportation/utilities sectors have had the greatest impact due to all but essential businesses being closed down and mandated stay at home orders. The chart to the left summarizes year-over-year job losses.

The unemployment rate in the metropolitan division was 2.9% as of March 2020, up from 2.4% the previous year. The unemployment rate in San Francisco County alone was 3.0%. By comparison, the unemployment rates for California and the U.S. were 5.6% and 4.5%, respectively, for the same period. This shift in employment trends comes as a result of layoffs resulting from the policy steps enacted to “flatten the curve” of the COVID-19 pandemic. Based on the historically high unemployment benefit applicants in March 2020, early reports and economic forecasters predict one of the largest GDP declines in our nation’s history during the second quarter 2020. Performance beyond that remains difficult to forecast.

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 and the market has shown signs of recovery and expansion since.

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 following chart illustrates recent vacancy trends in the region.



The first quarter 2020 had an overall vacancy of 6.7%, which is 130 basis points higher than the previous quarter and 90 basis points higher than a year ago. Underlying demand may be subsiding further than indicated by reported vacancy rates, as many research reports indicate sublease availability has also increased this quarter.

Annual net absorption has been predominantly positive for the past decade, except for 2009 and 2017 which posted negative net absorption. Net absorption in 2018 was very strong, with over 4.8 million square feet absorbed. 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 is 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 have already moved in and the remainder of 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.

The first quarter of 2020 posted 477,857 square feet of negative net absorption. Several trends have been reported that may have contributed to this decline, including 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. These smaller businesses are also faced with lost income due to the coronavirus shutdown.

The following table shows current vacancy and absorption data by submarket.

San Francisco Office Market Summary				
Submarket	Total SF (millions)	Vacancy 1Q 2020	Net Absorption 1Q 2020	Net Absorption YTD
North Financial District	26.31	7.6%	(199,892)	(199,892)
South Financial District	27.89	5.3%	204,450	204,450
Jackson Square	2.01	6.4%	19,628	19,628
North Waterfront	3.35	8.6%	(75,799)	(75,799)
SOMA	8.12	9.7%	(353,595)	(353,595)
The Presidio	1.03	1.9%	4,445	4,445
Union Square	3.08	8.1%	4,193	4,193
Van Ness Corridor	.73	16.6%	(14,191)	(14,191)
Showplace Square / Potrero Hill	3.98	6.0%	(71,152)	(71,152)
Mission Bay	1.77	0.0%	0	0
Mid-Market	4.97	5.7%	4,056	4,056
Third Street Corridor	.31	0.0%	0	0
Total	83.56	6.7%	-477,857	(477,857)

Source: Cushman & Wakefield Marketbeat Reports

The South Financial District posted the highest net absorption level during the first quarter of 2020, with over 200,000 square feet absorbed. The remaining submarkets with positive net absorption had relatively low levels. Significant negative net absorption was recorded in the South of Market (SOMA) and North Financial Districts, with negative 353,595 and 199,892 square feet, respectively.

Reports indicate leasing activity in the market declined, with 1.065 million square feet of leases transacted during the first quarter. It is noted that Cushman & Wakefield data does not include renewals in leasing statistics. Some of the most significant leases signed are highlighted as follows.

- Deloitte renewed & expanded their lease for 229,000 SF at 535 Mission Street in the South Financial submarket;
- Autodesk renewed a lease for 110,000 SF at 1 Market Street, South Financial district;
- Knotel signed a lease for 82,800 SF at 301 Brennan Street, in the SOMA submarket;
- Skillz subleased 51,684 SF at 505 Howard Street, South Financial district;
- Triage Consulting renewed a lease for 46,436 SF at 221 Main Street, South Financial district;
- Ironclad subleased 42,558 SF at 71 Stevenson Street, South Financial district;
- Wix.com renewed a lease for 34,459 SF at 500 Terry Francois Blvd, Mission Bay;
- Trade Desk signed a lease for 27,542 SF at 425 Market Street, South Financial district.

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, 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 first quarter of 2020, the region's average asking rate was $6.91 psf/month (full service), up 0.6% from $6.87 psf/month in the fourth quarter 2019 and up 7.25% from $6.44 psf/month the previous year.

The average asking rate was $7.13 psf/month in the CBD, and $7.29 psf/month for Class A properties in the CBD. Class A rates have been increasing in all submarkets at a greater rate than overall as the availability of large blocks of space has declined among existing properties. There is little availability even in projects under construction as most of the space has been pre-leased.

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.

Reports vary in their estimates of product under construction, ranging from 2.5 to 4.3 million square feet in the pipeline. Similar to 2018 and 2019, the South Financial district has the largest concentration of development in the pipeline, the largest of which is 1.25 million square feet proposed at First Street Tower, part of the Oceanwide Center, with anticipated delivery in 2023. 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 has since fallen through and a new buyer has emerged.

Also noteworthy is the new headquarters for Uber with over one million square feet set to deliver in the second quarter 2020 in Mission Bay near the Chase Center.

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. Pending lawsuits have been recently settled and 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.

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
	Under Construction		
1655 and 1715 Third Street (Uber Headquarters)	Mission Bay	593,755	Under Construction / Delivery Q2 2020
1500 Mission Street (City of San Francisco)	South of Market	466,000	Under Construction / Delivery Q2 2020
One De Haro / 1 De Haro Street	Showplace Square	126,537	Under Construction / Delivery Q2 2020
633 Folsom (Asana)	South Financial	268,000	Under Construction / Delivery Q3 2020
1455 and 1515 Third Street (Uber Headquarters)	Mission Bay	422,980	Under Construction / Delivery Q4 2020
First Street Tower / 50 1st Street	South Financial	1,250,000	Under Construction / Delivery Q1 2023

Source: CoStar; Kidder Mathews Market Trends, CBRE

While there is reportedly over 10 million square feet of large office projects in the pipeline, San Francisco's Prop M restricts the amount of new office space that can be approved in a year. The recently voter-approved Prop E will further limit development as it ties the percentage of office construction allowable for allocation under Prop M to the city's ability to meet its affordable housing goals, as determined by California's Housing Element and Regional Housing Needs Allocation.

Looking Ahead

Market trends suggest the San Francisco office market has been in an expansion stage over the past few years. There has 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 sustained growth 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. As of the effective date of this appraisal, six Bay Area counties, including San Francisco, have issued public health Stay-At-Home Orders, coupled with a statewide order issued by the governor on March 19th which direct residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. The statewide order is in place indefinitely. These unprecedented measures undertaken to prevent the spread and reduce the impact of the virus have left just "essential" businesses open.

Though 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.

Retail Market Analysis

It is noted this section of the report contains market information reported as of the end of the first quarter of 2020, largely prior to the recent events related to the worldwide COVID-19 outbreak. In light of the fact we are in the early stages of fighting this pandemic, there is very little market data available that would allow us to accurately quantify either the short- or long-term impact on the commercial real estate market. Healthcare and economic responses to this crisis are still unfolding and changing daily. 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 retail market area, defined as the city/county limits.

Retail market conditions in San Francisco are among the tightest in the nation and there has been ample demand in recent years, particularly for the most desirable product. Much of the recent retail activity has been food and beverage related, which remains largely unaffected by e-commerce. In addition, there has been an increase in higher-end retailers, particularly in the downtown core, which are poised to pay the high and steadily increasing rents. New construction has been very limited since 2010, with most new large-scale development being mixed-use.

Economic Overview

The Bay Area has experienced strong job growth in recent years, and the San Francisco metropolitan area (San Francisco and San Mateo Counties) is at near full employment, with nearly 1.18 million non-farm jobs and unemployment at 2.9% as of March 2020. This compares favorably to the unemployment rate of 5.6% for California and 4.5% for the nation for the same time period. Retail activity has benefited from the strong demographics, high consumer confidence nationwide, and likewise from significant tourism in San Francisco.

Consistent with national trends, the San Francisco region continues to record positive job growth, though the rate of growth is slowing. Retail sales in the San Francisco region were reported at $32.7 billion for 2019, an increase of 5.0% year-over-year. The tourism industry has been experiencing growth for eight consecutive years. In 2018, the number of visitors increased 1.2% (from 25.5 to 25.8 million) and total annual spending by visitors increased 2.3% (from $9.8 to $10 billion), year-over-year. The forecast for 2019 was 26.5 million visitors and $10.3 billion in spending by visitors. Actual 2019 data was not available as of the date of this report.

The economic disruption from the coronavirus outbreak has already resulted in job losses and furloughs in the hospitality, restaurant, arts, entertainment, and recreation sectors, with more expected in the second quarter 2020.

Absorption & Vacancy

The following chart highlights the region's historical net absorption.

There has been little new development in the San Francisco market area over the past eight years and annual net absorption has been low or negative. In addition, the retail sector is undergoing changes in response to consumer patterns, resulting in store closures and downsizing as retailers make a shift towards e-commerce growth rather than physical locations. This has likewise contributed to low absorption. A more recent view of the net absorption over the past three years is presented below.

The availability of retail space remains tight throughout most of the San Francisco submarkets and the average vacancy is among the lowest in the nation. Overall vacancy has remained below 4% for over 10 years, as indicated in the following chart.

According to CoStar statistics, the overall vacancy as of the first quarter 2020 was 3.3%, a decrease of 10 basis points over last quarter and an increase of 20 basis points year-over-year. The quarterly Market Trends report published by Kidder Mathews likewise reports an overall vacancy of 3.3% as of the first quarter 2020, unchanged from the fourth quarter 2019 and an increase of 40 basis points year-over-year.

The following chart presents a more recent look at retail vacancy in the San Francisco market area.

The San Francisco market has roughly 50.67 million square feet of retail inventory, including general retail, malls, power centers, shopping centers, and specialty retail. Of this, 1,659,178 square feet are currently vacant.

The following summarizes the submarket clusters identified in the San Francisco market.

Submarket Cluster	Submarkets Included
SF Downtown Core	Financial District, South Financial District
SF Downtown North	Jackson Square, Waterfront/North Beach
SF Downtown South	MidMarket, Rincon/South Beach, Showplace Square, South of Market, Yerba Buena
SF Downtown West	Civic Center, Union Square, Van Ness/Chinatown
SF Outer Areas	Southern City, West of Van Ness
SF Southeast	Bayview/Hunters Point, Mission Bay/China Basin, Mission/Potrero

Recent vacancy rates, net absorption and average asking rent by submarket cluster are highlighted in the following table.

San Francisco Retail Market Summary

Submarket	Total SF (millions)	Vacancy 1Q 2020	Net Absorption 1Q 2020	Asking Rent
SF Downtown Core	1.004	2.7%	59,489	$9.00
SF Downtown North	3.03	7.1%	(19,750)	$3.26
SF Downtown South	5.93	4.7%	55,835	$3.96
SF Downtown West	10.03	4.6%	(84,907)	$3.73
SF Outer Areas	22.65	2.2%	31,701	$3.67
SF Southeast	8.03	1.8%	4,819	$2.96
Total	50.67	3.3%	47,187	$3.52

Source: CoStar Custom Analytics: San Francisco Retail, Q1 2020

The lowest submarket vacancy was posted in the San Francisco Southeast area, followed by the San Francisco Outer Areas and the San Francisco Downtown Core area, which also had the highest level of net absorption this quarter. The highest vacancy, and the only area with vacancy above 5%, was in the San Francisco Downtown North submarket. Asking rents are generally in the $3.00 to $4.00 psf/month, triple net, range, with the exception of the SF Downtown Core area, where the average asking rent was $9.00 psf/month, triple net.

Some notable leases signed during the first quarter 2020 include:

- Gameworks leased 32,000 square feet in Stonestown Galleria at 285 Winston Drive, in the Southern City area
- The VOID leased 15,000 in the Westfield at San Francisco Centre at 845-865 Market Street, Yerba Buena
- Tourneau leased 13,489 square feet at 77 Geary Street, Union Square

Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time and is influenced by the quality and quantity of space available at that time. Guarded reliance should be placed on average asking rates due to the number of variables impacting these figures.

CoStar data indicates an average asking rate of $3.52 psf/month, triple net ($42.26 psf/year) as of the first quarter 2020, up $0.04 psf/month from the fourth quarter 2019 and up $0.10 psf/month year-over-year. Average asking rates vary by submarket, ranging from a low of $2.96 psf/month in the San Francisco Southeast submarket to $9.00 psf/month in the San Francisco Downtown Core submarket.

The quarterly research report prepared by Kidder Mathews indicates an average asking rate of $3.51 psf/month, triple net ($42.07 psf/year) as of the first quarter 2020, up $0.04 psf/month from the fourth quarter 2019 and up $0.08 psf/month year-over-year.

New Construction

New retail construction in the San Francisco market has been minimal due to a scarcity of developable land. New developments in the market are primarily focused on high-rise office and residential buildings.

The most notable recent new construction has been the 6X6 lifestyle complex located at Market and 6th Streets. At 250,000 square feet, this represents the largest new retail development delivered in San Francisco since 2011. Construction deliveries during 2018 declined; Artists Studio – Pier 70, an 89,000 square foot project was the only significant completion, with several smaller scale developments also completed. During the first quarter 2019, one 30,000 square foot project was delivered in Redwood City.

Salesforce Transit Center, with just under 100,000 square feet of retail space, was completed in mid-2019 in the South Financial District. Tenants include Fitness SF, Philz Coffee, Per Diem Restaurant, Eddie Rickenbacker's, Venga and Onsite Dental. It is part of the Transbay Transit Center project, which was renamed The Salesforce Transit Center. The project includes a 1.2 million square foot, state-of-the-art regional transit hub which will connect eight Bay Area counties and the State of California through 11 transit systems. The roof of the bus and rail station will feature a 5.4-acre park. The transit center began construction in 2011, originally opened in August 2018 and closed down six weeks after that opening for eight months for repairs of cracked beams. The center re-opened in July 2019.

The Chase Center was completed at the end of 2019 in Mission Bay, reported to be the largest sports and entertainment project on the West Coast, covering an area of 11 acres. It features an 18,000 square foot arena, home to the Golden State Warriors basketball team. The project also includes 98,000 square feet of retail and restaurant space and over five acres of public waterfront park. It will also feature 580,000 square feet of office space, which is under construction and will be occupied by Uber as part of its larger headquarters campus.

There are two significant projects in the pipeline. 100 Stockton is a mixed-use development which will include 180,000 SF of retail space, 60,000 square feet of office space on the sixth and seventh floors and 16,500 square feet devoted to a rooftop restaurant. The other project is a renovation of the Stonestown Galleria, which includes redevelopment of the former Macy's space into a three-level anchor building to feature a new Whole Foods, an extension of Regal Cinemas, and a Sports Basement outlet. The following table summarizes these projects, as well as other notable retail developments as of the first quarter 2020.

New Construction Retail Projects			
Project	Submarket	Size (SF)	Status
6X6	Mid-Market	250,000	Completed Q2 2017
Artists Studio	Mission Bay / Dogpatch	89,000	Completed Q1 2018
One Mission Bay (Ground Floor)	Mission Bay	16,594	Completed Q3 2018
Salesforce Transit Center	South Financial District	98,330	Completed Q2 2019
Chase Center (Warriors Arena)	Mission Bay	100,000	Completed Q4 2019
3251 20th Avenue	San Francisco / Southern City	221,433	Delivery Q3 2020
100 Stockton Street	Union Square	263,640	Delivery Q1 2021
Mission Kids Co-op / 969 Treat Ave	Mission/Potrero	5,771	Delivery Q1 2021

Source: CoStar, Kidder Mathews

Looking Ahead

The San Francisco retail market is among the tightest in the nation. Strong tenant demand and limited new development has kept vacancy levels very low. The local tenant base has been shifting to higher-end retailers, and demand has been concentrated in prime locations and for smaller retail spaces concentrated on food and beverage, boutique fitness and neighborhood services

While underlying economic factors were in place for steady market conditions in the regional retail 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. As of the effective date of this appraisal, six Bay Area counties, including San Francisco, have issued public health Stay-At-Home Orders, coupled with a statewide order issued by the governor on March 19th which direct residents to stay at home except to perform essential activities necessary for the health and safety of individuals and their families. The statewide order is in place indefinitely. These unprecedented measures undertaken to prevent the spread and reduce the impact of the virus have left just "essential" businesses open. This will especially impact the retail industry, in which a majority of businesses rely on foot traffic.

The following excerpt from market research reports published by Costar summarizes how the market is viewing the current COVID-19 pandemic.

> “Given the current lack of pertinent economic data points as the crises unfolds, analysis of the virus's longer-term ramifications, specific to the commercial real estate market, are difficult to know. Near term economic figures will likely decline sharply, with long term effects on businesses, unemployment, and wage growth likely dependent on the length of the crisis. The depth and breadth of the current coronavirus outbreak will depend on both the healthcare response, as well as the economic and fiscal policy responses. Those responses are still unfolding, with several levels of economic stimulus looking to protect those being most affected by the virus.”

While the near-term outlook for the San Francisco retail 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

The best measure of any impact on values due to COVID-19 would be in direct transaction indicators that are objectively verified and clearly show data points, current pricing discovery, and the ability to measure movement in values from a prior baseline; and to understand direction in overall values. This would include sales transactions, leasing activity, vacancy rates and/or cap rates that have visibly moved off of early Q1 levels (baseline), or form a conclusive basis for new pricing. However, given the unique nature and recency of this event, minimal activity is evident from which to draw benchmark comparisons based on transactional data.

In the absence of transaction data, there is empirical data in the market that can be gleaned and assist in estimating the valuation metrics and assessing their reliability in estimating current value. In this initial phase of the pandemic, early emerging trends include:

- Market confidence (fundamental economic fear)
- Expectations of impaired property/operating performance
- Re-pricing risk (debt and equity)
- Liquidity duration
- Impaired market and pricing activity

All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the commercial real estate (CRE) sector along a continuum of time.

At this juncture, the global question facing market participants is: “How long does this crisis last and how deep will its impact become?” At a minimum, Q2 economic performance will be dismal based on most economic forecasts. Shelter-in-Place and Stay-at-Home Executive Orders for most of the U.S. states now run through April 30, at a minimum.

As of April 1, market confidence was moderate (for the moment) but uncertain in its moderate conviction. Many governments are inducing incentives to support their national economies. On March 27, 2020, the U.S. Congress approved a $2 Trillion stimulus package intended to support payrolls and create economic “breathing room.” The length of the current social-distancing measures likely impacts future operating performance.

One of the unknowns is, “How long can the world stay shut down, with everyone staying in their home?” There remains hope the onset of summer will slow the virus transmission; there is active concern for healthcare workers and their families, and concern for our own families. A psychologically important factor affecting market confidence is the shocking rate of supply disruption at all levels, particularly in medical supplies and protective equipment; all the more alarming to a U.S. population accustomed to everything on demand.

Based on discussions and interviews with a wide range of market participants, a variety of factors and concerns are prevalent in the market that will likely have a negative impact broadly on CRE values, depending on property type and region. Essential Service Providers will be less impacted (distribution facilities, medical facilities, grocery service) as the performance of these sectors is expected to continue.

However, the broader market will experience myriad issues based on survey respondents including:

Uncertainty

- Restricted access to capital
- Unemployment concerns (increasing to 15% in Q2)
- GDP decline (-30% in Q2)
- Duration of crisis

Lender Concerns

- DSCR are impacted based on changes in rental revenue and collections
- Loan covenants could trigger due to changes in near-term value
- Borrowers are concerned about their tenants' ability to pay rent
- Borrowers are concerned about their ability to keep their loans current
- Lenders are also concerned about the need for loan modifications or work outs

Publicly Traded Securities

- Stock indexes are down approximately 25% to 30%
- REIT pricing down approximately 25%
- Crude oil down approximately 40%

Return Requirements

- Interest rates may stay in the 4%- 4.5% range, despite the Federal Reserve's reduction efforts. Banks have to tightly manage their capital reserves and ratios and therefore are requiring higher spreads for current risk profile
- Durability of Cash Flow forces (new) equity investors to reprice risk. Standby (available, uncommitted) equity now has to be patient until a clearer "path forward" emerges
- Impact on cap rates would be upward

Each of the above observations provides empirical evidence that the market has shifted downward and real estate values will likewise be impacted, but to what degree is not certain.

Few experts or economists at this point are willing to state a threshold duration at which point everything will return to normal quickly, versus a duration of limited economic activity that spirals into worldwide recession. At the moment, the prevailing hope of the world is that science miraculously manufactures a cure, while in the meantime, all social activity ceases worldwide.

Integra Current Valuation Framework (April 1 – present)

The preceding property market analysis focuses on recent historic trends before the physical and social impacts of the COVID-19 pandemic were revealed in the U.S. in early March 2020. The property market analysis was current through Q1-2020 with trends and indications for solid growth by most all market indicators. Many current market participants believe the commercial real estate (CRE) markets will return to trend – the lingering question, “How long will it take?” remains uncertain.

What we do know with reasonable certainty:

- At a minimum, Q2 economic performance will be dismal.
- Shelter-in-Place and Stay-at-Home executive orders will have a profound impact on GDP with rising unemployment damaging forward economic performance for three, if not six months at a minimum.
- The Federal Reserve’s attempt to lower nominal rates was thwarted by lenders setting floors on spreads. Congress subsequently approved a $2 Trillion stimulus package on Friday March 27, 2020. This could provide some economic relief, but businesses, owners, investors, and bankers need to support payroll retention and an aggressive program of economic goodwill throughout all sectors of the economy.

Everything forward beyond those three known factors remains subject to considerable risk/uncertainty.

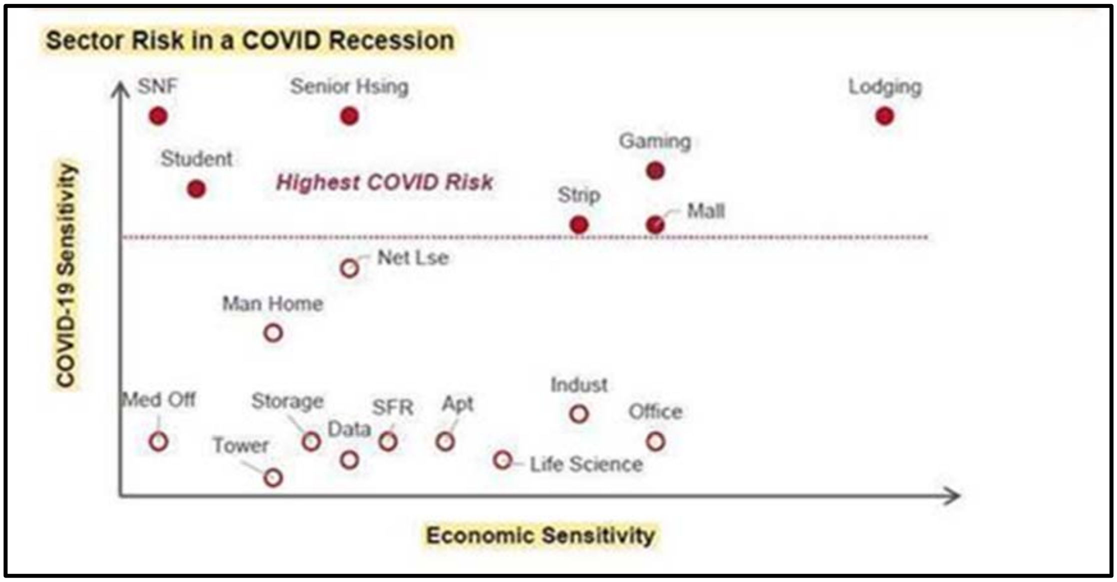
The current macro-framework to sustain through this pandemic is to take 2007 “Blend and Extend” methods, and enhance them. Be wary of repricing assets too quickly (downward), lest all asset prices collapse. A market equilibrium in transaction pricing will need to be reset over the coming 60 days, therefore do not delay in providing banking liquidity, and direct incentives to support a transaction reset. Do not backstop transaction repricing for too long because artificial pricing support could become unsustainable, prolonging economic recovery.

Our current surveys of market participants (March 11 – March 30, 2020) indicates a focus in the following areas impacting value:

- Impacts could (should) vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing, but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class; location; and tenant durability under potential recessionary pressures
- Increases in cap rates (and normalized yields) will vary by property type, class and location as will the underlying assumptions on stabilized or periodic cash flow
- Marketing times for most assets will increase, but the next 45 days will be uncertain on outright marketability regardless of price. This so far has not yet occurred, although deals and listings have slowed dramatically in these first few weeks. To a large extent, deal flow has halted based on the sheer physical constraints imposed on property showings/due diligence, etc. under current distancing restrictions.
- Market sentiment in the coming 14 - 30 days regarding healthcare performance/business performance/employment security/physical security will affect market investment expectations, yields, and the temperament for risk.

Impact by Property Type, Class & Location

Below is a graph prepared by Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is more difficult.



Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows pre crisis. Borrowers had a myriad of options from a variety of capital sources. As the crisis began to unfold in early 2020, treasury rates were moving down as the Fed sought to keep the market liquid. When it became clear the global crisis had landed in the United States, the Fed moved rates to near zero. Many lending institutions instituted floors (spreads widened) because the fixed costs of doing a deal had to be covered.

As lenders are coming to grips with the severity of the economic outlook, many have pulled back from the market altogether while others reacted by raising interest rates, lowering loan to values, or a combination of both. There are clearly some lenders who are “out” while others remain in the market. There are fewer options in the market and those options are more expensive today than 30 days ago. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multi-family market while at the other end of the spectrum, financing a hotel is challenging, land financing is nonexistent. Assets focused on essential business operations (e.g., grocery or last mile industrial) remain in favor as do net leased assets with recession-resistant business profiles.

Equity is less clear at the moment. While large pools of capital were being raised through 2019 and into Q1-2020, the strategy has suddenly shifted. Equity is available, and deals are finalizing that were contracted pre-COVID-19, on the strength of the equity sponsor, but deal flow will likely pause for 15-30 days as equity repricing occurs. This will coincide (hopefully) with an abatement (or clarity) in the world’s critical health status by May 1, 2020.

Declines in Property Operations/Forecasts

The lodging, retail, student housing and senior sectors are generally viewed as expecting to suffer the greatest. Once again, this varies by location and type. Restaurant retail is generally viewed as having greatest risk but is expected to rebound quickly as pent-up demand explodes when everyone can leave their home. Grocery retail is currently performing well with big box stores setting record sales per square foot.

Radical changes in the employment picture will begin to affect the housing sector, both single-family and apartments. Apartments will not be immune or “safe” from lost rent, varying by type and location depending on the tenant base employment and its ability to weather a 6 to 12-month contraction.

There is an expectation in the market that, for many retail centers, tenants will not be paying rent. Without customers, particularly in states with stay-at-home orders, there simply is no revenue available. Tenants and owners alike are reviewing force majeure clauses in their leases.

Rent projections are being held flat in modeling cash flows going forward with the length of time dependent on the asset type.

Depending upon whether values are based on yield capitalization (DCF) or direct capitalization, care must be given to provide “stabilized” forecasts to capitalize; and to normalize yield levels for projecting variable year yield cap.

Premiums on Capitalization Rates

While many deals have fallen out of contract, other deals are still closing. Some are closing at their pre-crisis contract price levels while many deals are being re-traded in the market with discounts influenced by property type, location and buyer/seller motivations.

As the transaction market solidifies, the impact on capitalization rates will become clearer. Some market participants believe the answer to market value lies in the capitalization rates while others believe rates are not moving but net operating income in the short run is being impacted. Once again, the answers vary by property type and location.

Clearly, the cost of capital (debt and equity) has increased. Valuation theory suggests via band of investment analysis that as interest rates and cash on cash equity rates increase, capitalization rates increase. A 100 basis point upward movement in interest rates for example, combined with a modest rise in equity returns, can move capitalization rates up over 100 basis points. We temper this analysis however with the understanding that it is difficult to settle on the inputs given the wide range of data in the market. In addition, care must be taken not to “double hit” the analysis by modeling significantly lower net income via lower performance projections and at the same time raising the return requirements.

Normalization of Yields

All yield capitalization is based on forward forecasting of property performance to generate a current cash flow, and future forecasted reversion. Therefore, the timeframe for the market to reach a point of pricing transparency to "return to par" is the critical assumption in the yield cap.

The longer or less likely the assumptions are, the higher the near-term yields. Valuation theory and past downward economic cycles suggest a shortening of the holding period and a normalization of "overall yield" applied over the shorter holding period.

As the transaction market solidifies, the impact on investment rates and relationship of assumption risk to market risk will become clearer.

Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that exposure time on properties either for sale or lease, will likely be extended. Comparing pre-COVID-19 exposure periods (perhaps the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean some differences that could extrapolate to exposure time going forward, i.e. from peak to trough.

Sector	Months on Market March 2008-09	Months on Market March 2018-19	Change in Months	% Change Peak to Trough
Office	29.6	14.8	14.8	100%
Retail	15	11.4	3.6	32%
Industrial	19.6	6.7	12.9	192%
Average	21.4	11.0	10.4	95%

Source: Costar – data presented in Months

Days on the market increased substantially in the last economic crisis of 2008-2009, with an average of 21 months on market for major property classes. The trailing 12 months preceding the COVID-19 crisis, days on the market were 11 months.

Based on this historical perspective, marketing time could potentially double from current levels. This would have to be tempered recognizing that the depth and duration of this current economic crisis is tied to a health crisis and may have a conclusion more closely tied to its resolution.

Market Sentiment/Participant Interviews

While transaction data is limited, we look to market participants (developers, investors, lenders, brokers, other appraisers) as a leading indicator of where the market is currently, and where they believe the market is heading. Following is a summary of key interviews undertaken over the past weeks:

Role/Title:		**Company:**	
	Broker, John Machado		Colliers international
	Broker, Carter Lyman		Newmark Knight Frank
	Broker, Robert Martin		RLM Properties
	Senior Managing Director		Marcus & Millichap

Mr. Machado opined that there is basically a pause in the market in that all sales and offerings are currently on hold, but that there is no discernible change in value at the present time. Mr. Lyman echoed the pause in market conditions and expressed significant uncertainty in the market. He felt that rent and value declines of 15% to 20% are possible if economic impacts do not quickly improve. It was Mr. Martin's opinion that investors are holding onto their cash and will sit on the sidelines in many cases. Lastly, we interviewed a Senior Managing Director of Marcus & Millichap. He stated that in general his clients are pulling listings in the market to wait out the worst of the impact. He also felt that buyers would pause or withdraw their offers waiting for declines in values and preparing for a "need to sell" transaction, which may occur later in the cycle.

General Public Market Sentiment

General public market sentiment is a changing rollercoaster with each passing day. Right now, sentiment is cautious and trying not to overreact, but provide some relief, negotiate in good faith; try and be humane and understand the entire world is in this together. Some countries take two weeks off each year for holiday, and their entire economy doesn't fall apart. The world is not going to take another four-week vacation from large components of consumer-facing and public activities.

Most people are sequestered in their homes with limited social contact, with reasoned concerns for the health and safety of our families and friends, all the while consuming worldwide coverage and analysis of atypical death rates from an infectious virus not seen in over 100 years.

Market sentiment more than likely gets worse in the coming weeks before it gets better absent the announcement of a miracle cure / treatment during that time.

Conclusion

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	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. Office – moderate, as many businesses are impacted by the downturn and may need rent deferment. Some expenses may temporarily decrease as more tenants work from home. Retail—high, most retail businesses are closed due to the shelter-in-place order. The exception is grocery stores and retailers selling essential items.
Property Location Sensitivity to Risk	Low—the subject is located 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
Property Operations Risk	Multifamily – moderate, as residents will continue to need housing but may also need rent assistance. Expenses will remain the same or increase as more tenants work from home. Office – moderate, as more tenants work from home.

The above present term COVID-19 risks are expected to be highly 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. For this appraisal, this asset type, and its relative sensitivity to the COVID-19 pandemic, the valuation considers issues impacting value in the following manner based on the above risk analysis.

Valuation Parameters	
Market rent adjustments	Multifamily– no, as all rent surveys were conducted within two weeks of the effective appraisal date, after San Francisco's Shelter-in-Place order took effect. There has been an uptick in rent concessions, which are not usually customary in the market. Many landlords are offering new tenants two to four weeks of free rent. Office & Retail – no direct adjustment, but a market conditions adjustment was not applied to leases, as these increases have likely been offset.
Cap Rate adjustments	Consideration was given to current market conditions in the selection of the cap rate, though an effort was made not to overstate the impact and penalize the property into perpetuity.
Vacancy and downtime probability adjustments	No, given the San Francisco multifamily market. Block G, which will include office space, is 100% preleased to Visa, Inc. This is expected to have a positive impact on vacancy rates for the remaining office improvements. Office improvements in later phases will benefit from the established buildings in Phase 1.
Cashflow modeling adjustments	Considered in selection of yield rate.
Marketing time extended (based on current pricing)	No change in marketing time.

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) Development Special Tax Bonds, Series 2020.

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	1	1	0.96	41,818	Residential
B	1	1	0.93	40,511	Office
F	1	1	0.58	25,265	Residential
G	1	1	0.78	33,977	Office
C	2	2	0.90	39,204	Office
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office
H	4	2	0.72	31,363	Residential
I	4	2	0.75	32,670	Office
J	4	2	0.72	31,363	Office
K	4	2	0.41	17,860	Residential
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 includes a parking garage which is not taxable. It is excluded from the appraisal.*

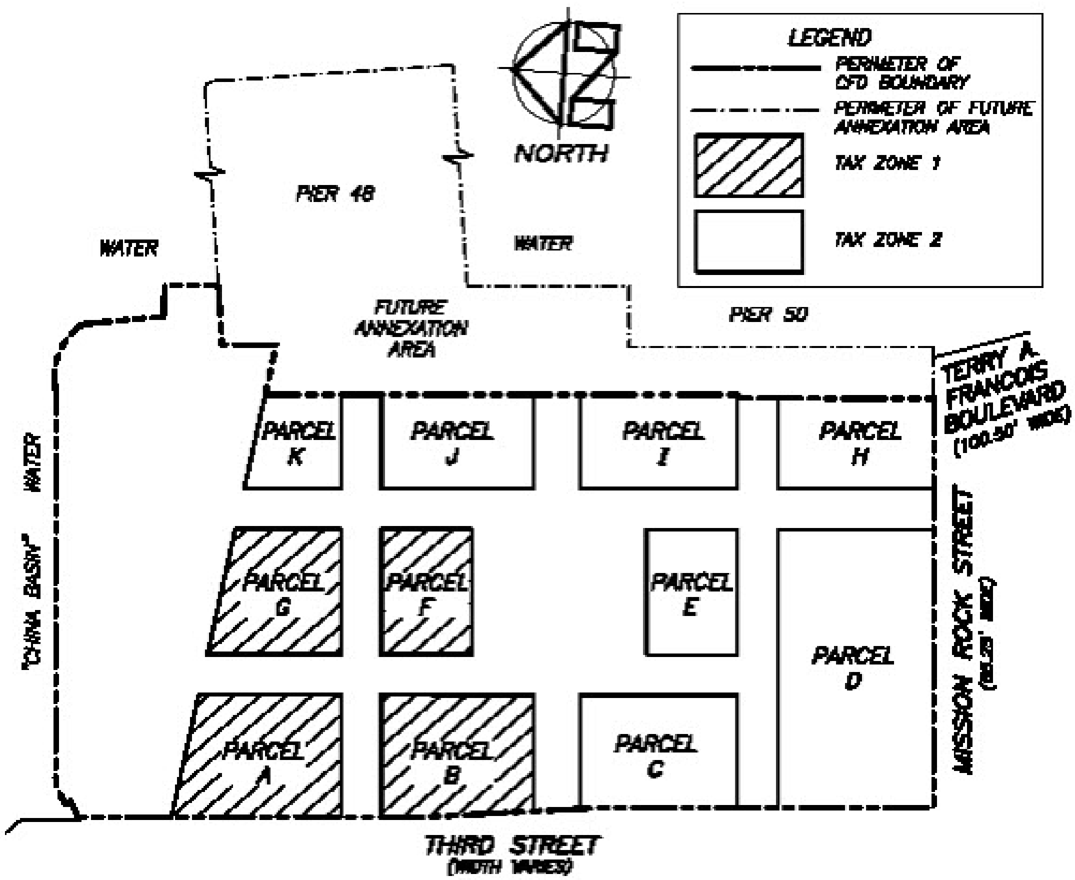
Shape and Dimensions

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.

ATTACHMENT 2

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

IDENTIFICATION OF TAX ZONES



MARTIN M. RON ASSOCIATES, INC.
Land Surveyors
859 HARRISON STREET, SUITE 200
San Francisco, California 94107

JANUARY 31, 2020

Topography

The site is generally level and at street grade. The topography does not result in any particular development limitations.

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.

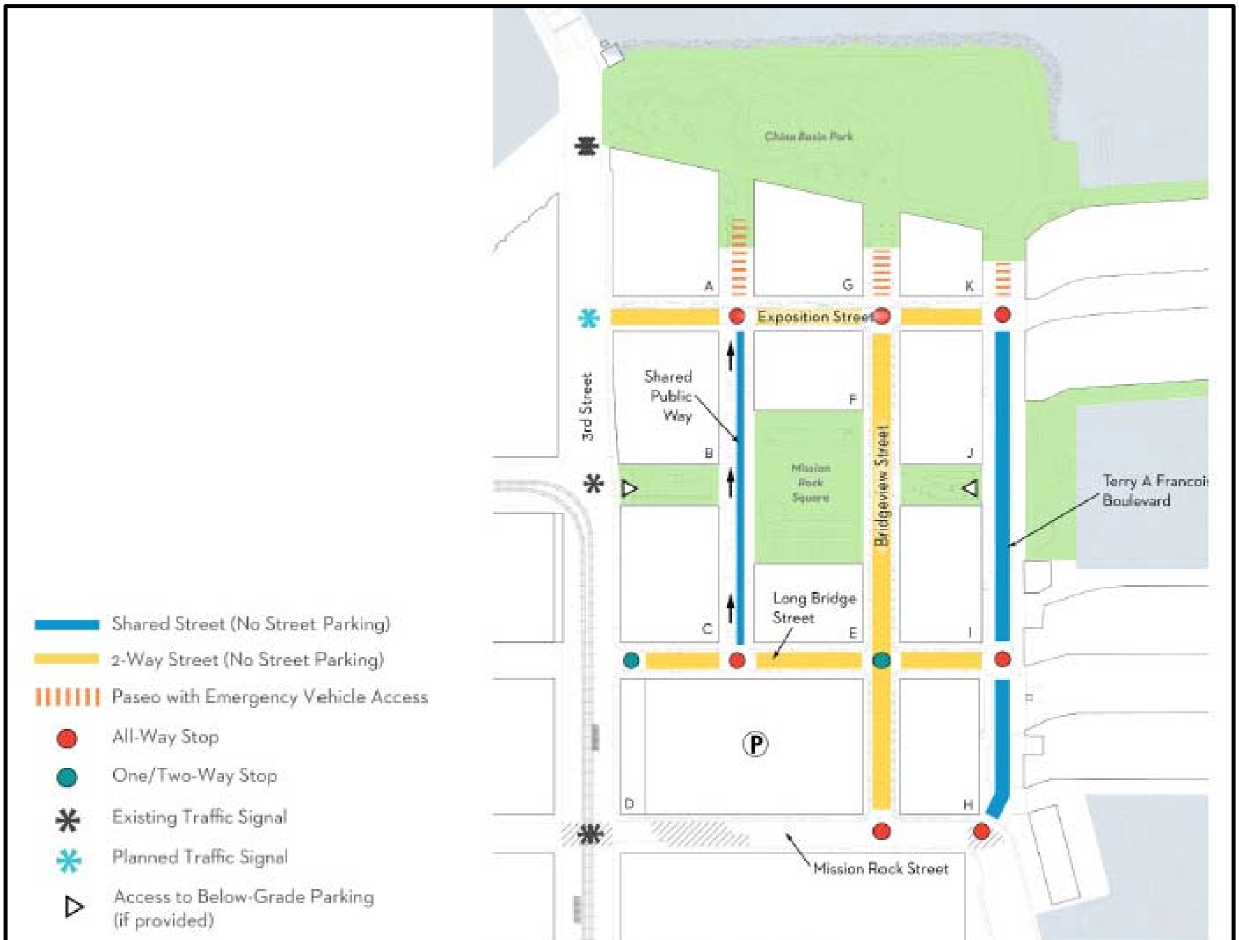
Streets, Access and Frontage

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.



Proposed intersection control plan

Utilities

The availability of utilities, which will be extended to the subject Blocks, is summarized in the following table.

Utilities

Service	Provider
Water	San Francisco Public Utilities Commission
Sewer	San Francisco Public Utilities Commission
Electricity	San Francisco Public Utilities Commission
Natural Gas	Pacific Gas & Electric
Local Phone	Various Providers

Zoning

The subject is zoned MR-MU, Mission Rock Mixed Use, by City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

Zoning Summary

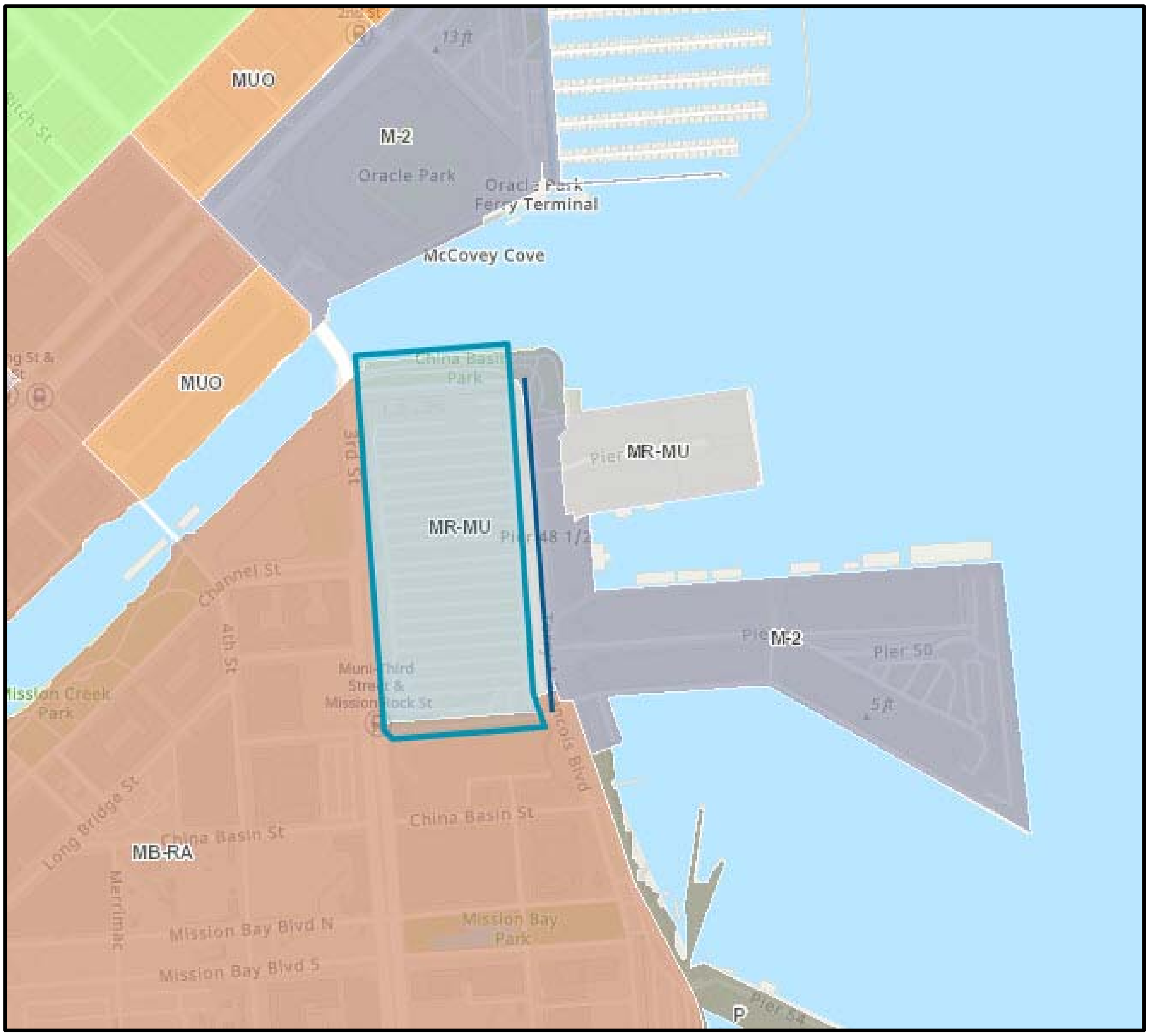
Zoning Jurisdiction	City and County of San Francisco
Zoning Designation	MR-MU
Description	Mission Rock Mixed Use
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Mixed use, multifamily residential, commercial, office, retail uses
Category	**Zoning Requirement**
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.

FIGURE 6.2 - Maximum Height Plan

FIGURE 5.5 - Ground Floor Frontages

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 District. The parking garage will also be available for users of Oracle Park. This type of parking arrangement is common in San Francisco. Multifamily projects often offer on-site parking available for an additional monthly fee, with the expectation that many residents will not require parking. Office projects also offer limited on-site parking, with parking ratios much lower than suburban properties.

Inclusionary Housing

As a condition of the subject's entitlements, 40% of the residential units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the 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.

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

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 below market units are 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.

Permits and Fees

Permits and fees due at building permit are included in the developer's upcoming cost budget. However, we were not provided a separate allocation for permits and fees.

Timeline

The following graphic depicts the history of the development process for the subject site.

Backbone infrastructure work for Phase 1 is expected to commence in September 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 Start	Construction 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

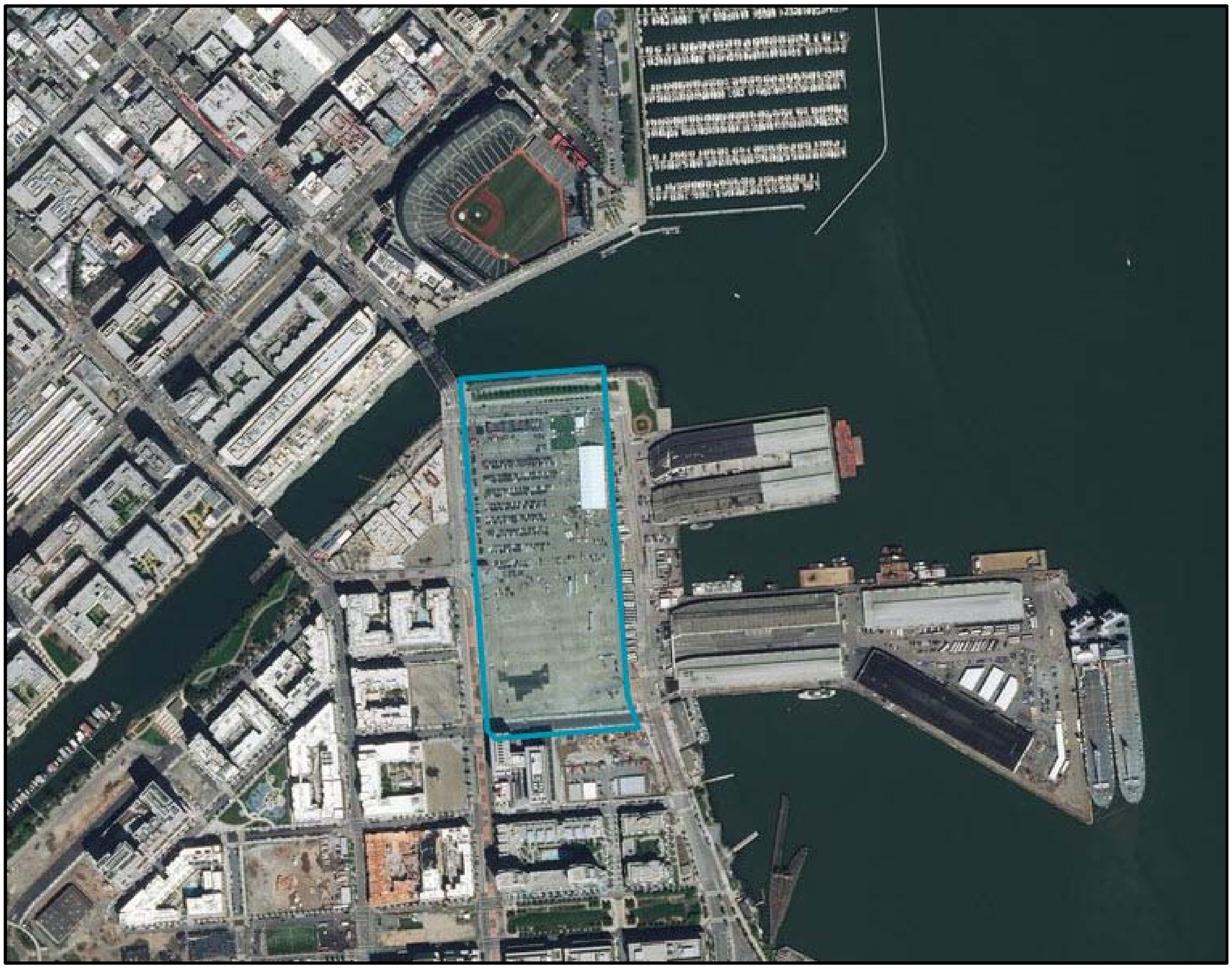
Construction of Phase 1 vertical improvements is scheduled to begin toward the end of 2020 and be complete by the first quarter of 2023. Phase 2 vertical construction is expected to commence in January 2022 with a 2024 completion date. Vertical construction for Phases 3 and 4 is expected to commence in 2023 and 2024, respectively.

According to the master developer, total infrastructure costs associated with the subject are approximately $244,024,000. However, this includes horizontal development costs associated with Block D2 which is excluded from this analysis. In the upcoming subdivision development method, Block D2’s pro-rata share of infrastructure costs will be deducted from the developer’s total cost estimate.

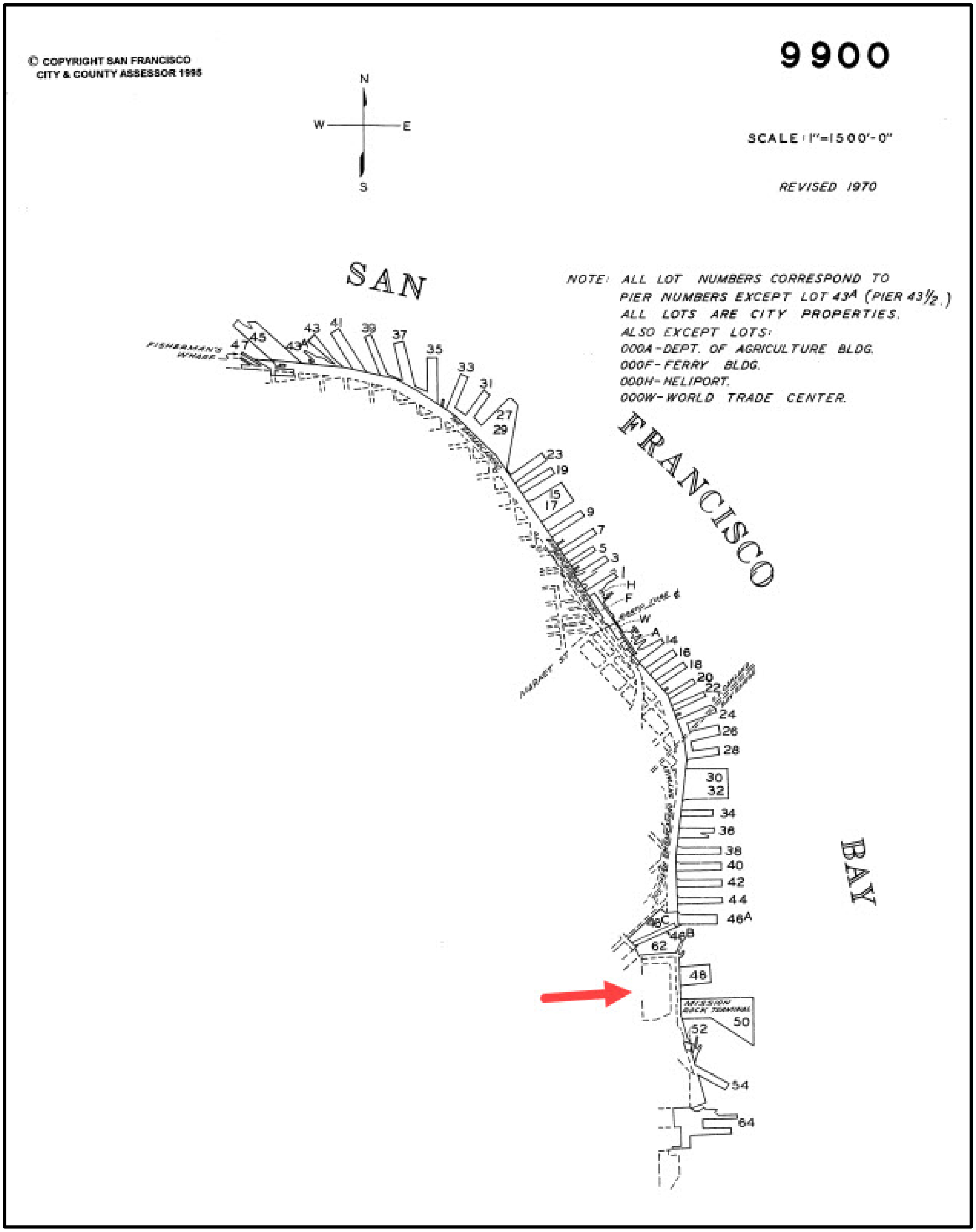
Conclusion of Site Analysis

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.

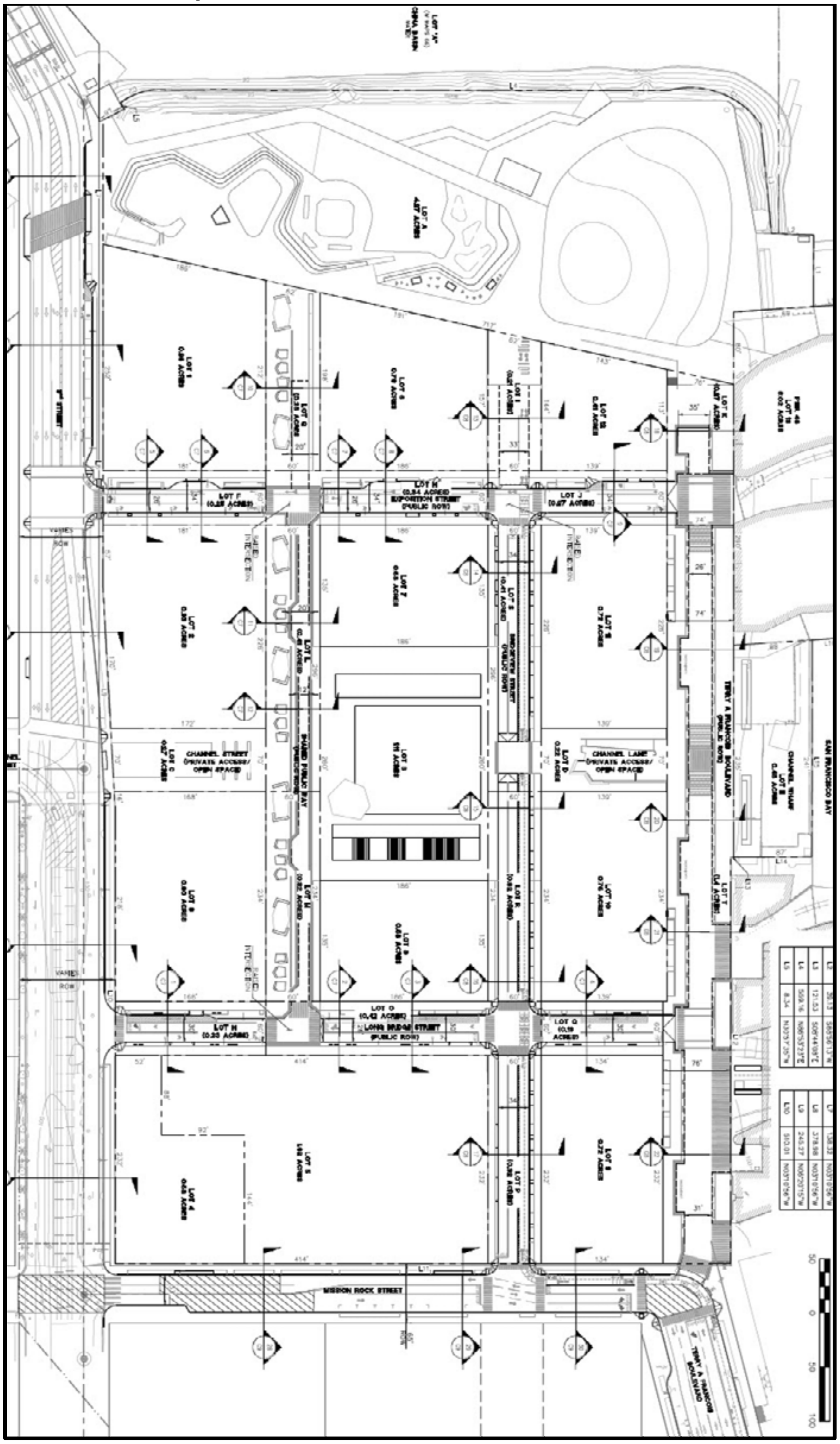
Assessor Aerial



Plat Map


© COPYRIGHT SAN FRANCISCO CITY & COUNTY ASSESSOR 1995
9900
N
W
E
S
SCALE: 1"=1500'-0"
REVISED 1970
SAN FRANCISCO
BAY
NOTE: ALL LOT NUMBERS CORRESPOND TO PIER NUMBERS EXCEPT LOT 43A (PIER 43½.)
ALL LOTS ARE CITY PROPERTIES.
ALSO EXCEPT LOTS:
000A-DEPT. OF AGRICULTURE BLDG.
000F-FERRY BLDG.
000H-HELIPORT.
000W-WORLD TRADE CENTER.
FISHERMAN'S WHARF
MARKET ST
MISSION ROCK TERMINAL
47 45 43A 43 41 39 37 35 33 31 27 29 23 19 15 17 9 7 5 3 1 H F W A 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46A 46B 62 48 50 52 54 64

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	Gross SF	Rentable SF	Primary Use	Gross Office SF	Gross Retail SF	Gross Residential SF	Rentable Office SF	Rentable Retail SF	Rentable Residential SF
A	1	1	393,869	293,202	Residential	85,105	24,332	284,432	58,136	20,931	214,135
B	1	1	283,700	294,106	Office	265,191	18,509	-	274,005	20,101	-
F	1	1	315,217	220,161	Residential	-	40,179	275,038	-	44,197	175,964
G	1	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**

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	Gross SF	Rentable SF	Gross Office SF	Rentable Office SF	Gross Retail SF	Rentable Retail SF	Acreage	FAR
B	1	283,700	294,106	265,191	274,005	18,509	20,101	0.93	7.00
G	1	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
		1,390,828	**1,359,527**	**1,270,378**	**1,230,620**	**120,450**	**128,907**		

Residential Overview

Block	Phase	Gross SF	Rentable SF	Gross Residential SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage	FAR
A	1	393,869	293,202	284,432	214,135	283	181	102	36%	0.96	9.42
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%		

As previously noted, 40% of the subject's residential units reflect inclusionary housing. Unit mix detail was provided for residential Blocks A and F, as detailed below.

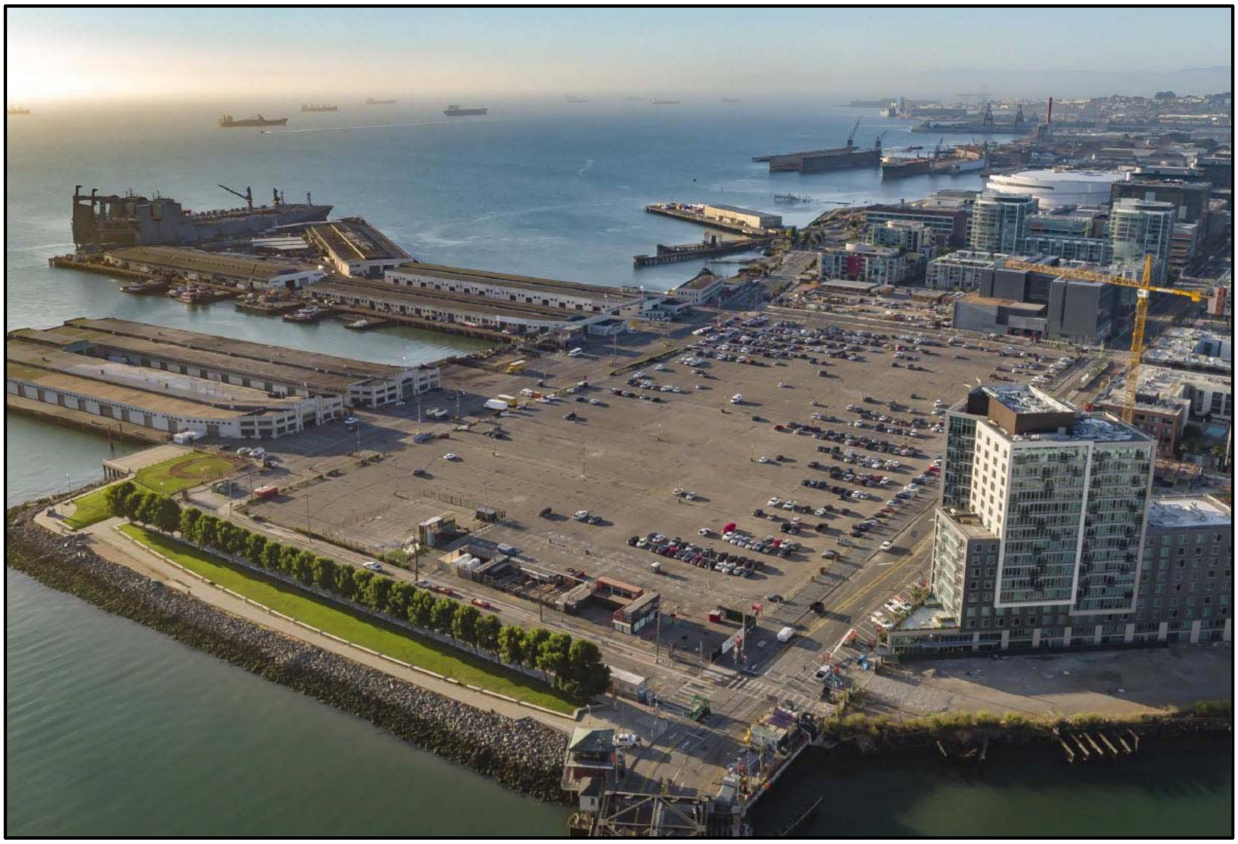
Apartment Unit Mix - Blocks A & F

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.

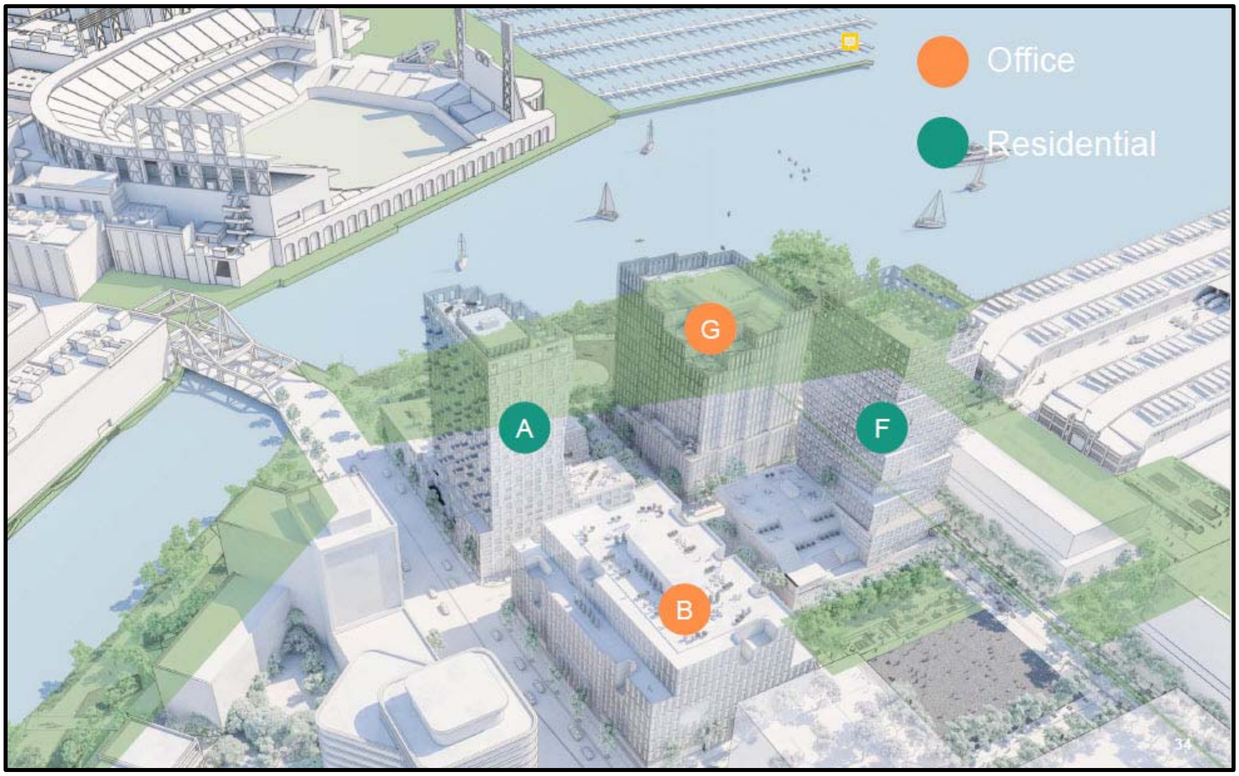
For the reader's reference, renderings and schematics for the subject improvements are shown on the following pages.

Existing Site



Proposed Improvements – Phase 1

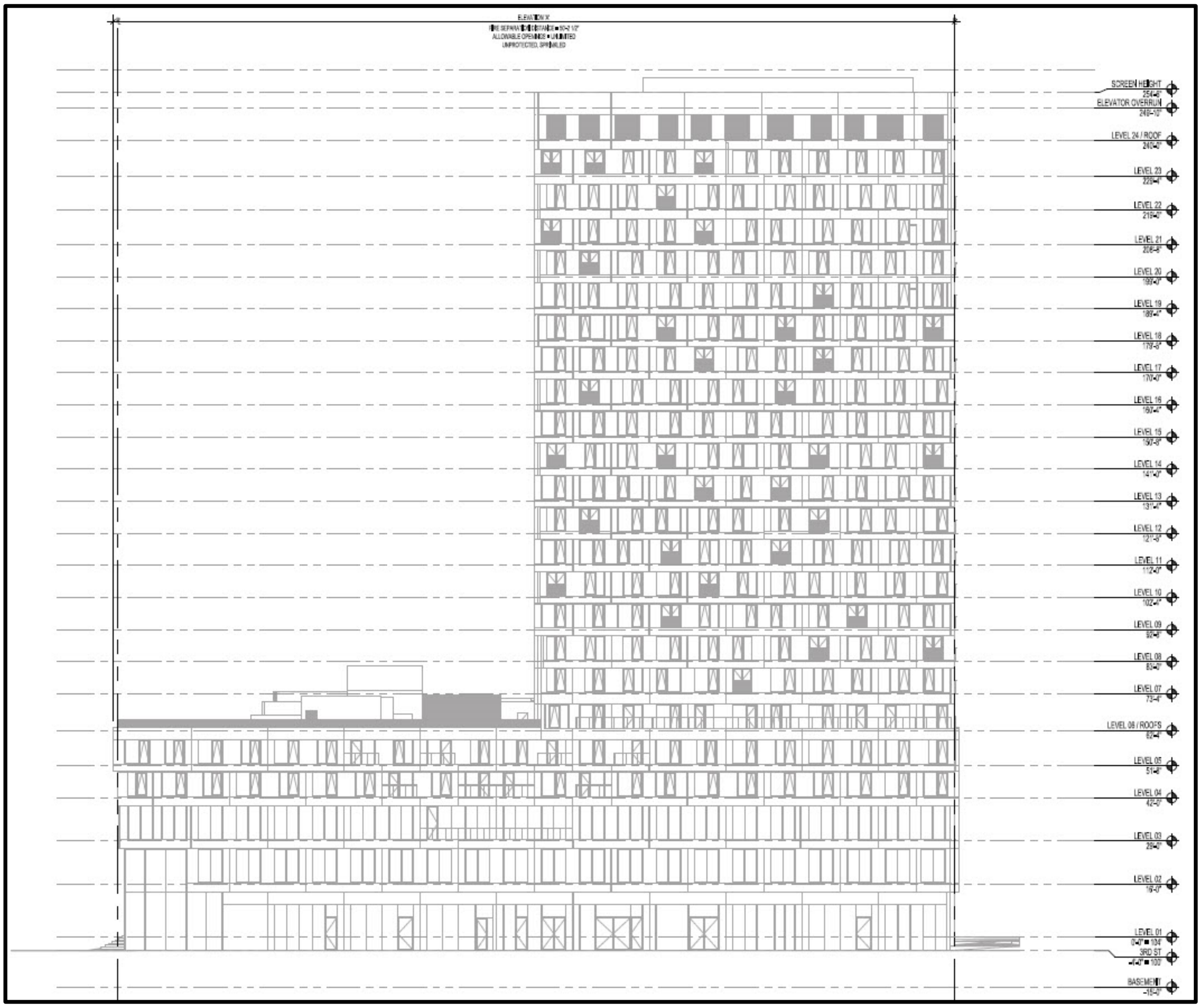
Proposed Improvements – Phase 1



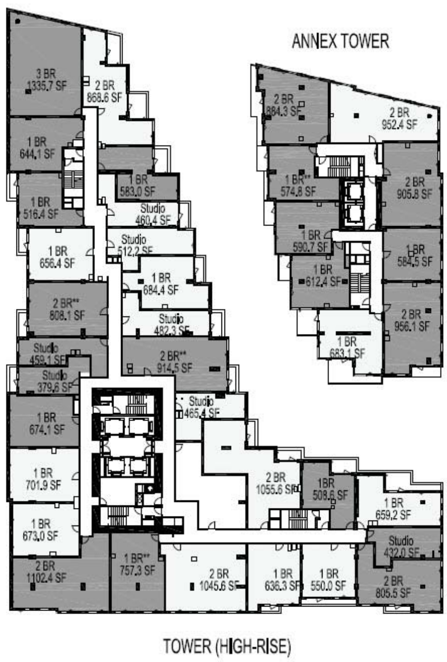
Site Plan – Portion of Phase 1

Block A – Residential Use

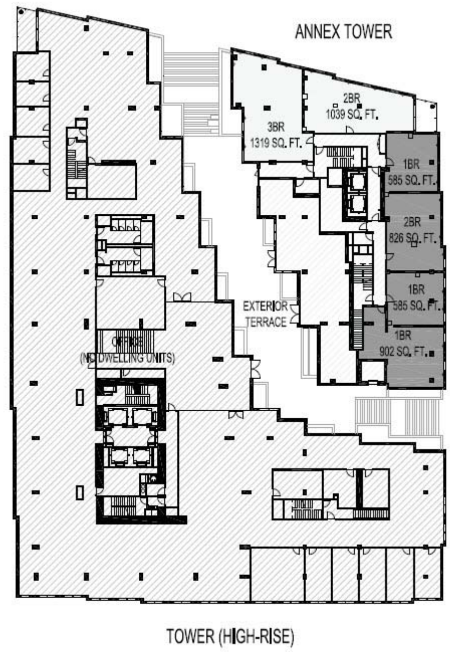
Block A – Residential Use



Block A – Residential Use – Sample Floorplans



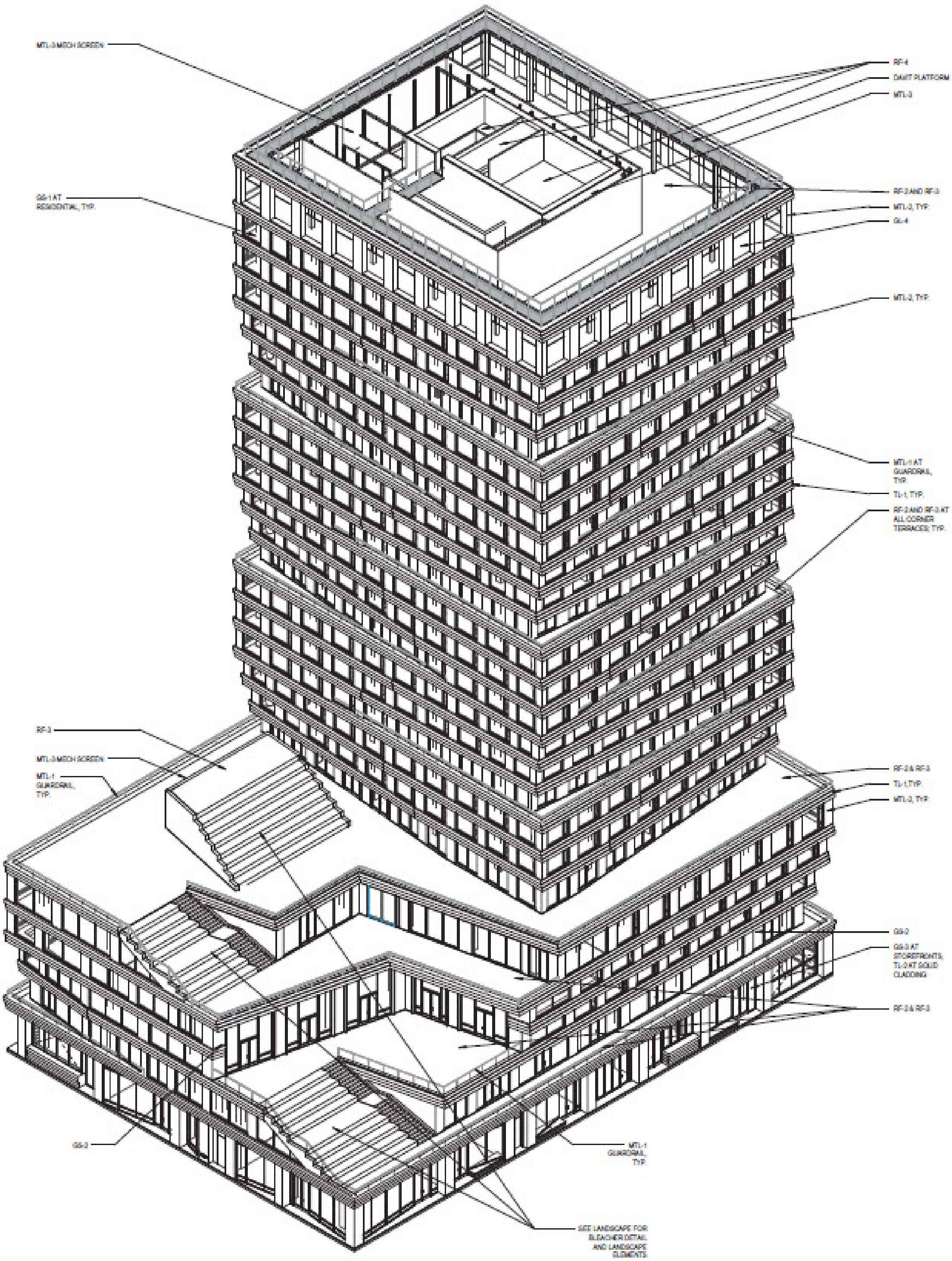
LEVEL 05



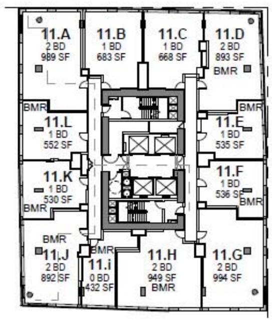
LEVEL 02

Block F– Residential Use

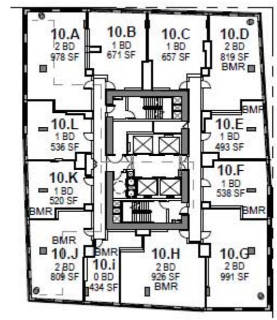
Block F– Residential Use



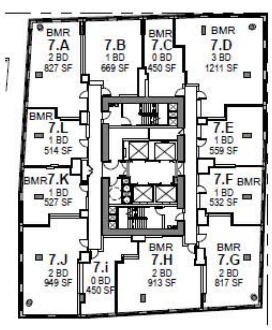
Block F– Residential Use – Sample Floor Plans



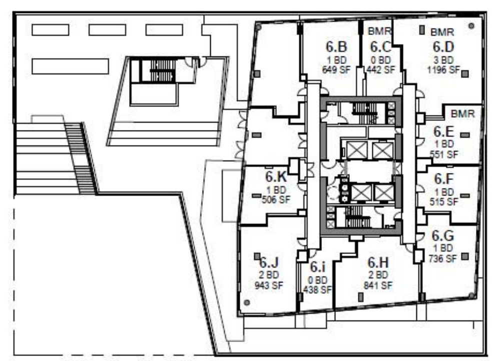
LEVEL 11



LEVEL 10



LEVEL 7



LEVEL 6

Block B – Office Use

Block G – Office Use


Looking South toward China Basin Park


Looking East from Terry A. Francois Blvd


View of Oracle Park form Subject

Terry A. Francois Blvd – Facing North


Terry A. Francois Blvd – Facing South


Facing West Along McCovey Cove


Facing East Along McCovey Cove


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 1.1801%. 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 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.

According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property is presented in the following tables (proposed for the Fiscal Year 2020-21). Please note, the square footages provided in the following 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.

ATTACHMENT 3
CITY AND COUNTY OF SAN FRANCISCO
SPECIAL TAX DISTRICT NO. 2020-1
(MISSION ROCK FACILITIES AND SERVICES)

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

Planning Parcel	Expected Land Uses	Expected Square Footage	Expected Maximum Development Special Tax Revenues (FY 2019-20)*	Expected Maximum Office Special Tax Revenues (FY 2019-20)*	Expected Maximum Shoreline Special Tax Revenues (FY 2019-20)*
TAX ZONE 1					
Parcel A	Market-Rate Residential Square Footage	146,000	$1,252,680	$0	$0
	Office Square Footage	48,447	$314,906	$93,018	$88,174
Parcel B	Market-Rate Residential Square Footage	0	$0	$0	$0
	Office Square Footage	255,008	$1,657,552	$489,615	$464,115
Parcel G	Market-Rate Residential Square Footage	0	$0	$0	$0
	Office Square Footage	283,323	$1,841,600	$543,980	$515,648
Parcel F	Market-Rate Residential Square Footage	113,000	$969,540	$0	$0
	Office Square Footage	0	$0	$0	$0
TAX ZONE 2					
Parcel C	Market-Rate Residential Square Footage	0	$0	$0	$0
	Office Square Footage	355,000	$2,307,500	$571,550	$646,100
Parcel D	Market-Rate Residential Square Footage	76,800	$658,944	$0	$0
	Office Square Footage	0	$0	$0	$0
Parcel E	Market-Rate Residential Square Footage	0	$0	$0	$0
	Office Square Footage	141,000	$916,500	$227,010	$256,620
Parcel H	Market-Rate Residential Square Footage	96,000	$823,680	$0	$0
	Office Square Footage	49,999	$324,994	$80,498	$90,998
Parcel I	Market-Rate Residential Square Footage	0	$0	$0	$0
	Office Square Footage	152,000	$988,000	$244,720	$276,640
Parcel J	Market-Rate Residential Square Footage	0	$0	$0	$0
	Office Square Footage	152,000	$988,000	$244,720	$276,640
Parcel K	Market-Rate Residential Square Footage	62,400	$535,392	$0	$0
	Office Square Footage	49,999	$324,994	$80,498	$90,998
TOTAL EXPECTED REVENUES (FY 2019-20 $)			**$13,904,280**	**$2,575,611**	**$2,705,932**

It should be noted, in some cases the square footages in the RMA differ from those provided to us by the developer. 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). Therefore, we rely on the following tax calculations for Phase 1 in the upcoming direct capitalization analyses.

Aggregate Calculation of Special Distict Tax - Phase 1, Tax Zone 1

Block	Phase	Tax Zone	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax
A	1	1	0.96	Base Development Tax - Market-Rate Residential	Residential	$8.58	139,723	$1,198,823
				Offset by Ad Valorem Tax				($1,198,823)
				Base Development Tax - Office Use	Office	$6.50	85,105	$553,183
				Offset by Ad Valorem Tax				($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
								$633,051
B	1	1	0.93	Base Development Tax - Market-Rate Residential	Residential	$8.58	-	-
				Base Development Tax - Office Use	Office	$6.50	265,191	$1,723,742
				Offset by Ad Valorem Tax				($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
								$1,363,081
F	1	1	0.58	Base Development Tax - Market-Rate Residential	Residential	$8.58	110,548	$948,502
				Offset by Ad Valorem Tax				($948,502)
				Base Development Tax - Office Use	Office	$6.50	-	-
				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	1	1	0.78	Base Development Tax - Market-Rate Residential	Residential	$8.58	-	-
				Base Development Tax - Office Use	Office	$6.50	290,300	$1,886,950
				Offset by Ad Valorem Tax				($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
								$1,492,142
Totals			**3.25**					**$3,643,042**

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. 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 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered.

Income Capitalization Approach – Office Use

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 1, 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
B	1	283,700	294,106	265,191	274,005	18,509	20,101	0.93	7.00
G	1	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
		1,390,828	**1,359,527**	**1,270,378**	**1,230,620**	**120,450**	**128,907**		

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.

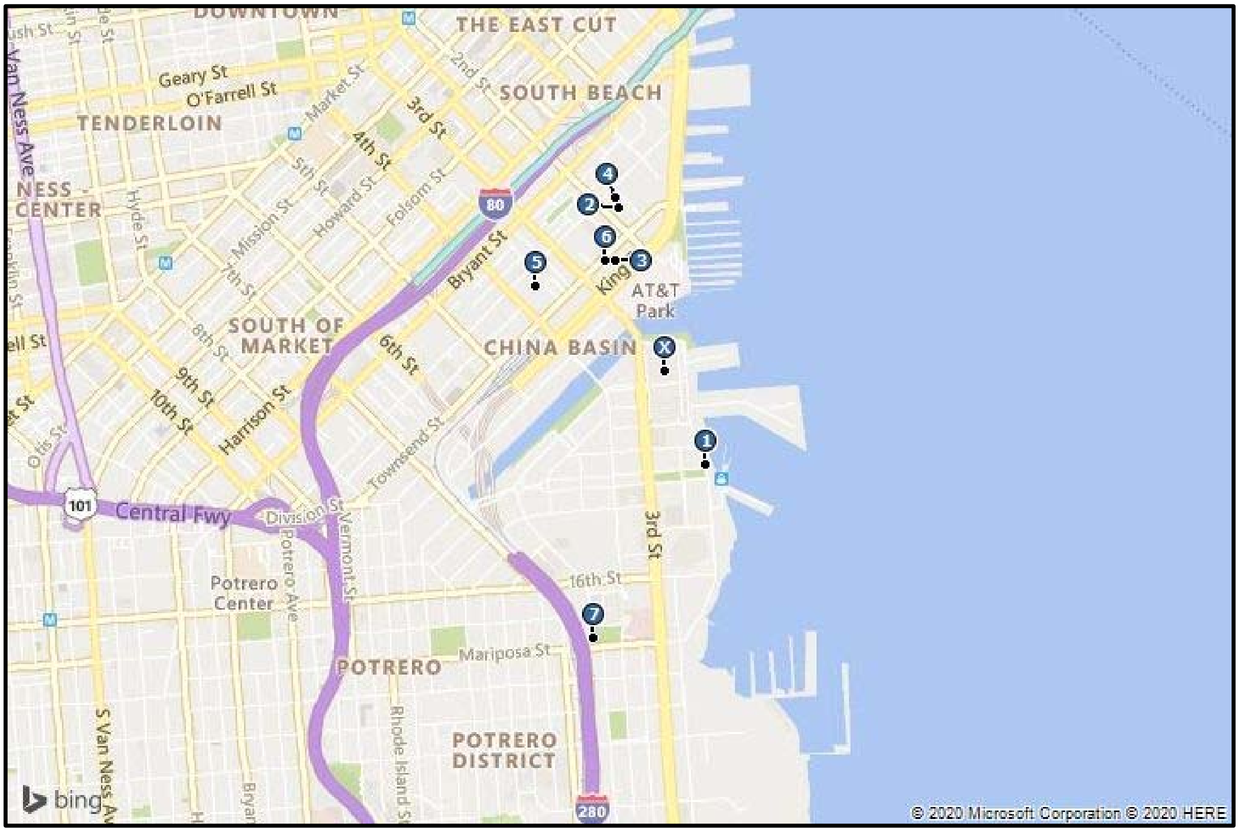
Office Space Rental Analysis

Comparable rentals considered most relevant to the subject's office space are summarized in the following table.

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	Yr Blt.	2008	Wix.com	34,459	Apr-21	120	$84.00	Fixed	$25.00	Triple Net
	500 Terry Francois Blvd.	Stories:	6								
	San Francisco	RA:	280,848								
	San Francisco County	Parking Ratio:	1.0 /1,000								
	CA										
	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.										
2	625 2nd St.	Yr Blt.	1905	GitHub	35,330	May-20	62	$74.00	Fixed	$20.00	Modified Gross
	625 2nd St.	Stories:	4								
	San Francisco	RA:	134,847								
	San Francisco County	Parking Ratio:	0.7 /1,000								
	CA										
	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.										
3	139 Townsend St.	Yr Blt.	1909	Wilson, Sonsini, Goodrich	19,790	May-20	88	$90.00	Fixed	$40.00	Modified Gross
	139 Townsend St.	Stories:	5								
	San Francisco	RA:	58,452								
	San Francisco County	Parking Ratio:	0.1 /1,000								
	CA										
	Comments: Renewal of office space in a building located along Townsend St. in the China Basin area of San Francisco.										
4	275 Brannan Street	Yr Blt.	1909	Github	57,120	Apr-20	108	$92.50	Fixed	$20.00	Full Service
	275 Brannan	Stories:	–								
	San Francisco	RA:	54,763								
	San Francisco County	Parking Ratio:	–								
	CA										
	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.										
5	475 Brannan	Yr Blt.	1907	Fastly	70,000	Oct-19	88	$95.00	Fixed	$50.00	Modified Gross
	475 Brannan St.	Stories:	4								
	San Francisco	RA:	243,133								
	San Francisco County	Parking Ratio:	1.0 /1,000								
	CA										
	Comments: New lease of office space in an office building located along Brannan St. in the China Basin area of San Francisco.										
6	153 Townsend St.	Yr Blt.	2002	Brex, Inc.	35,577	Apr-19	23	$91.00	Fixed	$0.00	Triple Net
	153 Townsend St.	Stories:	9								
	San Francisco	RA:	167,985								
	San Francisco County	Parking Ratio:	2.2 /1,000								
	CA										
	Comments: Renewal of office space in an office building along Townsend St. in the China Basin area of San Francisco.										
7	The Exchange	Yr Blt.	2018	Dropbox	735,700	Oct-18	180	$62.00	Fixed	$100.00	Triple Net
	1800 Owens St.	Stories:	12								
	San Francisco	RA:	750,370								
	San Francisco County	Parking Ratio:	0.9 /1,000								
	CA										
	Comments: New 15-year lease of the entirety of office space at the newly constructed Exchange. The tenant, Dropbox received a $100 psf TI allowance and 15 months of free rent. The last three months of free rent occur at the end of the lease term. Tenant operating expenses are estimated at $21 psf. Lease includes 3% annual escalations and two 5-year renewal options at fair market rent. There is a parking garage on-site and tenant may lease up to one space per 1,000 sf of rentable area at a rate of $345 per space, per month. This reflects the largest lease of office space in San Francisco as of 2018.										

Comparable Rentals Map – Office Space



Lease 1
500 Terry Francois Boulevard

Lease 2
625 2nd St.

Lease 3
139 Townsend St.

Lease 4
275 Brannan Street

Lease 5
475 Brannan

Lease 6
153 Townsend St.

Lease 7
The Exchange

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	Office		Retail	
Lease Type	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	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.
3	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 SF, which suggests a higher rent.
4	275 Brannan Street Github	57,120	$92.50	Superior	Adjusted downward for full service expense structure; somewhat offset by significantly older effective age.
5	475 Brannan Fastly	70,000	$95.00	Superior	Adjusted downward for modified gross expense structure and proximity to 4th and King St. Caltrain station. Upward for effective age.
6	153 Townsend St. Brex, Inc.	35,577	$91.00	Slightly Inferior	Constructed in 2002 compared to the subject's newly constructed improvements.
7	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 comparable is signficantly larger than the subject improvements and warrants an upward adjustment. In addition, the tenant received a $100 psf TI allowance and the lease was negotiated in 2017.

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 $88.00 per square foot per year, triple net, is applicable to the subject's office space.

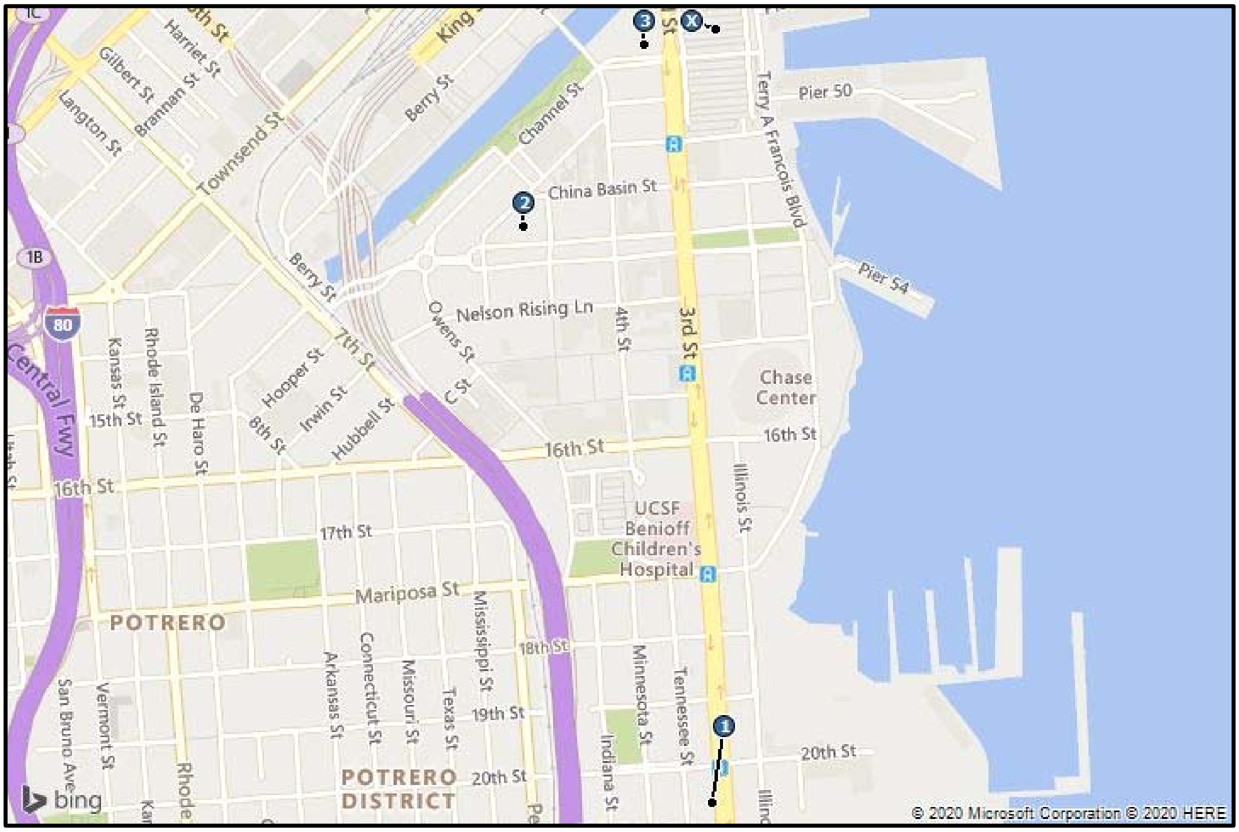
Retail Space Rental Analysis

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	2360-2364	Yr Blt.	1939	Translation	2,550	Aug-19	30	$52.50	None	Modified Gross
	2360-2364 3rd St.	Stories:	2							
	San Francisco	RA:	9,522							
	San Francisco County	Parking Ratio:	–							
	CA									
	Comments: This is a lease renewal for 2,550 SF of retail space. Tenant received no free rent and no TI allowance.									
2	MB360	Yr Blt.	2015	Healthy Spot	2,495	May-18	120	$45.00	Fixed	Triple Net
	701 China Basin St.	Stories:	6							
	San Francisco	RA:	379,080							
	San Francisco County	Parking Ratio:	–							
	CA									
	Comments: New ten-year lease with 3% annual escalations. Tenant received a $75 psf TI allowance.									
3	One Mission Bay	Yr Blt.	2018	Little Creatures Brewery	6,400	May-18	120	$48.00	Fixed	Triple Net
	1000 Third St. and 110	Stories:	6							
	San Francisco	RA:	382,279							
	San Francisco County	Parking Ratio:	0.9 /1,000							
	CA									
	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.									

Comparable Rentals Map – Retail Space



Lease 1
2360-2364

Lease 2
MB360

Lease 3
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	2360-2364 Translation	2,550	$52.50	Similar	Adjusted downward for modified gross expense structure and upward for inferior effective age.
2	MB360 Healthy Spot	2,495	$45.00	Inferior	May 2018 commencement date. Constructed in 2015, while the subject will reflect new construction.
3	One Mission Bay Little Creatures Brewery	6,400	$48.00	Similar	May 2018 commencement date. The 2018 construction date makes it most similar to the subject in terms of effective age.

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	Measure	Rent Escalations	Lease Type	Lease Term (Mos.)
Office	274,005	$88.00	$/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

		Potential Rent at Market	
Space Type	SF	$/SF/Yr	Annual
Office	274,005	$88.00	$24,112,440
Retail	20,101	$50.00	$1,005,050
Total Subject	294,106	$85.40	$25,117,490

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 3% 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 1 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 1 blocks. However, ground lease rent will be considered for blocks in Phases 2, 3, and 4 in accordance with the allocation on the following page.

Ground Lease Allocation

Block	Phase	Tax Zone	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1	1	0.96	41,818	10.1%	$211,663	Prepaid
B	1	1	0.93	40,511	9.8%	$205,049	Prepaid
F	1	1	0.58	25,265	6.1%	$127,880	Prepaid
G	1	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	$25,117,490
Expense Reimbursements	8,905,642
Potential Gross Income*	$34,023,132
Vacancy & Collection Loss @ 5.0%	-1,701,157
Effective Gross Income	$32,321,975
Expenses	
Real Estate Taxes	$4,937,095
Ad Valorem Tax - Base Development Tax Offset	-1,723,742
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	969,659
Base Development Tax - Office	1,723,742
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	$10,357,949
Net Operating Income	**$21,964,027**
Operating Expense Ratio	32.0%

*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	$16.79
Ad Valorem Tax - Base Development Tax Offset	$0.00	$0.00	$0.00	$0.00	$0.00	-$5.86
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	$3.30
Base Development Tax - Office	$0.00	$0.00	$0.00	$0.00	$0.00	$5.86
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	$35.22
Operating Expense Ratio	45.3%	29.5%	35.7%	33.7%	42.8%	32.0%

*Comp 1: 150 & 250 Executive Park Boulevard, 150 & 250 Executive Park Blvd. , San Francisco, CA
Comp 2: 188 Spear St., 188 Spear St. , San Francisco, CA
Comp 3: 55 Hawthorne, 55 Hawthorne Street, San Francisco, CA
Comp 4: 995 Market Street, 995 Market St, San Francisco, CA
Comp 5: 300 Montgomery, 300 Montgomery Street, San Francisco, CA

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	400 Montgomery	1901	8/13/2019	84,602	92%	$916.05	5.75%
2	260 Townsend Street	1984	3/18/2019	66,682	100%	$989.77	5.30%
3	255 California Street	1959	6/6/2019	195,192	91%	$832.51	4.00%
4	345 Brannan Street	2015	12/21/2018	110,000	100%	$1,327.27	5.06%
5	808 Brannan St.	1930	4/30/2019	61,000	100%	$983.61	5.50%
6	One Tehama	1930	10/29/2019	98,566	100%	$1,329.06	5.91%
7	North Building	2002	11/25/2019	127,074	100%	$1,056.47	5.11%
8	Montgomery Washington Tower	1983	5/6/2019	273,000	91%	$701.47	4.80%
10	345 Brannan Street	2015	12/21/2018	110,000	100%	$1,327.27	5.06%
	Average (Mean) Cap Rate:						5.17%

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, 3, and 8 in the table above reflect capitalization rates based upon net operating income at the time of sale. Cap rates for Comparables 4, 5, 6, and 7 are based upon appraiser estimates of market rent and expenses.

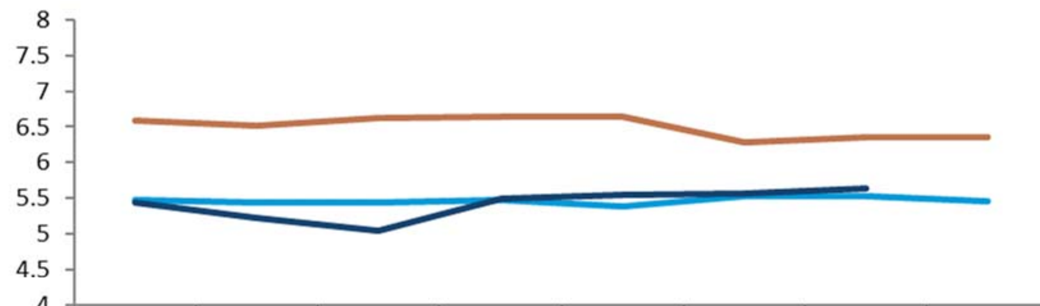
To determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys and conducted a band of analysis, presented below and on the following page.

Capitalization Rate Surveys – Office Properties

	IRR-ViewPoint Year End 2019 National CBD Office	IRR-ViewPoint Year End 2019 National Suburban Office	PwC 1Q-20 National CBD Office	PwC 1Q-20 National Suburban Office	ACLI 4Q-19 National Office
Range	4.00% - 11.00%	5.25% - 9.50%	3.75% - 7.50%	4.00% - 9.25%	NA
Average	7.09%	7.38%	5.45%	6.36%	5.64%

Source: IRR-Viewpoint 2019; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

Office Capitalization Rate Trends



	2Q-18	3Q-18	4Q-18	1Q-19	2Q-19	3Q-19	4Q-19	1Q-20
CBD	5.47	5.44	5.44	5.48	5.39	5.52	5.52	5.45
SUBURB	6.58	6.52	6.63	6.64	6.64	6.28	6.36	6.36
ACLI	5.43	5.22	5.04	5.5	5.55	5.57	5.64	

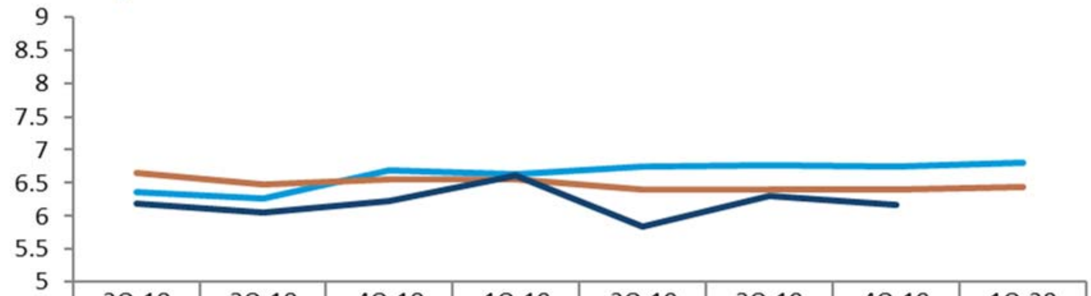
CBD - PwC Real Estate Investor Survey - National CBD Office Market
SUBURB - PwC Real Estate Investor Survey - National Suburban Office Market
ACLI - American Council of Life Insurers Investment Bulletin - Office Properties

Capitalization Rate Surveys – Retail Properties

	IRR-ViewPoint Year End 2019 Natl Neighborhood Retail	IRR-ViewPoint Year End 2019 Natl Community Retail Center	PwC 1Q-20 National Strip Shopping Center	PwC 1Q-20 National Power Center	ACLI 4Q-19 National Retail
Range	5.00% - 9.00%	5.00% - 8.25%	4.50 - 10.00	5.25% - 8.25%	NA
Average	7.07%	6.91%	6.81%	6.45%	6.17%

Source: IRR-Viewpoint 2019; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

Retail Capitalization Rate Trends



	2Q-18	3Q-18	4Q-18	1Q-19	2Q-19	3Q-19	4Q-19	1Q-20
STRIP	6.36	6.27	6.7	6.63	6.75	6.77	6.75	6.81
PWR	6.66	6.48	6.56	6.56	6.4	6.4	6.4	6.45
ACLI	6.19	6.06	6.23	6.61	5.85	6.31	6.17	

STRIP - PwC Real Estate Investor Survey - National Strip Shopping Center Market
PWR - PwC Real Estate Investor Survey - National Power Center Market
ACLI - American Council of Life Insurers Investment Bulletin - Retail Properties

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	5.25%

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	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		24,005	Office	Market	$88.00	$2,112,440	–
Vacant		20,101	Retail	Market	$50.00	$1,005,050	–
Potential Gross Rent		294,106				$25,117,490	$85.40
Expense Reimbursements						$8,905,642	$30.28
Potential Gross Income						$34,023,132	$115.68
Vacancy & Collection Loss	5.00%					-$1,701,157	-$5.78
Effective Gross Income						$32,321,975	$109.90
Expenses							
Real Estate Taxes						$4,937,095	$16.79
Ad Valorem Tax - Base Development Tax Offset						-$1,723,742	-$5.86
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						$588,212	$2.00
Management	3.00%					$969,659	$3.30
Base Development Tax - Office						$1,723,742	$5.86
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						$10,357,949	$35.22
Net Operating Income						**$21,964,027**	**$74.68**
Capitalization Rate						5.25%	
Indicated Value						$418,362,410	$1,422.49
Rounded						**$418,400,000**	**$1,422.62**

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	$88.00	$26,656,960	–
Vacant		18,435	Retail	Market	$50.00	$921,750	–
Potential Gross Rent		321,355				$27,578,710	$85.82
Expense Reimbursements						$10,641,138	$33.11
Potential Gross Income						$38,219,848	$118.93
Vacancy & Collection Loss	2.00%					-$764,397	-$2.38
Effective Gross Income						$37,455,451	$116.55
Expenses							
Real Estate Taxes						$5,774,769	$17.97
Ad Valorem Tax - Base Development Tax Offset						-$1,886,950	-$5.87
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						$642,710	$2.00
Management	3.00%					$1,123,664	$3.50
Base Development Tax - Office						$1,886,950	$5.87
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						$11,764,802	$36.61
Net Operating Income						**$25,690,650**	**$79.94**
Capitalization Rate						5.25%	
Indicated Value						$489,345,705	$1,522.76
Rounded						**$489,300,000**	**$1,522.62**

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	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		50,013	Office	Market	$88.00	$4,401,144	–
Vacant		29,975	Retail	Market	$50.00	$1,498,750	–
Potential Gross Rent		329,988				$27,899,894	$84.55
Expense Reimbursements						$11,079,941	$33.58
Potential Gross Income						$38,979,835	$118.13
Vacancy & Collection Loss	5.00%					-$1,948,992	-$5.91
Effective Gross Income						$37,030,844	$112.22
Expenses							
Real Estate Taxes						$5,583,554	$16.92
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	3.00%					$1,110,925	$3.37
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						$12,190,867	$36.94
Net Operating Income						**$24,839,977**	**$75.28**
Capitalization Rate						5.25%	
Indicated Value						$473,142,418	$1,433.82
Rounded						**$473,100,000**	**$1,433.69**

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	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		15,542	Office	Market	$88.00	$1,367,696	–
Vacant		15,895	Retail	Market	$50.00	$794,750	–
Potential Gross Rent		131,437				$10,962,446	$83.40
Expense Reimbursements						$4,418,596	$33.62
Potential Gross Income						$15,381,042	$117.02
Vacancy & Collection Loss	5.00%					-$769,052	-$5.85
Effective Gross Income						$14,611,990	$111.17
Expenses							
Real Estate Taxes						$2,192,746	$16.68
Ad Valorem Tax - Base Development Tax Offset						-$824,720	-$6.27
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	3.00%					$438,360	$3.34
Base Development Tax - Office						$824,720	$6.27
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						$4,856,956	$36.95
Net Operating Income						**$9,755,034**	**$74.22**
Capitalization Rate						5.25%	
Indicated Value						$185,810,175	$1,413.68
Rounded						**$185,800,000**	**$1,413.60**

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	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		19,320	Office	Market	$88.00	$1,700,160	–
Vacant		21,977	Retail	Market	$50.00	$1,098,850	–
Potential Gross Rent		141,297				$11,599,010	$82.09
Expense Reimbursements						$4,717,199	$33.38
Potential Gross Income						$16,316,209	$115.47
Vacancy & Collection Loss	5.00%					-$815,810	-$5.77
Effective Gross Income						$15,500,399	$109.70
Expenses							
Real Estate Taxes						$2,319,332	$16.41
Ad Valorem Tax - Base Develoment Tax Offset						-$857,695	-$6.07
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	3.00%					$465,012	$3.29
Base Development Tax - Office						$857,695	$6.07
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						$5,182,211	$36.68
Net Operating Income						**$10,318,188**	**$73.02**
Capitalization Rate						5.25%	
Indicated Value						$196,536,906	$1,390.95
Rounded						**$196,500,000**	**$1,390.69**

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	$88.00	$4,400,000	–
Vacant		50,000	Office	Market	$88.00	$4,400,000	–
Vacant		18,820	Office	Market	$88.00	$1,656,160	–
Vacant		22,524	Retail	Market	$50.00	$1,126,200	–
Potential Gross Rent		141,344				$11,582,360	$81.94
Expense Reimbursements						$4,705,571	$33.29
Potential Gross Income						$16,287,931	$115.24
Vacancy & Collection Loss	5.00%					-$814,397	-$5.76
Effective Gross Income						$15,473,535	$109.47
Expenses							
Real Estate Taxes						$2,316,088	$16.39
Ad Valorem Tax - Base Develoment Tax Offset						-$854,789	-$6.05
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	3.00%					$464,206	$3.28
Base Development Tax - Office						$854,789	$6.05
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						$5,169,777	$36.58
Net Operating Income						**$10,303,757**	**$72.90**
Capitalization Rate						5.25%	
Indicated Value						$196,262,046	$1,388.54
Rounded						**$196,300,000**	**$1,388.81**

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	$418,400,000	283,700	$1,474.80	294,106	$1,422.62
G	$489,300,000	307,058	$1,593.51	321,355	$1,522.62
C	$473,100,000	354,826	$1,333.33	329,988	$1,433.69
E	$185,800,000	141,330	$1,314.65	131,437	$1,413.60
I	$196,500,000	151,932	$1,293.34	141,297	$1,390.69
J	$196,300,000	151,982	$1,291.60	141,344	$1,388.81

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.

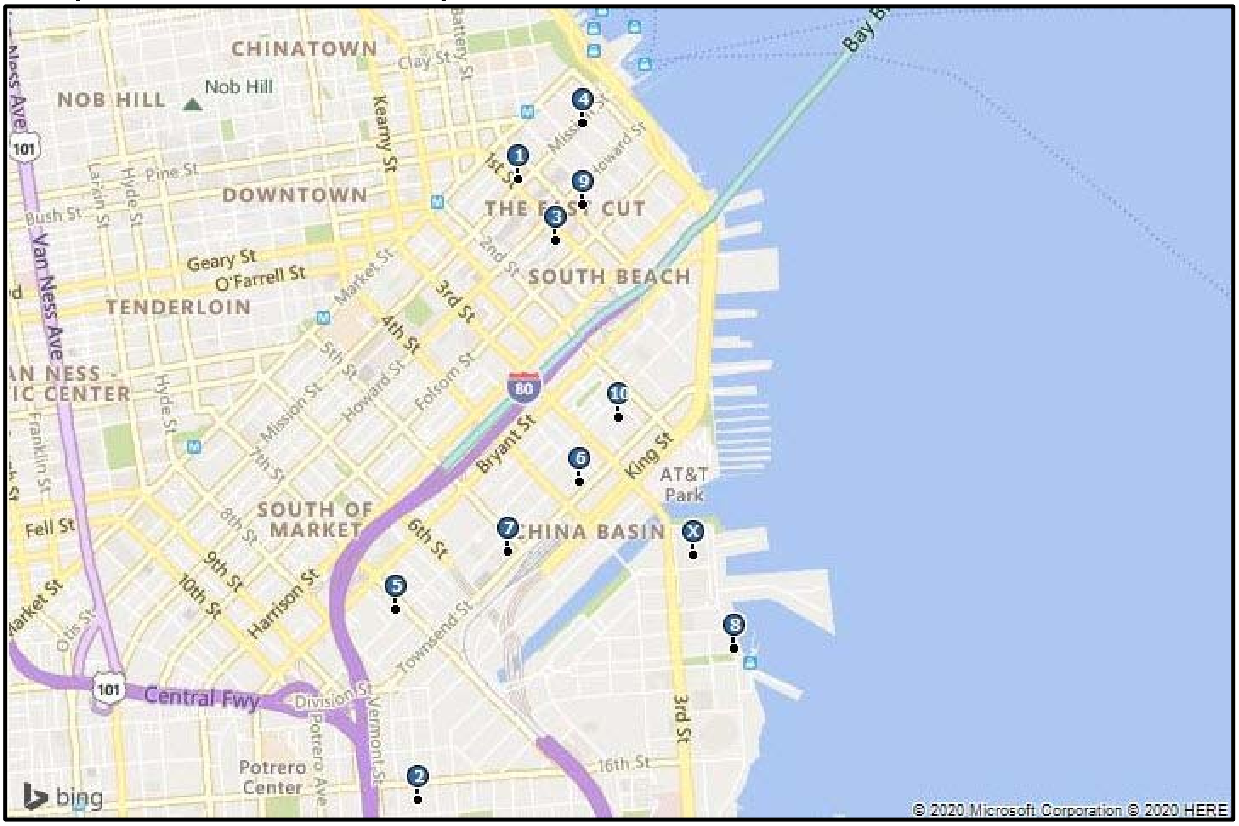
Analysis of Comparable Improved Sales - Office Use

No.	Name/Address	Rentable SF; % Occupied; Year Built	Sale Date; Status	Effective Sale Price	$/SF	Prop. Rights	Notes
	Subject					Leasehold Interest	
1	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.
2	North Building 350 Rhode Island St. San Francisco San Francisco County, CA	127,074 100% 2002	Nov-19 Closed	$134,250,000	$1,056.47	Leased Fee	Sale of a 4 story office building located at the corner of 16th Street and Rhode Island St. in the Potr.ero Hill area of San Francisco. Improvements were constructed in 2002
3	One Tehama 246 1st St San Francisco San Francisco County, CA	98,566 100% 1930	Oct-19 Closed	$131,000,000	$1,329.06	Leased Fee	Sale of a 5-story office building located at the corner of Tehama and 1st Street in San Francisco. Improvements were constructed in1930 but renovated in 2019.
4	123 Mission Street 123 Mission Street San Francisco San Francisco County, CA	346,022 98% 1986	Jun-19 Closed	$397,000,000	$1,147.33	Leased Fee	True buyer is JUUL Labs; the property was 98% occupied at the time of sale. The seller had previously acquired the property in May 2018 for $290 million.
5	808 Brannan St. 808 Brannan St. San Francisco San Francisco County, CA	61,000 100% 1930	Apr-19 Closed	$60,000,000	$983.61	Leased Fee	Sale of a 3-story office building located at the corner of Brannan St. and 7th St. in the China Basin area of San Francisco. Improvements were most recently renovated in 1987.
6	260 Townsend Street 260 Townsend Street San Francisco San Francisco County, CA	66,682 100% 1984	Mar-19 Closed	$66,000,000	$989.77	Leased Fee	Sale of a 7-story office building located at the corner of Townsend and Lusk St. in San Francisco.
7	410 Townsend St. 410 Townsend St. San Francisco San Francisco County, CA	76,451 100% 1912	Mar-19 Closed	$85,650,000	$1,120.33	Leased Fee	Sale of a four-story office building located at the corner of Townsend and 5th Street in the China Basin area of San Francisco. Improvements were renovated in 1999.
8	500 Terry Francois Boulevard 500 Terry Francois Blvd. San Francisco San Francisco County, CA	280,848 100% 2008	Feb-19 Closed	$342,500,000	$1,219.52	Fee Simple	True buyer is Gap, Inc. which leased 100% of the improvements. Tenant had right of first refusal to purchase the property and exercised this option. Improvement amenities include a cafeteria and coffee shop. Improvements were constructed in 2008.
9	Charles Schwab Building 215 Fremont St. San Francisco San Francisco County, CA	373,500 100% 1928	Feb-19 Closed	$335,500,000	$898.26	Leased Fee	At the time of sale this building was occupied by Fitbit and a number of ground floor retail tenants including a yoga studio, a cafe, and various restaurants. The buyer, Clarion Partners, invests in office, retail, industrial, multi family, and hotel assets across the nation.
10	345 Brannan Street 345 Brannan St. San Francisco San Francisco County, CA	110,000 100% 2015	Dec-18 Closed	$146,000,000	$1,327.27	Leased Fee	Sale of a 5-story office building located along Brannan Street in the China Basin area of San Francisco. The building was 100% occupied by Dropbox at the time of sale. Improvements were constructed in 2015.
Range of Unadjusted Prices per SF		**$898.26 - $1,975.88**					

A map of the comparables is provided on the following page. The sales range from $898.26 to $1,975.88 per square foot, unadjusted, with an average of approximately $1,205 per square foot.

The subject value conclusions range from approximately $1,389 to $1,523 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	Gross SF	Rentable SF	Gross Residential SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage	FAR
A	1	393,869	293,202	284,432	214,135	283	181	102	36%	0.96	9.42
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%		

We were provided unit mix information for Blocks A and F, which are located in Phase 1. 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

		Total Subject		Market Rate Units		Restricted Units	
Unit Type	Unit Size	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.

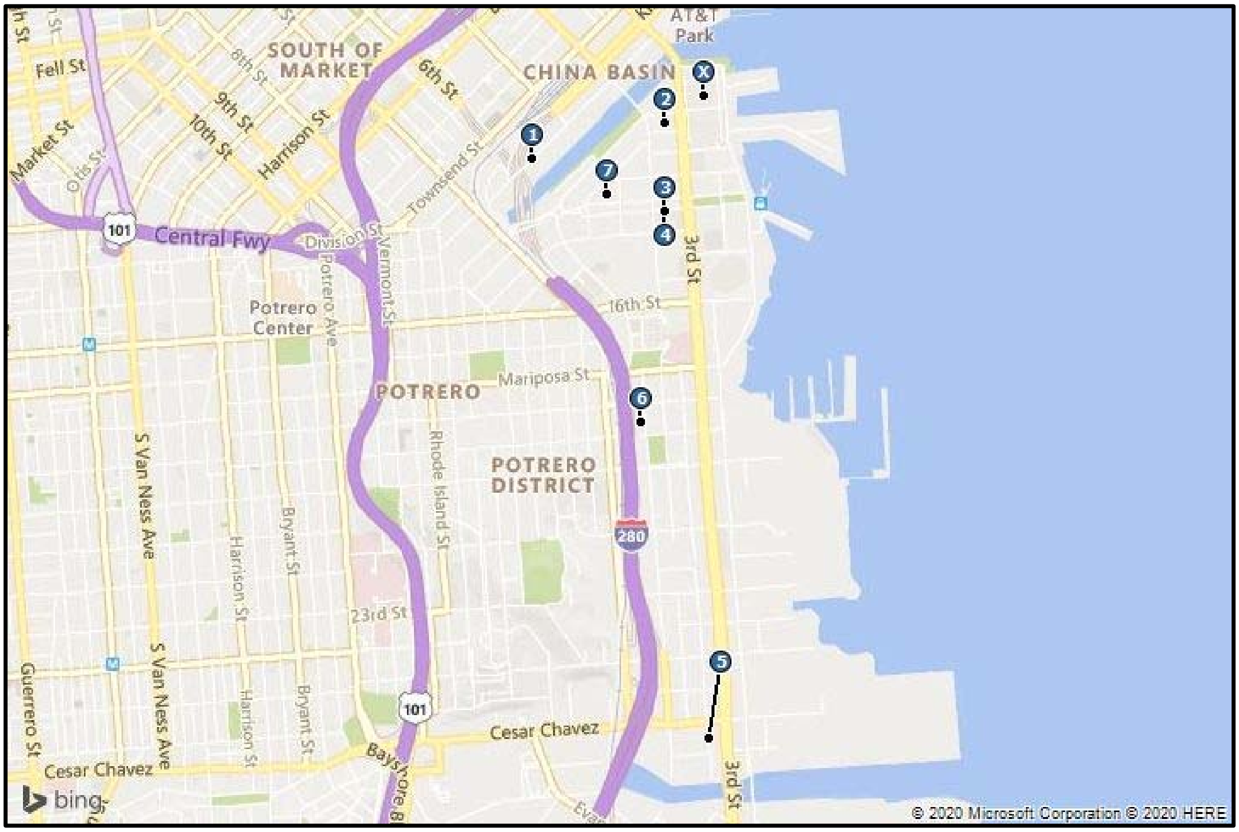
Summary of Comparable Rentals

No.	Property Name; Address	Survey Date	Yr Built; Stories	# Units; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
1	Mission Bay by Windsor	4/28/2020	2017	129			
	360 Berry St.		5	97%			
	San Francisco						
					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	4/28/2020	2014	315			
	185 Channel St.		6	90%			
	San Francisco						
					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	4/28/2020	2013	147			
	1155 Fourth St.		6	95%			
	San Francisco						
					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	Survey Date	Yr Built; Stories	; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
4	Azure Apartments 690 Long Bridge St. San Francisco	4/28/2020	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	4/28/2020	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	4/28/2020	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	4/28/2020	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 Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
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
	Block A - Phase 1	Mission Bay by Windsor	Channel Mission 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
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
Project Amenities					x	x	x	x
Gated or Secure Entry	x		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			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	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.

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 $88.00 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

		Potential Rent at Market	
Space Type	SF	$/SF/Yr	Annual
Retail	20,931	$50.00	$1,046,550
Office	58,136	$88.00	$5,115,968
Total Subject	79,067	$77.94	$6,162,518

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 1.

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 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 $23,066,630.

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 Distict Tax - Phase 1, Tax Zone 1

Block	Phase	Tax Zone	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax
A	1	1	0.96	Base Development Tax - Market-Rate Residential	Residential	$8.58	139,723	$1,198,823
				Offset by Ad Valorem Tax				($1,198,823)
				Base Development Tax - Office Use	Office	$6.50	85,105	$553,183
				Offset by Ad Valorem Tax				($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
								$633,051
B	1	1	0.93	Base Development Tax - Market-Rate Residential	Residential	$8.58	-	-
				Base Development Tax - Office Use	Office	$6.50	265,191	$1,723,742
				Offset by Ad Valorem Tax				($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
								$1,363,081
F	1	1	0.58	Base Development Tax - Market-Rate Residential	Residential	$8.58	110,548	$948,502
				Offset by Ad Valorem Tax				($948,502)
				Base Development Tax - Office Use	Office	$6.50	-	-
				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	1	1	0.78	Base Development Tax - Market-Rate Residential	Residential	$8.58	-	-
				Base Development Tax - Office Use	Office	$6.50	290,300	$1,886,950
				Offset by Ad Valorem Tax				($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
								$1,492,142
Totals			**3.25**					**$3,643,042**

Operating History and Projections - Block A

	IRR Projection
Income	
Rental Income - Apartments	$15,143,076
Rental Income - Commercial	6,162,518
Expense Reimbursements - Apartments	509,400
Expense Reimbursements - Commercial	2,316,722
Potential Gross Income*	$24,131,716
Vacancy & Collection Loss @ 5.0%	-1,206,586
Other Income	141,500
Effective Gross Income	$23,066,630
Expenses	
Real Estate Taxes	$3,743,668
Ad Valorem Tax - Base Development Tax Offset	-1,752,006
Insurance	236,380
Utilities	726,834
Repairs/Maintenance	520,201
Payroll/Benefits	849,000
Advertising & Marketing	113,200
General/Administrative	744,721
Management	1,153,331
Replacement Reserves	70,750
Base Development Tax - Residential	1,198,823
Base Development Tax - Office	553,183
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	$8,791,139
Net Operating Income	**$14,275,491**
Operating Expense Ratio**	37.8%

*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
Operating Data Type	Pro-forma 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	$13,229
Ad Valorem Tax - Base Development Tax Offset	$0	$0	$0	$0	$0	-$6,191
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	$4,075
Replacement Reserves	$0	$0	$0	$0	$0	$250
Base Development Tax - Residential	$0	$0	$0	$0	$0	$4,236
Base Development Tax - Office	$0	$0	$0	$0	$0	$1,955
Base Contingent Special Services Tax - Market-Rat	$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	$31,064
Operating Expense Ratio	25.4%	35.9%	37.4%	24.2%	59.1%	37.8%

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% 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 1 parcels are assumed to be pre-paid. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1 blocks. The pre-payment is instead considered later in the developer's costs in the upcoming extraction analyses.

Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We consider the following data in selecting a capitalization rate for the subject.

Capitalization Rate Comparables

No.	Property Name	City	Year Built	Sale Date	Rentable Area	% Occup.	No. Units	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%

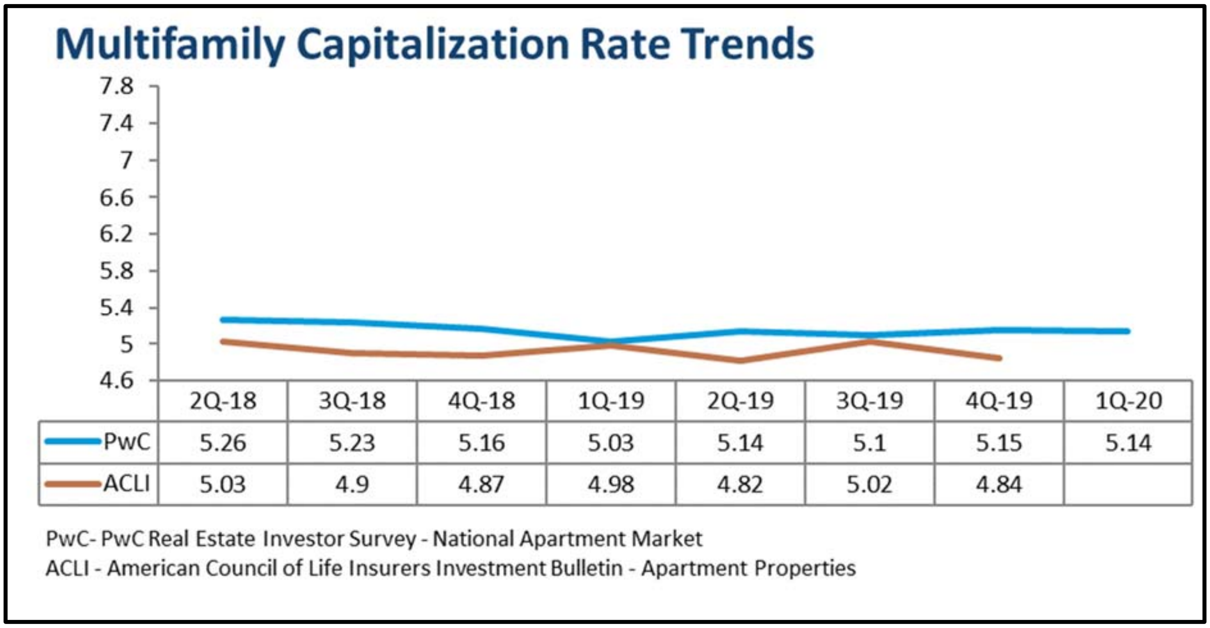
Our search for cap rate comparables focused on multifamily properties with over 50 units and constructed in the past ten years within urban locations in the Bay Area. Of the comparables above, only Sale 3, Huxley, does not offer ground floor retail. Greatest weight is given to Sales 1 and 2, which are 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 Year End 2019 National Urban Multifamily	IRR-ViewPoint Year End 2019 National Suburban Multifamily	PwC 1Q-20 National Apartment	ACLI 4Q-19 National Apartment
Range	3.75% - 8.50%	4.00% - 8.20%	3.50% - 7.0%	NA
Average	5.66%	5.83%	5.14%	4.84%

Source: IRR-Viewpoint 2019; PwC Real Estate Investor Survey; American Council of Life Insurers Investment



	2Q-18	3Q-18	4Q-18	1Q-19	2Q-19	3Q-19	4Q-19	1Q-20
PwC	5.26	5.23	5.16	5.03	5.14	5.1	5.15	5.14
ACLI	5.03	4.9	4.87	4.98	4.82	5.02	4.84	

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 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	$/SF
INCOME				
Rental Income - Apartments		$15,143,076	$53,509	$51.65
Rental Income - Commercial		$6,162,518	$21,776	$21.02
Expense Reimbursements - Apartments		$509,400	$1,800	$1.74
Expense Reimbursements - Commercial		$2,316,722	$8,186	$7.90
Potential Gross Income		$24,131,716	$85,271	$82.30
Vacancy & Collection Loss	5.00%	-$1,206,586	-$4,264	-$4.12
Other Income		$141,500	$500	$0.48
Effective Gross Income		$23,066,630	$81,508	$78.67
EXPENSES				
Real Estate Taxes		$3,743,668	$13,229	$12.77
Ad Valorem Tax - Base Development Tax Offset		-$1,752,006	-$6,191	-$5.98
Insurance		$236,380	$835	$0.81
Utilities		$726,834	$2,568	$2.48
Repairs/Maintenance		$520,201	$1,838	$1.77
Payroll/Benefits		$849,000	$3,000	$2.90
Advertising & Marketing		$113,200	$400	$0.39
General/Administrative		$744,721	$2,632	$2.54
Management	5.00%	$1,153,331	$4,075	$3.93
Replacement Reserves		$70,750	$250	$0.24
Base Development Tax - Residential		$1,198,823	$4,236	$4.09
Base Development Tax - Office		$553,183	$1,955	$1.89
Base Contingent Special Services Tax - Market-Rate Residential		$195,612	$691	$0.67
Base Contingent Special Services Tax - Office		$119,147	$421	$0.41
Base Special Tax - Office		$163,402	$577	$0.56
Shoreline Special Tax - Office		$154,891	$547	$0.53
Total Expenses		$8,791,139	$31,064	$29.98
NET OPERATING INCOME		$14,275,491	$50,443	$48.69
Capitalization Rate		4.50%		
Indicated Value		$317,233,139	$1,120,965	$1,081.96
Rounded		**$317,200,000**	**$1,120,848**	**$1,081.85**

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

		Total Subject		Market Rate Units		Restricted Units	
Unit Type	Unit Size	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.

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

		Potential Rent at Market	
Space Type	SF	$/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 $14,887,835.

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	784,914
Potential Gross Income*	$16,134,677
Vacancy & Collection Loss @ 5.0%	-806,734
Other Income	127,000
Effective Gross Income	$15,454,943
Expenses	
Real Estate Taxes	$2,690,737
Ad Valorem Tax - Base Development Tax Offset	-948,502
Insurance	127,000
Utilities	457,200
Repairs/Maintenance	254,000
Payroll/Benefits	762,000
Advertising & Marketing	101,600
General/Administrative	381,000
Management	772,747
Replacement Reserves	63,500
Base Development Tax - Residential	948,502
Base Contingent Special Services Tax - Market Rate Residential	154,767
Ground Lease	0
Total Expenses	$5,764,551
Net Operating Income	**$9,690,392**
Operating Expense Ratio**	36.9%

*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%

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	$/SF
INCOME				
Rental Income - Apartments		$12,774,495	$50,293	$58.02
Rental Income - Retail		$2,209,850	$8,700	$10.04
Expense Reimbursements - Apartments		$365,418	$1,439	$1.66
Expense Reimbursements - Retail		$784,914	$3,090	$3.57
Potential Gross Income		$16,134,677	$63,522	$73.29
Vacancy & Collection Loss	5.00%	-$806,734	-$3,176	-$3.66
Other Income		$127,000	$500	$0.58
Effective Gross Income		$15,454,943	$60,846	$70.20
EXPENSES				
Real Estate Taxes		$2,690,737	$10,593	$12.22
Ad Valorem Tax - Base Development Tax Offset		-$948,502	-$3,734	-$4.31
Insurance		$127,000	$500	$0.58
Utilities		$457,200	$1,800	$2.08
Repairs/Maintenance		$254,000	$1,000	$1.15
Payroll/Benefits		$762,000	$3,000	$3.46
Advertising & Marketing		$101,600	$400	$0.46
General/Administrative		$381,000	$1,500	$1.73
Management	5.00%	$772,747	$3,042	$3.51
Replacement Reserves		$63,500	$250	$0.29
Base Development Tax - Residential		$948,502	$3,734	$4.31
Base Contingent Special Services Tax - Market Rate Residential		$154,767	$609	$0.70
Total Expenses		$5,764,551	$22,695	$26.18
NET OPERATING INCOME		$9,690,392	$38,151	$44.02
Capitalization Rate		4.25%		
Indicated Value		$228,009,224	$897,674	$1,035.65
Rounded		**$228,000,000**	**$897,638**	**$1,035.61**

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 1 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	$317,200,000	283	$1,120,848	393,869	$805.34
F	$228,000,000	254	$897,638	315,217	$723.31
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.

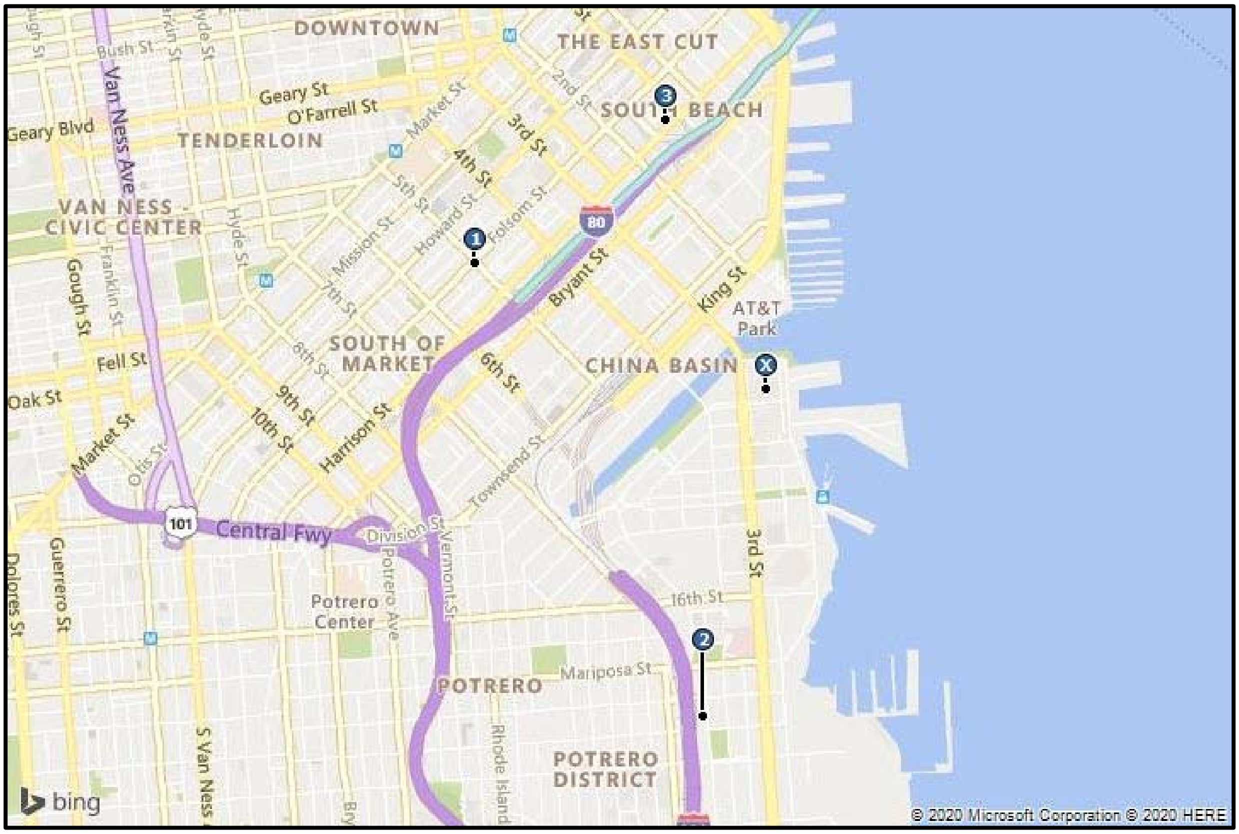
Analysis of Comparable Improved Sales

No.	Name/Address	Units; % Occupied; Year Built	Sale Date; Status	Effective Sale Price	$/Unit	Prop. Rights	Notes
	Subject					Leasehold Interet	
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 improvement.

Our value conclusion for Block F, $897,638 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 $1,120,848 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	Gross SF	Rentable SF	Gross Residential SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage	FAR
A	1	393,869	293,202	284,432	214,135	283	181	102	36%	0.96	9.42
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%		

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 workfile. 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, towards 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 also 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	$418,400,000	283,700	$1,474.80	294,106	$1,422.62
G	$489,300,000	307,058	$1,593.51	321,355	$1,522.62
C	$473,100,000	354,826	$1,333.33	329,988	$1,433.69
E	$185,800,000	141,330	$1,314.65	131,437	$1,413.60
I	$196,500,000	151,932	$1,293.34	141,297	$1,390.69
J	$196,300,000	151,982	$1,291.60	141,344	$1,388.81

Summary of Direct Capitalization Analyses - Residential Use

Block	Value As If Stabilized	Number of Units	$/Unit	Gross Building Area	$/SF
A	$317,200,000	283	$1,120,848	393,869	$805.34
F	$228,000,000	254	$897,638	315,217	$723.31
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 12 months.

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. In the case of Block A, which contains a discernible mix of office and residential uses, a weighted average (26.55%) indirect cost factor is utilized.

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 1; 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 1, 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 improvements expected garage usage. The developer has provided the cost contribution to the garage of each of the four blocks in Phase 1. To calculate the cost contribution for blocks in forthcoming phases, we consider the typical cost per square foot of building area for Phase 1 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 1 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 1, we have estimated lease up costs based upon an average cost per unit for the subject's Phase 1 residential blocks.

Lease-up cost calculations for each of the subject blocks are retained in our workfile. However, lease-up costs for Block A are presented below as an example of the methodology utilized.

Lease-Up Costs - Block A - Office & Retail

		Assumptions							Costs					
Tenant	SF/Units	Months Vacant	Annual Rent/SF/Unit	Expense Recovery/ SF/Unit	Lease Term (Mos.)	Free Rent (Mos.)	TI's/SF	LC %	Fore-gone Rent	Expense Recovery Loss	TI's	LC	Free Rent	Total
Vacant	50,000	3	$88.00	$18.00	60	3	$30.00	6.0%	$1,100,000	$225,000	$1,500,000	$1,320,000	$1,100,000	$5,245,000
Vacant	4,183	6	$88.00	$18.00	60	3	$30.00	6.0%	$184,037	$37,644	$125,480	$110,422	$92,018	$549,600
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														$7,940,028
Rounded														$7,940,000

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
Market Rate Units						
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 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	41%	of directs	$48,271,555
Lease Up Costs					$45,440,000
Parking Contribution			$12.44	/SF	$3,529,000
Total Direct & Indirect Costs					**$297,297,320**
Developer's Incentive		at	10%		$29,729,732
Total Project Costs					$327,027,052
Rounded					**$327,000,000**

Extraction Analysis - Block B - Office Use	
Market Value as if Stabilized	$418,400,000
Less: Construction & Lease Up Costs	($327,000,000)
Indicated Land Value	**$91,400,000**

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	41%	$52,245,919
Lease up Costs				$45,620,000
Parking Contribution			$12.56	$3,856,000
Total Direct & Indirect Costs				$311,722,426
Developer's Incentive		at	10%	$31,172,243
Total Project Costs				$342,894,668
Rounded				**$342,900,000**

Extraction Analysis - Block G - Office Use	
Market Value as if Stabilized	$489,300,000
Less: Construction & Lease Up Costs	($342,900,000)
Indicated Land Value	**$146,400,000**

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					$44,820,000
Parking Contribution		at	$12.45	/SF	$4,417,584
Total Direct & Indirect Costs					**$350,892,908**
Developer's Incentive		at	10%		$35,089,291
Total Project Costs					$385,982,198
Rounded					**$386,000,000**

Extraction Analysis - Block C - Office Use

Market Value as if Stabilized	$473,100,000
Less: Construction & Lease Up Costs	($386,000,000)
Indicated Land Value	**$87,100,000**

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					$15,370,000
Parking Contribution		at	$12.45	/SF	$1,759,559
Total Direct & Indirect Costs					$137,281,258
Developer's Incentive		at	10%		$13,728,126
Total Project Costs					$151,009,384
Rounded					**$151,000,000**

Extraction Analysis - Block E - Office Use

Market Value as if Stabilized	$185,800,000
Less: Construction & Lease Up Costs	($151,000,000)
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					$16,650,000
Parking Contribution		at	$12.45	/SF	$1,891,553
Total Direct & Indirect Costs					**$147,706,543**
Developer's Incentive		at	10%		$14,770,654
Total Project Costs					$162,477,198
Rounded					**$162,500,000**

Extraction Analysis - Block I - Office Use

Market Value as if Stabilized	$196,500,000
Less: Construction & Lease Up Costs	($162,500,000)
Indicated Land Value	**$34,000,000**

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					$16,640,000
Parking Contribution		at	$12.45	/SF	$1,892,176
Total Direct & Indirect Costs					**$147,739,673**
Developer's Incentive		at	10%		$14,773,967
Total Project Costs					$162,513,641
Rounded					**$162,500,000**

Extraction Analysis - Block J - Office Use

Market Value as if Stabilized	$196,300,000
Less: Construction & Lease Up Costs	($162,500,000)
Indicated Land Value	**$33,800,000**

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	27%	of directs	$65,897,942
Lease Up Costs					$13,340,000
Parking Contribution			$9.11		$3,589,000
Total Direct & Indirect Costs					**$253,264,412**
Developer's Incentive		at	10%		$25,326,441
Total Project Costs					$278,590,854
Rounded					**$278,600,000**

Extraction Analysis - Block A - Residential Use

Market Value as if Stabilized	$317,200,000
Less: Construction & Lease Up Costs	($278,600,000)
Indicated Land Value	**$38,600,000**

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	21%	of directs	$41,703,209
Lease Up Costs					$7,850,000
Parking Contribution			$9.15	/SF	$2,885,000
Total Direct & Indirect Costs					**$147,524,919**
Developer's Incentive		at	10%		$14,752,492
Total Project Costs					$162,277,411
Rounded					**$162,300,000**

Extraction Analysis - Block F - Residential Use

Market Value as if Stabilized	$228,000,000
Less: Construction & Lease Up Costs	($162,300,000)
Indicated Land Value	**$65,700,000**

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	$1,832,882
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	($115,200,000)
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	$1,193,791
					$68,654,325
Total Direct & Indirect Costs					
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	($75,500,000)
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 on the following page.

Summary of Land Residual Values

Block	Land Residual	Use	Units	Per Unit	Gross SF	Per SF of Bldg
A	$38,600,000	Res/Office	283	$136,396	-	-
B	$91,400,000	Office	-	-	283,700	$322.17
F	$65,700,000	Residential	254	$258,661	-	-
G	$146,400,000	Office	-	-	307,058	$476.78
C	$87,100,000	Office	-	-	354,826	$245.47
D1	$24,400,000	Residential	259	$94,208	-	-
E	$34,800,000	Office	-	-	141,330	$246.23
H	$40,300,000	Residential	192	$209,896	-	-
I	$34,000,000	Office	-	-	151,932	$223.78
J	$33,800,000	Office	-	-	151,982	$222.39
K	$27,300,000	Residential	131	$208,397	-	-
	$623,800,000					

As a secondary check of reasonableness, we have arrayed land sales for proposed commercial and multifamily residential properties.

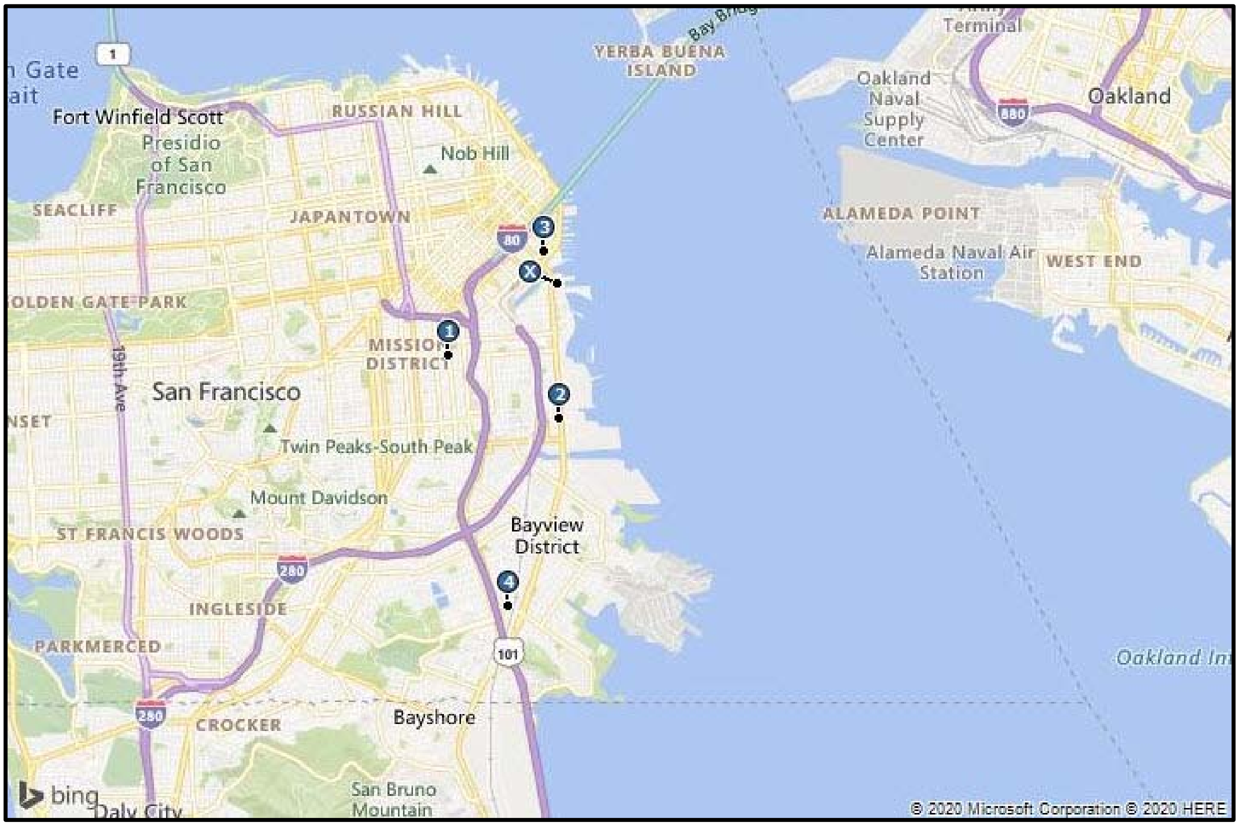
Summary of Comparable Land Sales - Office Use

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	$/SF Bldg.	$/SF Land
1	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
	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.						
2	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
	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.						
3	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
	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 the 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.						
4	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
	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.						

The above sales range from $97.33 to $286.93 per proposed square foot of building area. Sales 1 and 2 fall at the low end of the range, as they reflect proposals for below market office condominium space and flex space, respectively. Sale 3 is proximate to the subject and is also most similar to the subject proposal and will include 80,584 square feet of office space. The existing improvements are not believed to have contributed value to the sale price. Sale 4 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 4.

Our land value conclusions for the subject's office blocks range from approximately $222 to $476 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 Map – Proposed Office Use



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.

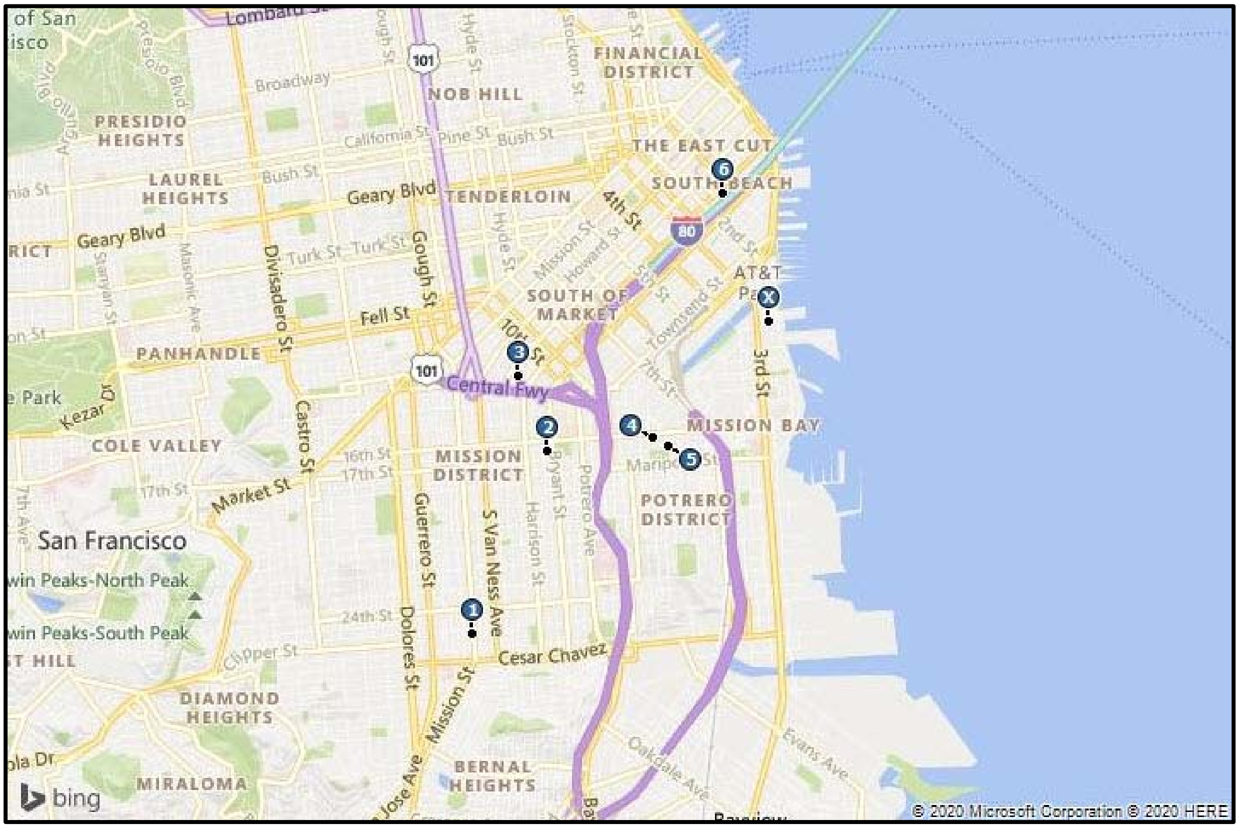
Summary of Comparable Land Sales - Residential use

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	$/Unit	$/SF Land
1	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
	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.						
2	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
	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.						
3	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
	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.						
4	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
	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.						
5	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
	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.						
6	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
	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.						

The comparable land sales range from $74,172 to $204,724, unadjusted. Indicated market value for the subject's residential blocks range from $94,208 to $258,661 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%.

The subject's remaining residential blocks range from $136,396 to $258,661 per unit. However, it is important to again 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.

Comparable Land Sales Map – Proposed Multifamily Use



Subdivision Development Method – Market Valuation

In order to estimate the bulk market value of the subject, 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.

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 Land Residual Values

Block	Land Residual	Use	Units	Per Unit	Gross SF	Per SF of Bldg
A	$38,600,000	Res/Office	283	$136,396	-	-
B	$91,400,000	Office	-	-	283,700	$322.17
F	$65,700,000	Residential	254	$258,661	-	-
G	$146,400,000	Office	-	-	307,058	$476.78
C	$87,100,000	Office	-	-	354,826	$245.47
D1	$24,400,000	Residential	259	$94,208	-	-
E	$34,800,000	Office	-	-	141,330	$246.23
H	$40,300,000	Residential	192	$209,896	-	-
I	$34,000,000	Office	-	-	151,932	$223.78
J	$33,800,000	Office	-	-	151,982	$222.39
K	$27,300,000	Residential	131	$208,397	-	-
	$623,800,000					

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.

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 subject's eleven blocks will be developed over four phases, with development of backbone infrastructure expected to commence in September of 2020 and continue until October of 2027.

Given the proposed infrastructure timeline, we estimate a total absorption (sell-off) period of seven years in the upcoming analysis. Acreage associated with Phase 1 is projected to sell in the third period, after substantial infrastructure has been completed. Phases 2 and 3 are forecasted to sell in the fourth and fifth periods, respectively. Finally, Phase 4 is expected to sell in the seventh period. A summary of the developer's horizontal construction timeline is provided in the table on the following page.

Developer's Timeline - Horizontal Improvements

Phase	Acreage	Blocks	Contstruction Start	Construction 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

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 1.1801%. 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 subject is 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 block is presented in the following table. Please note, the calculation of special taxes in the subdivision development method differs from the previous calculations in the direct capitalization analyses as ad valorem taxes are not available to offset the Office Use Base Development Tax.

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 Residential Square Footage (1)	Office Square Footage (1)	Total Expected Square Footage (1)	FY 2020-21 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.

The maximum annual special tax for facilities is subject to an annual increase of 2%, beginning on July 1, 2021. As with the ad valorem tax, the special tax expense is gradually reduced over the absorption period as the land components are sold off. Please note, given the construction timeline of the subject, only special taxes for blocks within Phase 1, Tax Zone 1 are considered in this analysis. Special taxes associated with Phases 2, 3, and 4, which are located in Tax Zone 2, are excluded.

The purpose of this Appraisal Report is to estimate the market value of the subject property, subject to the Lien of the Special Tax securing the 2020 series of the City and County of San Francisco Special Tax District No. 2020-1 Special Tax Bonds (Phase 1); thus, it is presumed upon the transfer of the

Phase 1 Blocks the obligation for the Lien of the Special Tax will be assumed by the buyer. Therefore, in the discounted cash flow presented, no additional Special Taxes will be captured as a master developer expense following the sale of the Phase 1 blocks.

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. The current annual ground lease payment is $2,101,200 and the lease rate escalates 3.0% per year. 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. Please note, Block D2's pro-rata share of the ground lease payment is excluded in the upcoming analysis, in accordance with the allocation on the following page.

Ground Lease Allocation

Block	Phase	Tax Zone	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1	1	0.96	41,818	10.1%	$211,663	Prepaid
B	1	1	0.93	40,511	9.8%	$205,049	Prepaid
F	1	1	0.58	25,265	6.1%	$127,880	Prepaid
G	1	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**	

Backbone Infrastructure

According to the master developer, total infrastructure costs associated with Phases 1, 2, 3, and 4 of Mission Rock are approximately $244,024,000. However, this includes the backbone infrastructure associated with Block D2 in Phase 2, which will include the parking garage and retail space not subject to the lien of the special taxes securing the Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2020. Therefore, for purposes of this analysis, the allocable horizontal costs associated with development of Phase 2 infrastructure, which includes a pro-rata share of costs attributable to Block D2, will be deducted from the overall cost obligation bore by the balance of the taxable Blocks within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). A summary of this calculation is provided below.

Phase 2 Horizontal Improvements

Block	Acreage	Pro-Rata Share	Horizontal Costs	Rounded	PH 2 - Excluding D2
C	0.90	29.0%	$7,885,641	$7,886,000	$7,886,000
D	0.58	18.7%	$5,081,857	$5,082,000	$5,082,000
D2	1.62	52.3%	$14,194,154	$14,194,000	
	3.10	100.0%	27,161,652	27,162,000	12,968,000

The remaining infrastructure costs for all phases calculates to approximately $229,830,000 ($244,024,000 - $14,194,000), which will be disbursed during the development and sell-off period commensurate with the development timeline. Based upon the hypothetical condition cited herein, the estimate of market value considers the completion of infrastructure improvements to be financed by the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Bonds. Therefore, for purposes of this analysis, presuming a value to lien of 3-to-1, per the City and County of San Francisco, and an implied construction fund proceeds of 85% of the estimated Bond sizing, approximately $42,610,000 in infrastructure costs are presumed to be completed (financed) for Phase 1 and will be credited toward the costs associated with Phase 1 in the upcoming discounted cash flow analysis.

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 20.00%, with an average of 15.90% during the Fourth Quarter 2019, which is 10 basis points above the average reported in the Second Quarter 2019, the last time the survey was conducted. Without entitlements in place, certain investors will increase the discount rate between 100 and 800 basis points (the average increase is 519 basis points). These rates are free-and-clear of financing, are inclusive of developer's profit, and assume entitlements are in place. The surveyed investors have mixed opinions regarding value trends for the national development land market; their expectations range from negative 10.0% to positive 10.0% with an average expected value change of positive 1.2%.

[1] PwC Real Estate Investor Survey, PricewaterhouseCoopers, 4th Quarter 2019, Volume 32, Number 4.

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.

> 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)
>
> The largest increase over the past year occurs for the retail sector, where the rating rises from 2.42 to 2.55. The retail sector's development rating took a big hit between 2016 and 2017 and it appears that developers are now becoming more comfortable with this sector's evolution. Ironically, the only two sectors to see their development ratings decline this year, albeit slightly, are apartments and industrial, where concerns of oversupply issues have been expressed… Single-family development also gets a nod, as well as senior housing, where favorable demographics, compelling returns, greater liquidity, rising transparency, and mounting understanding of the benefits for residents appeal to investors… (Fourth Quarter 2017)

This quarter, most surveyed investors note that the industrial sector presents the best opportunities for development land investing in the near term. Other top choices include restaurant and high-end luxury residential… Total spending on U.S. private construction was up 7.0% on a year-over-year basis in March 2017, according to the U.S. Census Bureau. When looking more closely, private residential spending was up 7.5% while private nonresidential spending was up 6.4% – still positive, but below its year-over-year growth for March 2016 (9.3%). In the nonresidential sector, communication, office, and education reported the highest year-over-year gains in spending as of March 2017. In contrast, spending for health care, religious, and transportation construction declined year over year in March 2017… (Second Quarter 2017)

Project Yield Rate Survey

Data Source	Yield / IRR Expectations (Inclusive of Profit)
PwC Real Estate Investor Survey - Fourth Quarter 2019 (updated semi-annually)	Range of 10.0% to 20.0%, with an average of 15.9%, inclusive of profit and assuming entitlements in place, 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.

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 dispersed. However, it remains there is risk associated with unforeseen factors such as broad economic declines. Finally, all backbone infrastructure must be completed during the sell-off period, which is expected to span seven years. Considering these factors, the magnitude and complexity of the subject project, and the positive and negative characteristics previously described, a discount rate of **22%** is estimated for the leasehold interest in the subject property.

Conclusion

The subdivision development method is presented on the following page.

Subdivision Development Method

Inputs

Revenue & Expenses		
Taxable Land Acreage - All Blocks	7.91	
Total Land Revenue	$623,800,000	
Total Revenue per Acre	$78,862,200	
Phase 1 - Blocks A, B, F & G		
Phase 1 Land Acreage	3.25	
Phase 1 Revenue	$342,100,000	
Phase 2 - Blocks C & D		
Phase 2 Land Acreage	1.48	
Phase 2 Revenue	$111,500,000	
Phase 3 - Block E		
Phase 3 Land Acreage	0.58	
Phase 3 Revenue	$34,800,000	
Phase 4 - Blocks H, I, J, & K		
Phase 4 Land Acreage	2.60	
Phase 4 Revenue	$135,400,000	
Annual Revenue Appreciation	1.000	
General & Administrative	4.0%	
Marketing & Commissions	3.0%	
Remaining Infrastructure Costs	$229,830,000	
Phase 1	$141,332,000	61%
Phase 2	$12,968,000	6%
Phase 3	$27,710,000	12%
Phase 4	$47,820,000	21%

Ad Valorem Tax Table		
Annual Increase in Property Taxes	2.0%	
First Year Annual Taxes/Acre	$224,383	
Max Special Assessments - Mission Rock CFD No. 2020-1		**Max Escalation**
Base Tax - Market Rate Residential - Tax Zone 1 & 2		
Mission Rock CFD #1	$8.58 /SF	2.0%
Base Tax - Office Use -Tax Zone 1 & 2		
Mission Rock CFD #1	$6.50 /SF	2.0%
Base Special Tax - Office Use - Tax Zone 1		
Mission Rock CFD #1	$1.92 /SF	2.0%
Shoreline Special Tax - Office Use - Tax Zone 1 & 2		
Mission Rock CFD #1	$1.82 /SF	2.0%
Contingent Services Tax - Residential Tax Zone 1 & 2		
Mission Rock CFD #1	$1.40 /SF	2.0%
Contingent Services Tax - Office Tax Zone 1 & 2		
Mission Rock CFD #1	$1.40 /SF	2.0%
Max Special Tax per Acre - Phase 1	$2,782,408 /Phase 1 Acre	2.0%
Ground Lease Payment per Acre	$220,483 /Acre	3.0%
Anticipated CFD Proceeds		
$42,613,300		

Revenue, Expenses and Valuation

		2021	2022	2023	2024	2025	2026	2027	
Revenue	**Period (12 mths)**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**Total**
	Sales (Acreage):								
	Phase 1	0.00	0.00	3.25	0.00	0.00	0.00	0.00	3.25
	Phase 2	0.00	0.00	0.00	1.48	0.00	0.00	0.00	1.48
	Phase 3	0.00	0.00	0.00	0.00	0.58	0.00	0.00	0.58
	Phase 4	0.00	0.00	0.00	0.00	0.00	0.00	2.60	2.60
	Total Sales	0.00	0.00	3.25	1.48	0.58	0.00	2.60	7.91
	End of Period Inventory	7.91	7.91	4.66	3.18	2.60	2.60	0.00	
	Total Period Inventory (acres)	7.91	7.91	7.91	4.66	3.18	2.60	2.60	
	Land Sales Revenue Unappreciated								
	Phase 1	$0	$0	$342,100,000	$0	$0	$0	$0	$342,100,000
	Phase 2	$0	$0	$0	$111,500,000	$0	$0	$0	$111,500,000
	Phase 3	$0	$0	$0	$0	$34,800,000	$0	$0	$34,800,000
	Phase 4	$0	$0	$0	$0	$0	$0	$135,400,000	$135,400,000
	Total Revenue	$0	$0	$342,100,000	$111,500,000	$34,800,000	$0	$135,400,000	$623,800,000
	Land Sales Revenue Appreciated	$0	$0	$342,100,000	$111,500,000	$34,800,000	$0	$135,400,000	$623,800,000
Total Revenue		$0	$0	$342,100,000	$111,500,000	$34,800,000	$0	$135,400,000	$623,800,000
Expenses	**All Categories**								
	General & Administrative	($3,564,571)	($3,564,571)	($3,564,571)	($3,564,571)	($3,564,571)	($3,564,571)	($3,564,571)	($24,952,000)
	Marketing/Commissions	$0	$0	($10,263,000)	($3,345,000)	($1,044,000)	$0	($4,062,000)	($18,714,000)
	Backbone Infrastructure								
	Phase 1	($32,906,233)	($32,906,233)	($32,906,233)	$0	$0	$0	$0	($98,718,700)
	Phase 2	$0	$0	($6,484,000)	($6,484,000)	$0	$0	$0	($12,968,000)
	Phase 3	$0	$0	$0	($13,855,000)	($13,855,000)	$0	$0	($27,710,000)
	Phase 4	$0	$0	$0	$0	($15,940,000)	($15,940,000)	($15,940,000)	($47,820,000)
	Total Infrastructure	($32,906,233)	($32,906,233)	($39,390,233)	($20,339,000)	($29,795,000)	($15,940,000)	($15,940,000)	($187,216,700)
	Ad Valorem Taxes	($1,774,870)	($1,810,368)	($1,845,865)	($1,108,363)	($770,621)	($641,736)	($653,404)	($8,605,227)
	Mission Rock CFD#1	($2,260,706)	($2,305,921)	($2,351,135)	$0	$0	$0	$0	($6,917,762)
	Ground Lease Payment	($1,744,018)	($1,796,339)	($1,850,229)	($1,122,722)	($789,134)	($664,560)	($684,496)	($8,651,497)
Total Expenses		($42,250,400)	($42,383,432)	($59,265,033)	($29,479,656)	($35,963,326)	($20,810,867)	($24,904,471)	($255,057,185)
Net Income		($42,250,400)	($42,383,432)	$282,834,967	$82,020,344	($1,163,326)	($20,810,867)	$110,495,529	$368,742,815
Internal Rate of Return	**22.00%**	0.81967	0.67186	0.55071	0.45140	0.37000	0.30328	0.24859	
Discounted Cash Flow		($34,631,475)	($28,475,834)	$155,759,164	$37,023,909	($430,430)	($6,311,480)	$27,467,927	$150,401,781
Net Present Value									$150,401,781
Conclusion of Value by Discounted Cash Flow Analysis (Rd.)									**$150,400,000**

Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value of the Special Tax District	Leasehold	April 22, 2020	$150,400,000

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 April 22, 2020. 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

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 April 22, 2020. 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

Kevin Ziegenmeyer, MAI

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2021

Education

Academic:
Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:
Standards of Professional Practice, Parts A, B & C
Basic Valuation Procedures
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part A
Advanced Income Capitalization
Report Writing and Valuation Analysis
Advanced Applications
IRS Valuation Summit I & II
2008, 2009, 2010 & 2011 Economic Forecast
Business Practices and Ethics
Contemporary Appraisal Issues with Small Business Administration Financing
General Demonstration Appraisal Report Writing Seminar
7-Hour National USPAP Update Course
Valuation of Easements and Other Partial Interests
2009 Summer Conference
Uniform Appraisal Standards for Federal Land Acquisitions
2008 Economic Update
Valuation of Conservation Easements
Subdivision Valuation
2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments

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San Francisco

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San Jose, CA 95126

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Kevin Ziegenmeyer, MAI

Education (Cont'd)

Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2019
Date Expires: June 4, 2021

Jim Martin, Bureau Chief, BREA

3045137

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General, AG026558, Expires February 2021
Nevada, Certified General, A.0207666-CG, Expires January 2021
Washington, Certified General, 20100611, Expires June 2021
Arizona, Certified General, CGA - 1006422, Expires January 2022

Education

Academic:
Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:
Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019
Date Expires: February 18, 2021

Jim Martin, Bureau Chief, BREA

3044479

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Laura Diaz

Integra Realty Resources
San Francisco

555 Meridian Avenue
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F

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Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

Education

Academic:
Bachelor of Arts in English, University of Louisville
Master of Urban Planning, University of Louisville
Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:
Uniform Standards of Professional Appraisal Practice
Basic Appraisal Principles
Basic Appraisal Procedures
Real Estate Finance Statistics and Valuation Modeling
Site Valuation and Cost Approach
General Market Analysis and Highest and Best Use
Sales Comparison Approach
Income Capitalization Approach Part I
Income Capitalization Approach Part II
General Appraiser Report Writing and Case Studies
Expert Witness for Commercial Appraisers
Basic Hotel Appraising – Limited Service Hotels

ldiaz@irr.com - 415-715-4690

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Laura B. Diaz

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2020
Date Expires: January 2, 2022

Jim Martin, Bureau Chief, BREA

3050185

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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.

Integra Realty Resources
San Francisco

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:
October 28, 2020

Report Format:
Appraisal Report – Standard Format

IRR - San Francisco
File Number: 192-2019-0160

DRAFT

Integra Realty Resources
San Francisco

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9th Floor
San Francisco, CA 94104

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November 9, 2020

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 – Update
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

DRAFT

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco has prepared an update to our Appraisal Report of the above-referenced property. The original Appraisal Report, dated October 21, 2020 with an effective date of April 22, 2020, was prepared in accordance with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004). The original Appraisal Report provides the market value, subject to a hypothetical condition, 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 contained in the Appraisal Report as of April 22, 2020. This Update Appraisal Report may only be used in conjunction with the original Appraisal Report.

As an Update Appraisal Report, this document does not present a complete discussion of the data, reasoning, and analyses used in the appraisal process to develop the appraiser's opinions of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's work file.

We have been requested to ascertain, as of a current date of value (October 28, 2020), whether the market value of the appraised properties is not-less-than the value conclusion estimated as of the original date of value, April 22, 2020. As a result of our analysis presented herein, it is our opinion the market value in bulk of the appraised properties, subject to a hypothetical condition, as of October 28, 2020, is as follows:

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value
Market Value of the Special Tax District	Leasehold	October 28, 2020	$130,000,000

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 October 28, 2020. 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

DRAFT

Respectfully submitted,

INTEGRA REALTY RESOURCES - SAN FRANCISCO

DRAFT

Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567
Telephone: 916-435-3883, ext. 224
Email: kziegenmeyer@irr.com

DRAFT

Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558
Telephone: 916-435-3883, ext. 228
Email: esegal@irr.com

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Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037
Telephone: 415-715-4690
Email: ldiaz@irr.com

DRAFT

Table of Contents

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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	City and County of San Francisco
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	October 28, 2020
Date of the Report	November 9, 2020
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.

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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 October 28, 2020. 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

Purpose of the Appraisal

The purpose of this Update Appraisal Report is to ascertain whether the current opinion of market value, subject to a hypothetical condition, 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, is less than the value derived in the original Appraisal Report.

The effective date of the original Appraisal Report is April 22, 2020, and the date of the original report is October 21, 2020. The effective date of the Update Appraisal Report is October 28, 2020 and the date of the Update Appraisal Report is November 9, 2020. The Update Appraisal Report 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)

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.

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Scope of Work

In preparing this Update Appraisal Report, we analyzed market data presented in our original Appraisal Report dated October 21, 2020 (as of the April 22, 2020 effective date of value). In addition, we analyzed current market conditions and conducted market participant interviews to understand the impact of the COVID-19 pandemic on the subject property since the original April 22, 2020 date of value. The Update Appraisal Report sets forth the appraiser's conclusions, as well as updated market overviews and a summary of market participant interviews. However, all other supporting documentation is retained in the appraiser's work file.

This Update Appraisal Report has been performed in accordance with the requirements of USPAP, the Code of Professional Ethics and the Standards of Professional Practice of the of the Appraisal Institute, and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment Advisory Commission (2004). Additionally, this valuation is offered in accordance with the limiting conditions and assumptions set forth in this Appraisal Report. The appraisers understand and agree that this Update Appraisal Report, and original Appraisal Report, is expected to be—and may be—utilized in the marketing of the Bonds and to satisfy certain legal requirements in connection with issuing the Bonds.

This Update Appraisal Report, dated November 9, 2020, must remain attached to the original appraisal dated October 21, 2020, in order for the value opinions set forth herein to be considered valid.

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Inspection

Kevin Ziegenmeyer, MAI, and Laura Diaz conducted an on-site inspection of the property on April 22, 2020. Eric Segal, MAI, has 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.

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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

	2014	2015	2016	2017	2018	2019
Labor Force	528,600	541,400	555,300	563,800	569,300	583,200
Employment	505,500	521,700	537,000	547,300	555,600	570,400
Job Growth	17,400	16,200	15,300	10,300	18,600	23,100
Unemployment Rate	4.4%	3.6%	3.3%	2.9%	2.4%	2.2%

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.

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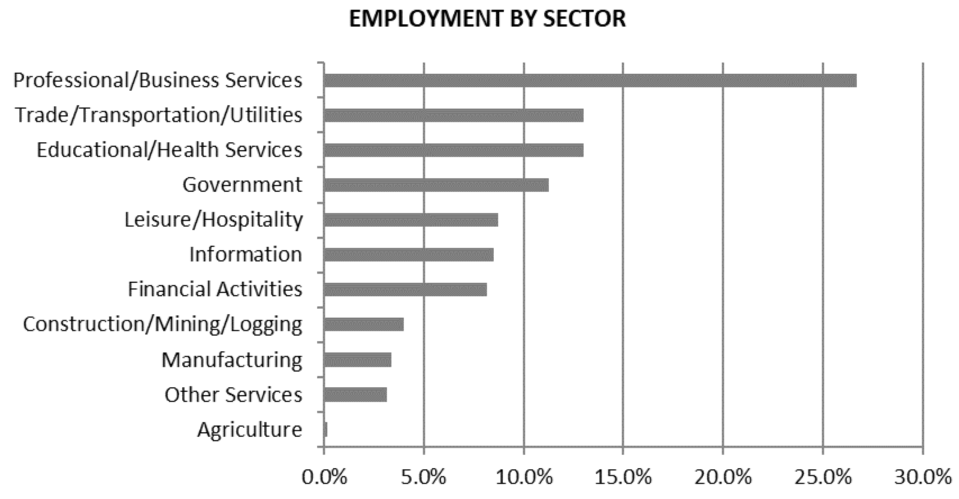
The average annual unemployment rate in San Francisco County was 2.2% in 2019 and remained in the 2.3% to 3.1% range during the first quarter of 2020, spiking to 12.6% in April 2020. California Employment Development Department reported an unemployment rate of 8.4% in San Francisco County in September 2020, compared to 10.8% for California and 7.7% for the nation.

As of September 2020, it was reported 119,100 jobs (10.0%) 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 56,100 jobs lost, followed by the Trade/Transportation/Utilities sector with 15,200 jobs lost.

The chart on the following page indicates the percentage of total employment for each sector within the city/county.



Source: California Employment Development Department

As illustrated above, San Francisco's largest employment sector is Professional and Business Services, accounting for roughly 26.7% 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.

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Largest Employers

	Employer	Industry	Employees
1	University of California San Francisco	Education	34,690
2	City and County of San Francisco	Government	32,749
3	San Francisco Unified School District	Education	10,506
4	Salesforce	Technology	8,000
5	Wells Fargo & Co.	Financial Activities	7,747
6	Kaiser Permanente	Healthcare	6,659
7	Sutter Health	Healthcare	5,359
8	Uber Technologies, Inc.	Technology	5,000
9	Gap, Inc.	Retail	4,000
10	PG&E Corporation	Utilities	3,800

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2019

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 $104,552 in 2018 dollars (most recent data available). This is significantly higher than the state of California’s median income of $71,228. The county’s income is the fourth highest among California counties, trailing only Santa Clara, San Mateo and Marin counties.

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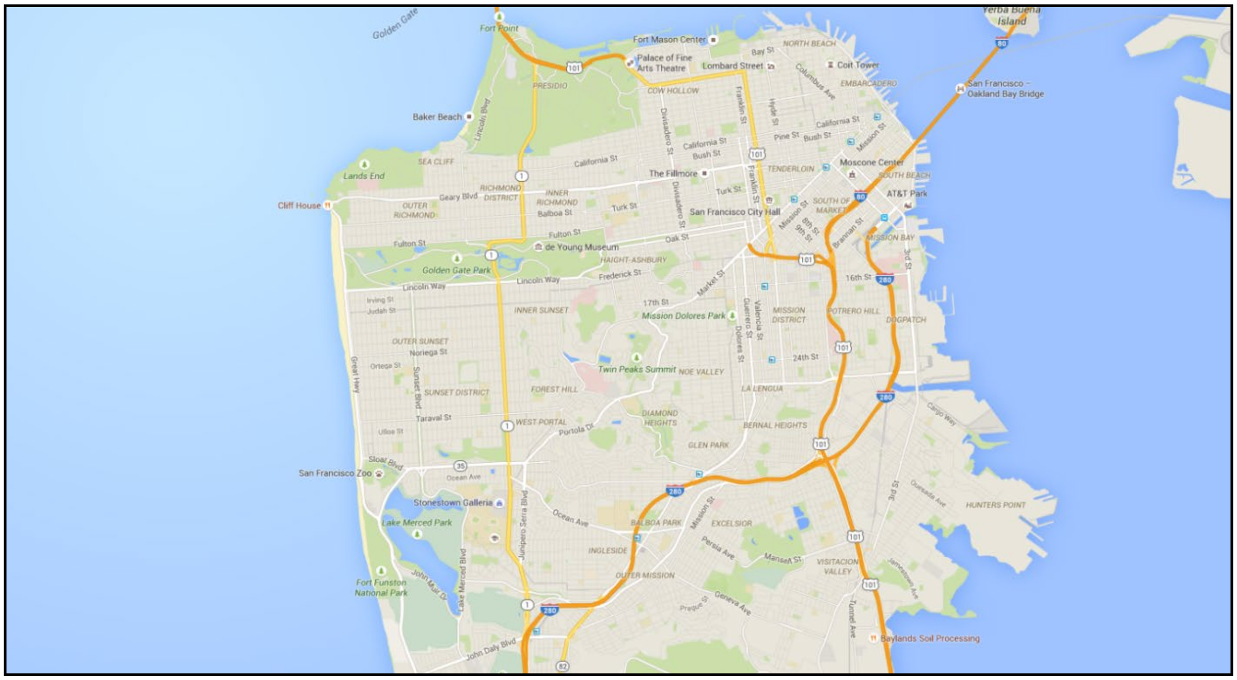
Neighborhoods

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.



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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.

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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.

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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.

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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.

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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 over the past four years. Demand has kept pace with development, prompting 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.

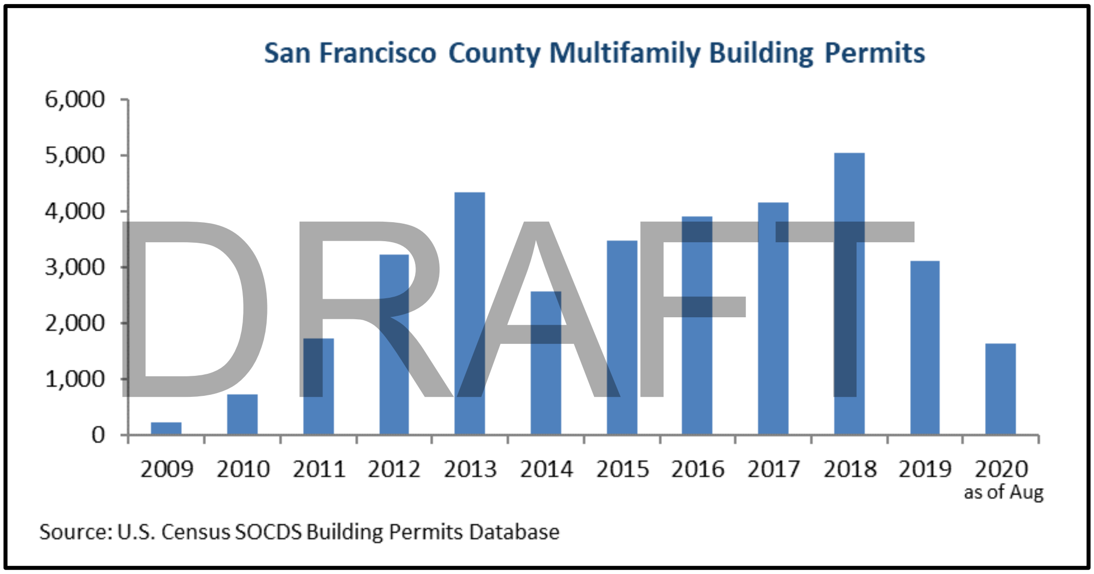
The following is an excerpt from market research reports published by Costar summarizing the current state of the market.

> *"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, are now moving out, to cheaper and 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 is no longer worth it for some of those with the ability to relocate. Anecdotally, renters by choice who do want to work remotely*

are often moving to 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, immediate job losses are plaguing 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 mobile work has led to an outflow of apartment renters. Demand for apartments is projected to weaken further over the next few quarters as furloughed renters and those with lost income streams struggle to renew leases."

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.



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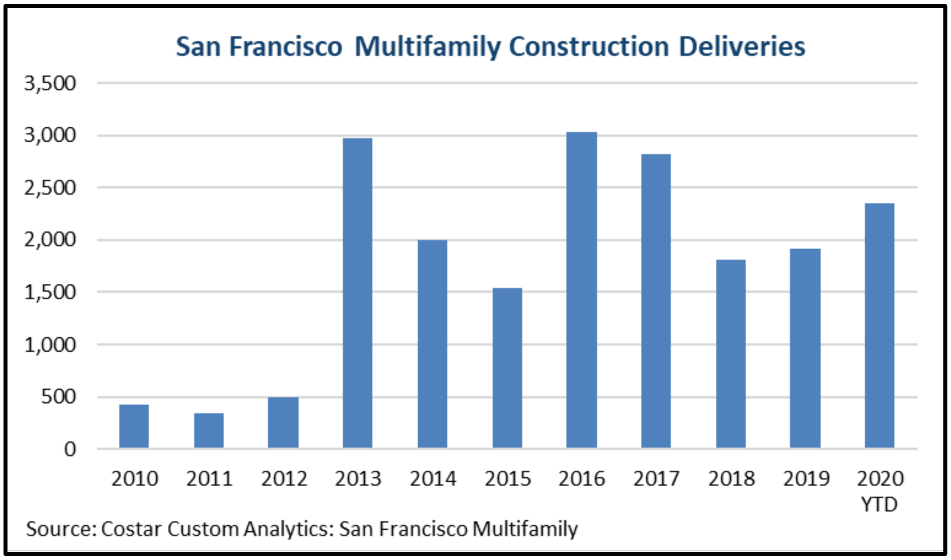
Permit activity for multifamily projects was low during the recession years, with increases beginning in 2011/2012 as developers began responding to improving market conditions.

The CB Richard Ellis Snapshot reports for the San Francisco Bay Area Multifamily market indicate just under 3,000 multifamily units were completed in 2017 and roughly 2,000 units were completed in 2018, which is generally consistent with the data reported by Costar. The majority of new developments have been concentrated in the South of Market (SoMa) and Mission Bay/China Basin/Potrero Hill submarkets. CBRE data is not available beyond the first quarter 2019. Costar reports 1,916 units delivered in 2019 and 2,348 units delivered as of the end of October 2020.

The following illustrates new construction deliveries over the past ten years and the year-to-date deliveries as of the end of October 2020, as reported by Costar.



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, was completed in the first quarter 2020 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, the project at 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.

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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. As a result, supply growth could decline considerably in several years, once the current projects under construction are delivered. Some of the significant apartment projects under construction are summarized as follows:

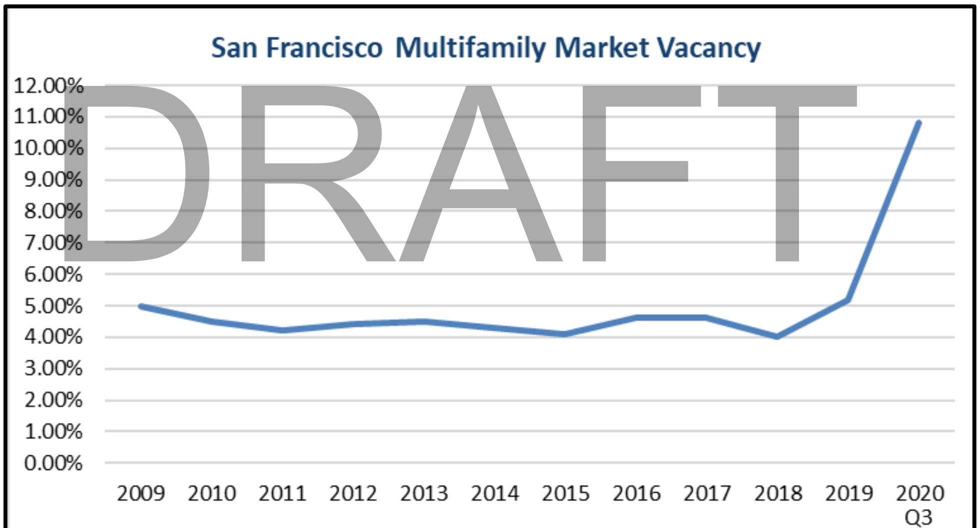
San Francisco Multifamily Projects Under Construction

Project	Number of Units	Submarket	Anticipated Completion
HQ / 1532 Harrison Street	136	Mission District	Q4 2020
Alexan Bryant / 955 Bryant Street	185	Mission Bay	Q1 2021
Trinity Place / 1177 Market Street	501	South of Market	Q3 2021
30 Otis Street	354	South of Market	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

Source: CoStar, Kidder Mathews Real Estate Market Review Report

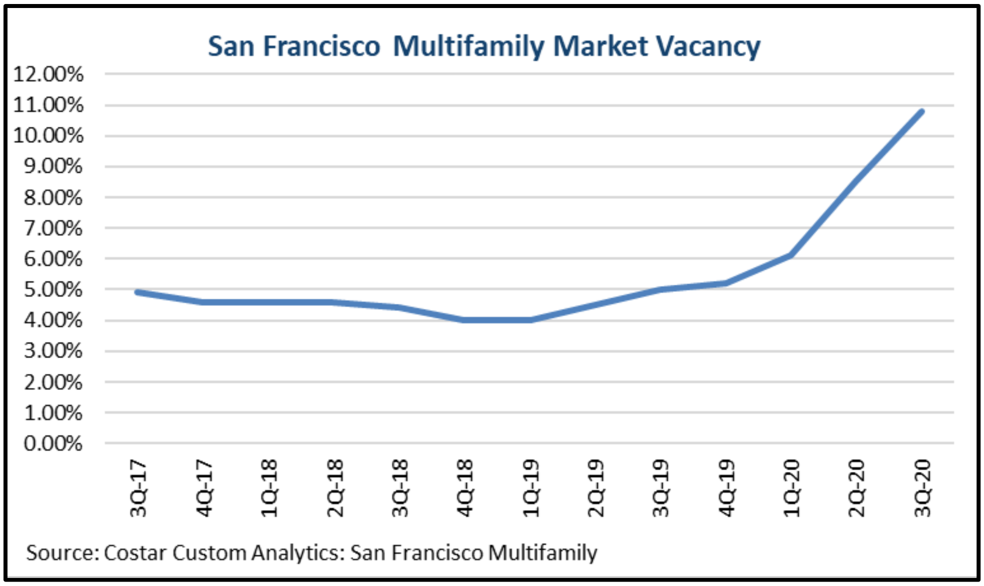
Vacancy

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, as indicated in the following table.



Source: Costar Custom Analytics: San Francisco Multifamily

More recently, 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 6.1%. The rate further increased in the second and third quarters, following the recent events of the pandemic, as illustrated below. As of October 2020, the overall average vacancy was reported at 10.8%, a 230-basis point increase over the second quarter 2020 and a 570-basis point increase year-over-year.



Rental Rates

The following chart highlights trends in the average asking monthly rental rate for multifamily units in the San Francisco market area, as reported by Costar. Guarded reliance should be placed on reported average asking rental rates due to the number of variables impacting these figures.

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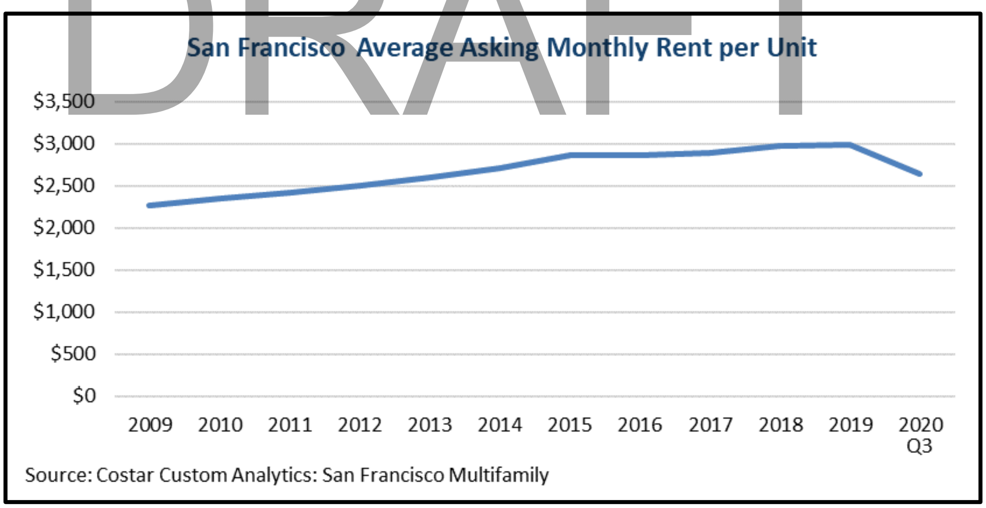

According to this report, the average asking monthly rental rate as of October 2020 was $2,644, a decrease of 9.1% over the second quarter rate and a decrease of 11.8% year-over-year. Rental rate growth had been moderating over the past four years and has declined significantly following the coronavirus stay at home orders.

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 happening in Haight-Ashbury/Castro/Noe Valley/Mission and Mission Bay/China Basin/Potrero Hill.

Average asking rental rates ranged from $2,014 per unit/month in the Bayview/Visitacion Valley submarket to $3,571 per unit/month in the Marina/Pacific Heights/Presidio submarket. In terms of vacancy, a rate of 0.5% was reported for Treasure/Yerba Buena Island, with the next lowest vacancy in the Bayview/Visitacion Valley submarket at 4.4%. The highest overall vacancies were reported in the South of Market and Sunset/Lakeshore submarkets, at 19.3% and 16.2%, respectively. Each submarket had increases in vacancy, ranging from 50 and 200 basis points (Treasure/Yerba Buena Island) to 1,170 and 1,010 basis points (Sunset /Lakeshore and South of Market) year-over-year, while market rents decreased anywhere from 1.7%-23.1%, with Mission Bay/China Hill/Potrero and South of Market showing the largest decreases at 20% and 23%, respectively, year-over-year. 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	5,756	0	221	$2,014	4.4%
Civic Center / Tenderloin	13,237	303	332	$2,147	11.3%
Downtown San Francisco	26,656	0	370	$2,614	9.1%
Haight-Ashbury/Castro/Noe Valley/Mission	25,748	1,129	1,192	$2,593	9.7%
Marina/Pacific Heights/Presidio	15,270	0	0	$3,571	9.3%
Mission Bay/China Basin/Potrero Hill	8,935	698	216	$3,035	12.3%
Richmond/Western Addition	25,652	113	126	$2,239	8.6%
South of Market	14,698	180	1,311	$2,937	19.3%
Sunset/Lakeshore	10,502	0	8	$2,554	16.2%
Treasure/Yerba Buena Island	624	0	105	$2,511	0.5%
San Francisco Market Total	147,078	2,423	3,881	$2,644	10.8%

Source: Costar Custom Analytics: San Francisco Multifamily, October 2020

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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 continued to increase following the recession of 2008, capitalization rates decreased and pricing increased, making San Francisco the most expensive multifamily market in the country. More recently, capitalization rates have held steady in the high 3% to low 4% range and remain among the lowest in the country. Properties with value-add potential have been in demand as investors look to renovate and compete with nearby luxury rentals. While, investment activity has been strong, the first quarter 2020 showed signs of moderation as rental rate growth diminished and vacancy rates began stabilizing with new inventory added. Second and third quarter 2020 showed a decline in 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. Looking forward, deal volume is expected to continue to be impacted by the pandemic and ensuing recession, as uncertainty among investors and lenders increases, putting further pressure on sales indicators.

Conclusion

Over the past several years, the San Francisco multifamily market has thrived, with steady rent increases and very low vacancy rates. New construction activity has likewise been strong, with significant projects still in progress and scheduled for completion over the next two to three years. However, the market has begun to stabilize over the past 12-24 months.

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.

In recent months, guidelines have been released 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 and outbreak in a community. Restrictions have begun to be relaxed in various counties throughout California that have met certain criteria in containing COVID-19. These counties may consider increasing the pace at which they advance through the reopening plan. Most Bay Area counties have taken a cautious approach to reopening.

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While the near-term outlook for the San Francisco multifamily market is uncertain, strong fundamentals in place prior to the recent events surrounding COVID-19 position the market for stability over the long term.

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 in each quarter thus far in 2020. Vacancy, which had been on a downward trend since late 2017, likewise increased each quarter in 2020. Average asking rental rates have been increasing for the past three years and continued to increase in the first and second quarters 2020, though at a more tempered pace, but decreased in the third quarter 2020.

Employment

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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.

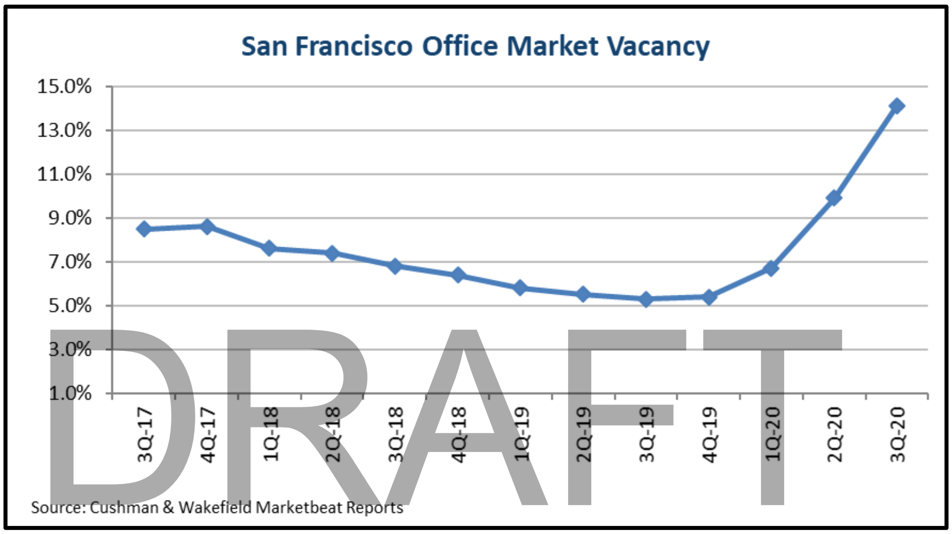
According to the latest data from the California Employment Development Department (EDD), the total number of jobs in the San Francisco-Redwood City-South San Francisco Metropolitan Division (San Francisco and San Mateo Counties) declined 10.0% year-over-year as of September 2020, with 119,100 jobs lost. The biggest losses were in Leisure/Hospitality (56,100 jobs lost); Trade/Transportation/Utilities (15,200 jobs lost); and Government (11,300 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 September 2020, the unemployment rate decreased to 8.4%, 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.

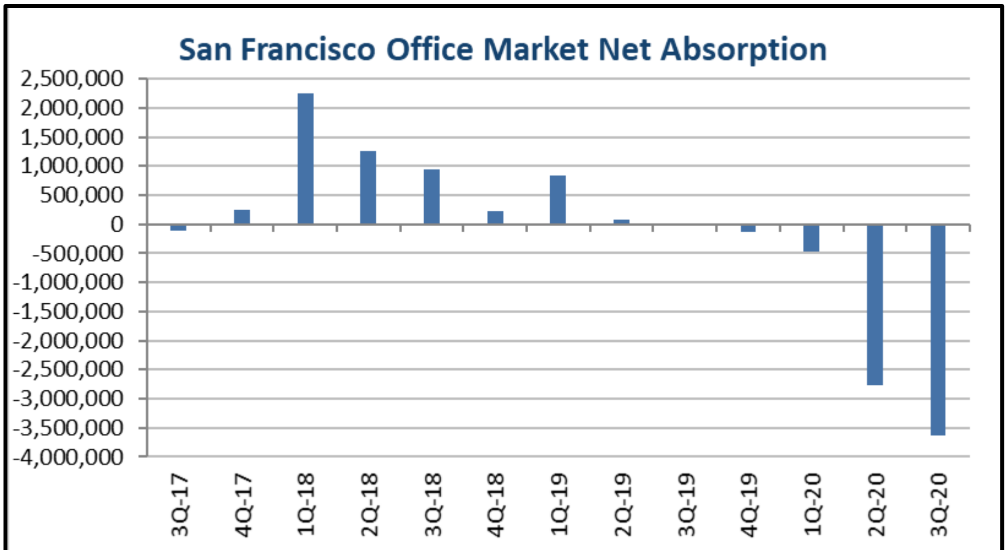
Office vacancy in the region was on a steady moderate decline from the period of roughly 2011 to the beginning of 2016, at which point it increased and remained in the mid-7% to mid-8% range until 2018, when it started slowly declining again. The average vacancy steadily declined through 2018 and 2019, with upward 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. Subleases continue to be a significant source of new vacancy.

Reports indicate leasing activity in the market declined to a historic lows in the second and third quarters, with 421,000 square feet leased in the second quarter and 385,000 square feet in the third quarter, both significantly lower than the 1.1 million square feet of leases transacted during the first quarter. It is noted that Cushman & Wakefield data does not include renewals in leasing statistics. Tenant demand was reported at 3.5 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. Net absorption in 2018 was very strong, with over 4.8 million square feet absorbed. The following chart summarizes net absorption over the past three years.



Source: Cushman & Wakefield Marketbeat Reports

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.

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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 steadily declining during 2020. The first quarter posted 477,857 square feet of negative net absorption and this declined to 2,766,026 square feet of negative net absorption in the second quarter as the shelter-in-place order continued. 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.

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 3Q 2020	Net Absorption 2Q 2020	Net Absorption YTD
North Financial District	26.31	14.9%	(1,121,521)	(2,199,098)
South Financial District	27.92	10.9%	(1,017,009)	(1,406,167)
Jackson Square	2.03	24.1%	(201,985)	(356,374)
North Waterfront	3.35	16.8%	(251,880)	(370,708)
SOMA	7.99	19.2%	(299,234)	(1,159,411)
The Presidio	1.03	2.1%	(1,965)	2,480
Union Square	3.08	21.1%	(216,084)	(397,750)
Van Ness Corridor	.73	19.4%	(13,151)	(38,887)
Showplace Square / Potrero Hill	4.05	14.0%	(97,365)	(409,947)
Mission Bay	1.77	15.2%	(269,003)	(269,003)
Mid-Market	4.97	11.4%	(114,290)	(282,175)
Third Street Corridor	.34	6.8%	(23,017)	(23,017)
Total	83.58	14.1%	(3,626,504)	(6,910,057)

Source: Cushman & Wakefield Marketbeat Reports

The CBD posted the greatest loss in space, with 1,121,521 square feet lost in the North Financial District and 1,017,009 square feet lost in the South Financial District. Every submarket had negative net absorption. Vacancy has also increased in each submarket, with the highest vacancy found in the Jackson Square and Union Square submarkets.

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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 third quarter of 2020, the region’s average asking rate was $6.54 psf/month (full service), down from $6.93 psf/month in the second quarter and from $6.66 psf/month the previous year. The average asking rate was $6.68 psf/month in the CBD, and $6.78 psf/month for Class A properties in the CBD, while the non-CBD submarkets had an overall average asking rate of $6.31 psf/month and $6.85 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, 1500 Mission Street delivered 466,000 square feet in the South of Market submarket, which was preleased to the City of San Francisco.

Reports vary in their estimates of product under construction, ranging from 3.1 to 4.3 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 were pushed back to the second half of the year.

Similar to 2018 and 2019, the South Financial district has the largest concentration of development in the pipeline, the largest of which is 1.25 million square feet proposed at First Street Tower, part of the Oceanwide Center, with anticipated delivery in 2023. 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 has since fallen through and a new buyer has emerged.

Also noteworthy is the new headquarters for Uber with over one million square feet set to deliver in the fourth quarter 2020 in Mission Bay near the Chase Center.

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. Pending lawsuits have been recently settled and 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.

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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
1500 Mission Street (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 Q4 2020
633 Folsom (Asana)	South Financial	268,000	Under Construction / Delivery Q4 2020
1455 and 1515 Third Street (Uber Headquarters)	Mission Bay	422,980	Under Construction / Delivery Q4 2020
5M / 415 Natoma Street	South of Market	640,000	Under Construction / Delivery Q1 2021
One De Haro / 1 De Haro Street	Showplace Square	126,537	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 has been in an expansion stage over the past few years. There has 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.

In recent months, guidelines have been released 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 and outbreak in a community. Restrictions have begun to be relaxed in various counties throughout California that have met certain criteria in containing COVID-19. These counties may consider increasing the pace at which they advance through the reopening plan. Most Bay Area counties have taken a cautious approach to reopening.

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.

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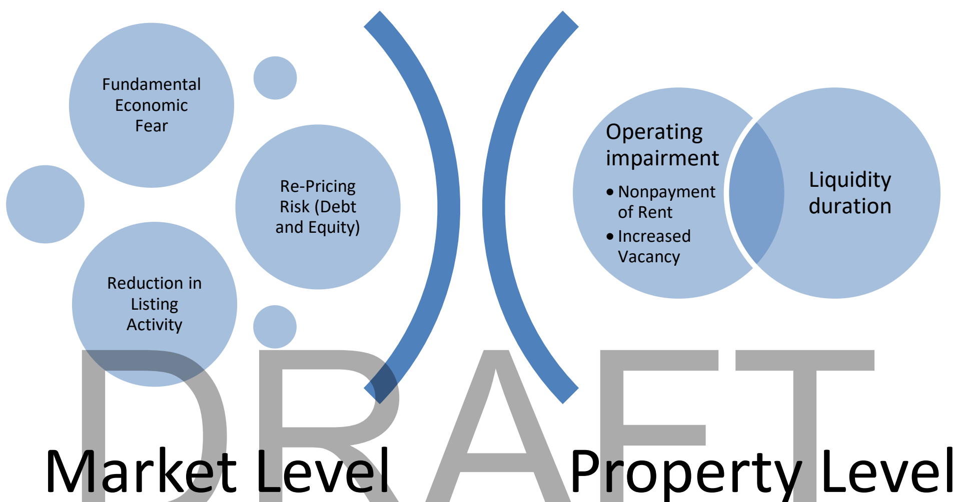
COVID-19 Impact on Current Valuations

Transaction indicators are the best measure of any impact on values due to COVID-19. Given the unique nature and recency of this event, minimal activity is evident from which to draw benchmark comparisons based on transactional data. In the absence of transaction data, market and property specific empirical data can be gleaned to assist in estimating current value. In this initial phase of the pandemic, early emerging trends include:



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All or some of the above may be shorter-term issues, but others may linger and have a lasting impact on valuations in the commercial real estate (CRE) sector along a continuum of time.

At this juncture, the global question facing market participants is: “How long does this crisis last and how deep will its impact become?” At a minimum, Q2 economic results will prove dismal based upon Shelter-in-Place and Stay-at-Home Executive Orders for most of the U.S. states largely in place into late June. At the direction of State Governors all states have begun a phased “reopening.”

Based on discussions and interviews with a wide range of market participants, a variety of factors and concerns are prevalent in the market that will likely have a negative impact broadly on CRE values, depending on property type and region. Essential Service Providers have and will be less impacted (distribution facilities, medical facilities, grocery service) as the performance of these sectors is expected to continue.

However, the broader market will experience a myriad of issues based on survey respondents including:

Uncertainty

- Restricted access to capital
- Unemployment concerns (increasing to 15% in Q2)
- GDP decline (-30% in Q2)
- Duration of crisis

Lender Concerns

- DSCR are impacted based on changes in rental revenue and collections
- Loan covenants could trigger due to changes in near-term value
- Borrowers are concerned about their tenants' ability to pay rent
- Borrowers are concerned about their ability to keep their loans current
- Lenders are also concerned about the need for loan modifications or work outs

Publicly Traded Securities

- Stock indexes were down approximately 25% to 30% but have since rebounded
- REIT pricing was down approximately 25% but have since rebounded
- Crude oil was down approximately 40% but has since partially rebounded

Return Requirements

- Interest rates may stay in the 4% - 4.5% range, despite the Federal Reserve’s reduction efforts. Banks tightly manage their capital reserves and ratios, and therefore are requiring higher spreads for current risk profile
- Durability of Cash Flow forces (new) equity investors to reprice risk. Standby (available, uncommitted) equity now has to be patient until a clearer “path forward” emerges
- Impact on cap rates would be upward

Each of the above observations provides empirical evidence that the market has shifted downward and real estate values will likewise be impacted, but to what degree is not certain.

Few experts or economists at this point are willing to state a threshold duration at which point everything will return to normal quickly, versus a duration of limited economic activity that spirals into worldwide recession. At the moment, the prevailing hope of the world is that science miraculously manufactures a cure, while in the meantime, social activity has slowed worldwide.

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Integra Current Valuation Framework (June 15 - present)

The preceding property market analysis focuses on recent historic trends before the physical and social impacts of the COVID-19 pandemic were revealed in the U.S. in early March 2020. The property market analysis was current through Q3-2020 with trends and indications for solid growth by most all market indicators. Many current market participants believe the commercial real estate (CRE) markets will return to trend - the lingering question, “How long will it take?” remains uncertain.

What we do know with reasonable certainty:

- At a minimum, Q2 economic performance will be dismal.
- Shelter-in-Place and Stay-at-Home executive orders and phased reopening's will have a profound impact on GDP with rising unemployment damaging forward economic performance for six months at a minimum.
- The Federal Reserve's attempt to lower nominal rates was thwarted by lenders setting floors on spreads. Congress subsequently approved a $2 Trillion stimulus package on March 27, 2020. This provided some economic relief, but businesses, owners, investors, and bankers need to support payroll retention and an aggressive program of economic goodwill throughout all sectors of the economy.

Everything forward beyond those three known factors remains subject to considerable risk/uncertainty. Our recent surveys of market participants indicate a focus in the following areas impacting value:

- Impacts could (should) vary by property type, class, and location
- Cost of capital (both debt and equity) is increasing, but at different rates for different asset classes
- Declines in property operations/forecasts (NOI) vary in duration based on property type, class; location, and tenant durability under potential recessionary pressures
- Increases in cap rates (and normalized yields) will vary by property type, class and location as will the underlying assumptions on stabilized or periodic cash flow
- Marketing times for most assets will increase. To a large extent, deal flow was halted based on the sheer physical constraints imposed on property showings/due diligence, etc. under distancing restrictions. As these restrictions are lifted, the market is showing signs of activity, some pent up demand and increased interest, although commercial property deal flow remains muted.

Impact by Property Type, Class & Location

Below is a graph prepared by Greenstreet Advisors plotting the sensitivity (and risk) associated with various property types with the negative impact on value being greater for those assets with greater sensitivity. Those assets relating to essential business operations (grocery, medical, distribution) are less affected than for example lodging and malls where social distancing is more difficult.

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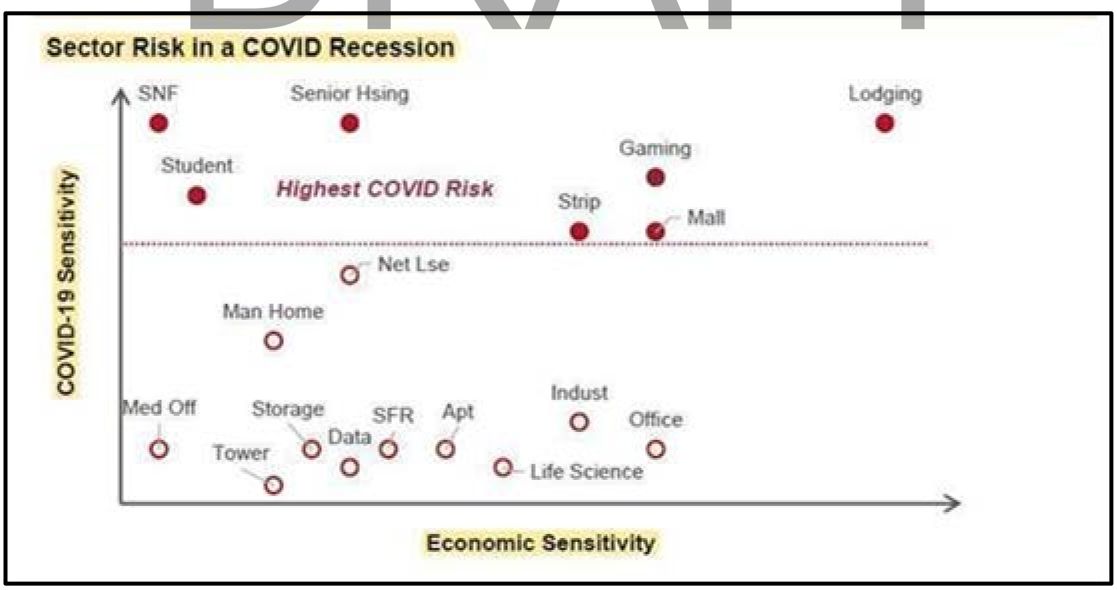

Cost of Capital/Liquidity

The cost of capital, both for debt and equity, had been at near historic lows pre crisis. As lenders are coming to grips with the severity of the economic outlook, many have pulled back while others have reacted by raising interest rates, lowering loan to values, or a combination of both. There are clearly some lenders who are "out" while others remain in the market. Fewer options are available in the market and those options are more expensive today. The rise in cost varies notably by property type with agency lenders and HUD determined to provide liquidity to the multi-family market, while at the other end of the spectrum, financing a hotel is challenging and land financing is nonexistent. Assets focused on essential business operations (e.g., grocery or last mile industrial) remain in favor as do net leased assets with recession-resistant business profiles.

Equity is less clear at the moment. While large pools of capital were being raised through 2019 and into Q1-2020, the strategy has suddenly shifted. Equity is available, but will be deployed with stricter underwriting criteria and more cautious income growth and exit assumptions.

Declines in Property Operations/Forecasts

The lodging, retail, student housing and senior sectors are generally viewed as expecting to suffer the greatest in the short term. Once again, this varies by location and type. Restaurant retail is generally viewed as having greatest risk but is expected to rebound quickly as pent-up demand is evident as everyone can now leave their homes. Grocery retail is currently performing well with big box stores setting record sales per square foot.

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Radical changes in the employment picture will begin to affect the housing sector, both single-family and apartments. Apartments will not be immune or "safe" from lost rent, varying by type and location depending on the tenant base employment and its ability to weather a 6 to 12-month contraction.

Rent projections are being held flat in modeling cash flows going forward with the length of time dependent on the asset type.

Depending upon whether values are based on yield capitalization (DCF) or direct capitalization, care must be given to provide "stabilized" forecasts to capitalize; and to normalize yield levels for projecting variable year yield cap.

Premiums on Capitalization Rates

While many deals have fallen out of contract, other deals are still closing. Some are closing at their pre-crisis contract price levels, while many deals are being re-traded in the market with discounts influenced by property type, location and buyer/seller motivations.

As the transaction market solidifies, the impact on capitalization rates will become more clear. Some market participants believe the answer to market value lies in capitalization rates while others believe rates are not moving, but net operating income in the short run is being impacted. Once again, the answers vary by property type and location.

With a rise in the cost of capital (debt and equity), valuation theory suggests a rise in capitalization rates. A 100 basis point upward movement in interest rates for example, combined with a modest rise in equity returns, can move capitalization rates up over 100 basis points. This analysis is tempered, however with the understanding that it is difficult to settle on the inputs given the wide range of data in the market. In addition, care must be taken not to “double hit” the analysis by modeling significantly lower net income via lower performance projections and at the same time raising the return requirements.

Normalization of Yields

All yield capitalization is based on forward forecasting of property performance to generate a current cash flow, and future forecasted reversion. Therefore, the timeframe for the market to reach a point of pricing transparency to “return to par” is the critical assumption in the yield cap.

The longer or less likely the assumptions are, the higher the near-term yields. Valuation theory and past downward economic cycles suggest a shortening of the holding period and a normalization of “overall yield” applied over the shorter holding period.

As the transaction market solidifies, the impact on investment rates and relationship of assumption risk to market risk will become clearer.

Marketing and Exposure Time

At the present time, there is consensus of declining market demand in CRE transactions, due to market conditions ensuing from COVID-19. It is natural to assume that exposure time on properties either for sale or lease, will likely be extended. Comparing pre-COVID-19 exposure periods (perhaps the best) to the banking crisis of 2008/2009 (perhaps the worst) can glean some differences that could extrapolate to exposure time going forward, i.e. from peak to trough.

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Sector	Months on Market March 2008-09	Months on Market March 2018-19	Change in Months	% Change Peak to Trough
Office	29.6	14.8	14.8	100%
Retail	15	11.4	3.6	32%
Industrial	19.6	6.7	12.9	192%
Average	21.4	11.0	10.4	95%

Source: Costar – data presented in Months

Days on the market increased substantially in the last economic crisis of 2008-2009, with an average of 21 months on market for major property classes. The trailing 12 months preceding the COVID-19 crisis, average days on the market were 11 months.

Based on this historical perspective, marketing time could potentially double from current levels. This would have to be tempered recognizing that the depth and duration of this current economic crisis is tied to a health crisis and may have a conclusion more closely tied to its resolution.

Commercial Impacts - Market Sentiment/Participant Interviews

While transaction data is limited, we look to market participants (developers, investors, lenders, brokers, other appraisers) as a leading indicator of where the market is currently, and where they believe the market is heading. Following is a summary of key interviews undertaken:

Market Participant Survey

	Respondent	Commentary
Category Role/Title Company	Developer/Investor/ Property Manager Owner Dollinger Properties	Says he's not seeing much of a hit to industrial/office (in fact has signed a few deals for national credit tenants to expand into vacant space), but retail is a complete disaster. National credit retail tenants are refusing to pay rent (he gave Ross, Mattress Firm and The Habit Burger as examples) for 1 to 6 months. Only Starbucks, Peets and Chipotle paid rent in April. Additionally – he indicated that he and other brokers have been creative in their granting of relief. One example he gave was granting 6 months to a year of free rent, but in exchange the tenant was required to renew for an additional five years.
Category Role/Title Company	Broker EVP CBRE	This is an external event that has nothing to do with systemic issues with real estate (as opposed to previous downturns); expects cap rates to increase once deals start again. Q2 will be slow, Q3 will be VERY slow, Q4 things will return to normal. Things will return to trending as they were before Covid 19. Sales on the table are being renegotiated at 5-15% lower. Some larger companies that were aggressive early on (e.g. Uber) will be hit very hard, expects more subleasing. Lots of deals "on hold" waiting for future. Retail market is "crushed"; industrial is red hot still (especially warehouse) and office is still in demand, but will likely see deals put on hold.
Category Role/Title Company	Broker SMD Newmark	Recovery will more of a "dimmer switch, not a toggle switch". Everything depends on WHEN we return to normal – end of the year may be overly optimistic, while reality of a full return will be likely 1-2 years out – depending on vaccine date. That will be the deciding factor and if the shut down continues through the end of the year, all sectors will be dramatically impacted. Owner-user transactions are still moving forward with SBA loan help - low cost of money going forward will also help.

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Multifamily Impacts - Market Sentiment/Participant Interviews

We have also surveyed market participants to determine overall expectations on the pandemic's impact on the multifamily market. Below are the results of these market participant surveys.

COVID-19 Market Participant Surveys

	Respondent	Commentary
Role/Title Company	Senior Managing Director Newmark Knight Frank	Reported he had a property in escrow in April 2020 in Hayward that was marketed for a month, received 8 offers, and fell out of escrow due to COVID-19 concerns about financing and rent collection. The seller was not willing to give a price discount due to the pandemic and took the property off the market. Indicated he has been in regular contact with East Bay apartment investors about their appetite and capital availability for new acquisitions. Capital is reportedly plentiful and demand for high-quality apartment investments remains robust. However, there is a disconnect between buyers and sellers, with buyers expecting discounts of 4% to 15% from pre-COVID prices, and sellers are not willing to consider price reductions from pre-
Role/Title Company	Director Newmark Knight Frank	Listing broker for the Rancho Luna Sol sale, a mixed-income property in Fremont. The property was marketed for 4-5 weeks via an unpriced bid process, received "tens" of offers, and went into contract in late December 2020 under pre-pandemic market conditions. The transaction had long escrow period related to the assignment of existing affordable housing regulatory agreements and closed in May 2020. The buyer asked for a nominal price discount due to COVID-19 during escrow, but this price discount was rejected by the seller. Reported there is a lot of capital that needs to be deployed into multifamily in 2020 and financing is available. However, many sellers that were considering taking their properties to market in Q1 2020 have now put those plans on hold until at least Q4 2020. There is currently a disconnect in pricing expectations between buyers and sellers. Buyers are looking to acquire properties with discounts near 10% compared to pre-COVID prices; but sellers are only willing to sell their properties with 0%-5% price discounts compared to pre-COVID prices. He opined these factors are the reason why there were so few
Role/Title Company	Senior Director Institutional Property Advisors	Has a 306-unit apartment property in Sacramento that went to market via an unpriced bid process in early April 2020. The property received 8 offers, which were 10-12% were lower than expected due to the pandemic. The ownership group (the original developer of the property) had a death in late 2019 and the group had been preparing to take the property to the market in 2nd Quarter 2020 since the group was no longer interested in operating a large scale apartment project. As a result, the seller decided to take the property to market despite the potential for a slight decline in sale price. The buyer for the transaction indicates they believe they are getting an 8%-10% discount on the sale price due to the timing of the sale during a pandemic. Institutional buyers are currently on the sidelines during the COVID-19 pandemic. Buyers who previously were unable able to compete with institutional buyers are now looking for properties they otherwise would not be able to purchase. In general, properties that were scheduled to come to market in April are being pushed out at lease 60-90 days for listing. Projects in escrow have seen some price reductions.
Role/Title Company	Senior Managing Director Marcus & Millichap	Properties put on the market during COVID-19 pandemic are likely to see price reductions. Projects in escrow in early April may also see price reductions or fall out of escrow. Investors that can, will wait to see where pricing will hit when shelter in place is over looking for lower pricing and better returns.

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Multifamily Impacts - California Anti-Price Gouging Statute

On March 4, 2020, the governor of California declared a State of Emergency for the entire State of California, which triggers California's anti-price gouging statue. This statute prohibits raising the price of many consumer goods (including rental housing) by more than 10% after an emergency has been declared. Based on historical rent increases in the market and current pandemic projections, this anti-price gouging statute is not expected to negatively impact market rent increases for the foreseeable future.

Multifamily Impacts - California Eviction Moratorium

On March 27, 2020, the governor of California ordered a state-wide moratorium on the enforcement of evictions for renters affected by COVID-19. Under this order, landlords cannot evict nonpaying tenants if they are affected by the coronavirus pandemic by prohibiting "enforcement of evictions by law enforcement or courts" through May 31, 2020. Tenants must declare in writing to landlords if they cannot pay rent due to the coronavirus outbreak no more than seven days after rent is due, and are obligated to repay full rent in a "timely manner." If tenants fail to repay rent costs during the moratorium, landlords will maintain the jurisdiction to evict after the moratorium is lifted.

Conclusion

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:

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Risk Analysis	
Property Type Sensitivity to Risk	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. 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 anecdotal 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. 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.
Property Location Sensitivity to Risk	Low—the subject is located 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.
Cost of Capital Impact/Risk	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.

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.

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Valuation

Valuation Methodology

As part of this update 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 some anecdotal 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 interviewed market participants regarding the San Francisco market, including developers, brokers, and other market participants. The results of these interviews will be discussed further in the *Subdivision Development Method* section. 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.

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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 that no large institutional landlords are 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. However, office property owners are reportedly recognizing a slight reduction in value (2% to 5%) due to the pandemic. 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 original appraisal report, income capitalization approaches were utilized to determine the market value of the subject Blocks as if complete and stabilized, from which extraction analyses were 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, it is our opinion, for purposes of analysis, we have not revised the conclusions of market rent or income and expense projections utilized in developing opinions of market values of the subject Blocks as if stabilized. Further, 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 developable redevelopment properties from multiple developers, who are considering pre-COVID-19 rental rates in their modeling.

Therefore, in order to consider the impact of the current COVID-19 pandemic on the market value in bulk of the subject property, the subdivision development method presented in the upcoming pages utilizes the concluded retail values for the developable (subject to the lien of the Special Taxes securing the Bonds) Blocks comprising the subject property presented in the original Appraisal Report (April 22, 2020 date of value). However, we consider the impact of the current pandemic in our concluded disposition period (absorption schedule) for the developable Blocks. Further, we have also considered the impact of the current pandemic on the selected internal rate of return. This will be discussed further in the following pages.

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Subdivision Development Method – Market Valuation

In order to estimate the bulk market value of the subject, 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.

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.

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Revenue

The revenue component associated with the subject includes the concluded values for the various land use components derived in analyses in the original appraisal report, which are summarized in the following table. For a complete discussion of the concluded land values presented herein, please refer to the original Appraisal Report dated October 21, 2020 (April 22, 2020 date of value).

Summary of Land Residual Values

Block	Land Residual	Use	Units	Per Unit	Gross SF	Per SF of Bldg
A	$38,600,000	Res/Office	283	$136,396	-	-
B	$91,400,000	Office	-	-	283,700	$322.17
F	$65,700,000	Residential	254	$258,661	-	-
G	$146,400,000	Office	-	-	307,058	$476.78
C	$87,100,000	Office	-	-	354,826	$245.47
D1	$24,400,000	Residential	259	$94,208	-	-
E	$34,800,000	Office	-	-	141,330	$246.23
H	$40,300,000	Residential	192	$209,896	-	-
I	$34,000,000	Office	-	-	151,932	$223.78
J	$33,800,000	Office	-	-	151,982	$222.39
K	$27,300,000	Residential	131	$208,397	-	-
	$623,800,000					

Absorption

As the market still responds to the ongoing COVID-19 pandemic, absorption rates are best measured by looking at historic trends for similar developments 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.

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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.

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 subject's eleven blocks will be developed over four phases, with development of backbone infrastructure expected to commence in September of 2020 and continue until October of 2028. This reflects a one-year increase over the original appraisal report.

Given the proposed infrastructure timeline, we estimate a total absorption (sell-off) period of eight years in the upcoming analysis. Acreage associated with Phase 1 is projected to sell in the third and fourth periods, after substantial infrastructure has been completed. We project Block G (100% pre-leased to Visa) to sell first in Period 3, with the reminder of Phase 1 to sell in Period 4. Phases 2 and 3 are forecasted to sell in the fifth and sixth periods, respectively. Finally, Phase 4 is expected to sell in the seventh and eighth periods. A summary of the developer's horizontal construction timeline is provided in the following table.

Developer's Timeline - Horizontal Improvements

Phase	Acreage	Blocks	Contstruction Start	Construction 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

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

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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 2020/21 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 subject is 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 block is presented in the following table. Please note, the calculation of special taxes in the subdivision development method differs from the previous calculations in the direct capitalization analyses as ad valorem taxes are not available to offset the Office Use Base Development Tax.

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 Residential Square Footage (1)	Office Square Footage (1)	Total Expected Square Footage (1)	FY 2020-21 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**

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(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.

The maximum annual special tax for facilities is subject to an annual increase of 2%, beginning on July 1, 2021. As with the ad valorem tax, the special tax expense is gradually reduced over the absorption period as the land components are sold off. Please note, given the construction timeline of the subject, only special taxes for blocks within Phase 1, Tax Zone 1 are considered in this analysis. Special taxes associated with Phases 2, 3, and 4, which are located in Tax Zone 2, are excluded.

The purpose of this Appraisal Report is to estimate the market value of the subject property, subject to the Lien of the Special Tax securing the 2020 series of the City and County of San Francisco Special Tax District No. 2020-1 Special Tax Bonds (Phase 1); thus, it is presumed upon the transfer of the Phase 1 Blocks the obligation for the Lien of the Special Tax will be assumed by the buyer. Therefore, in the discounted cash flow presented, no additional Special Taxes will be captured as a master developer expense following the sale of the Phase 1 blocks.

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. The current annual ground lease payment is $2,101,200 and the lease rate escalates 3.0% per year. 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. Please note, Block D2’s pro-rata share of the ground lease payment is excluded in the upcoming analysis, in accordance with the allocation on the following page.

Ground Lease Allocation

Block	Phase	Tax Zone	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1	1	0.96	41,818	10.1%	$211,663	Prepaid
B	1	1	0.93	40,511	9.8%	$205,049	Prepaid
F	1	1	0.58	25,265	6.1%	$127,880	Prepaid
G	1	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**	

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Backbone Infrastructure

According to the master developer, total infrastructure costs associated with Phases 1, 2, 3, and 4 of Mission Rock are approximately $244,024,000. However, this includes the backbone infrastructure associated with Block D2 in Phase 2, which will include the parking garage and retail space not subject to the lien of the special taxes securing the Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2020. Therefore, for purposes of this analysis, the allocable horizontal costs associated with development of Phase 2 infrastructure, which includes a pro-rata share of costs attributable to Block D2, will be deducted from the overall cost obligation bore by the balance of the taxable Blocks within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). A summary of this calculation is provided below.

Phase 2 Horizontal Improvements

Block	Acreage	Pro-Rata Share	Horizontal Costs	Rounded	PH 2 - Excluding D2
C	0.90	29.0%	$7,885,641	$7,886,000	$7,886,000
D	0.58	18.7%	$5,081,857	$5,082,000	$5,082,000
D2	1.62	52.3%	$14,194,154	$14,194,000	
	3.10	100.0%	27,161,652	27,162,000	12,968,000

The remaining infrastructure costs for all phases calculates to approximately $229,830,000 ($244,024,000 - $14,194,000), which will be disbursed during the development and sell-off period commensurate with the development timeline. Based upon the hypothetical condition cited herein, the estimate of market value considers the completion of infrastructure improvements to be financed by the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Bonds. Therefore, for purposes of this analysis, presuming a value to lien of 3-to-1, per the City and County of San Francisco, and an implied construction fund proceeds of 85% of the estimated Bond sizing, approximately $37mm in infrastructure costs are presumed to be completed (financed) for Phase 1 and will be credited toward the costs associated with Phase 1 in the upcoming discounted cash flow analysis.

Internal Rate of Return

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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 20.00%, with an average of 15.20% during the Second Quarter 2020, which is 70 basis points lower than the average reported in the Fourth Quarter 2019, the last time the survey was conducted and 30 basis points lower than a year ago. However, guarded reliance is placed on this survey as it doesn’t fully capture the affects of the ongoing COVID-19 pandemic. 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. The surveyed investors have mixed opinions regarding value trends for the national development land market; their expectations range from negative 40.0% to positive 5.0% with an average expected value change of negative 6.9%. This average is far below where it was six months ago (+2.3%), as well as one year ago (+3.2%); however, it’s worth noting these surveys are conducted nation wide and reflect a compilation of projects from varying locations (not only urban,

[1] PwC Real Estate Investor Survey, PricewaterhouseCoopers, 2nd Quarter 2020, Volume 33, Number 2.

but also suburban). Further, while the survey of projects may not be directly applicable to the subject property, they at least represent alternative investment rates of return expectations in the market.

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.

> 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)

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> 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)

The largest increase over the past year occurs for the retail sector, where the rating rises from 2.42 to 2.55. The retail sector's development rating took a big hit between 2016 and 2017 and it appears that developers are now becoming more comfortable with this sector's evolution. Ironically, the only two sectors to see their development ratings decline this year, albeit slightly, are apartments and industrial, where concerns of oversupply issues have been expressed… Single-family development also gets a nod, as well as senior housing, where favorable demographics, compelling returns, greater liquidity, rising transparency, and mounting understanding of the benefits for residents appeal to investors… (Fourth Quarter 2017)

This quarter, most surveyed investors note that the industrial sector presents the best opportunities for development land investing in the near term. Other top choices include restaurant and high-end luxury residential… Total spending on U.S. private construction was up 7.0% on a year-over-year basis in March 2017, according to the U.S. Census Bureau. When looking more closely, private residential spending was up 7.5% while private nonresidential spending was up 6.4% – still positive, but below its year-over-year growth for March 2016 (9.3%). In the nonresidential sector, communication, office, and education reported the highest year-over-year gains in spending as of March 2017. In contrast, spending for health care, religious, and transportation construction declined year over year in March 2017… (Second Quarter 2017)

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Project Yield Rate Survey	
Data Source	**Yield / IRR Expectations (Inclusive of Profit)**
PwC Real Estate Investor Survey - Second Quarter 2020 (updated semi-annually)	Range of 10.0% to 20.0%, with an average of 15.2%, inclusive of profit and assuming entitlements in place, 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

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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 fully entitled, which discernibly mitigates risk for urban development in California, there remains discernible 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.

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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 this update, 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. 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, it is our opinion the internal rate of return for the subject property would likely range between **18% and 22%** for the leasehold interest in the subject property. For purposes of analysis herein, three discounted cash flow analyses will be presented based on an internal rate of return of 18%, 20% and 22%.

Conclusion

The three subdivision development methods are presented on the following pages.

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Subdivision Development Method

Inputs

Revenue & Expenses	
Taxable Land Acreage - All Blocks	7.91
Total Land Revenue	$623,800,000
Total Revenue per Acre	$78,862,200
Phase 1 - Blocks A, B, F & G	
Phase 1 Land Acreage	3.25
Phase 1 Revenue	$342,100,000
Phase 2 - Blocks C & D	
Phase 2 Land Acreage	1.48
Phase 2 Revenue	$111,500,000
Phase 3 - Block E	
Phase 3 Land Acreage	0.58
Phase 3 Revenue	$34,800,000
Phase 4 - Blocks H, I, J, & K	
Phase 4 Land Acreage	2.60
Phase 4 Revenue	$135,400,000
Annual Revenue Appreciation	1.000
General & Administrative	4.0%
Marketing & Commissions	3.0%
Remaining Infrastructure Costs	$229,830,000
Phase 1	$141,332,000 61%
Phase 2	$12,968,000 6%
Phase 3	$27,710,000 12%
Phase 4	$47,820,000 21%

Ad Valorem Tax Table		
Annual Increase in Property Taxes	2.0%	
First Year Annual Taxes/Acre	$218,784	
Max Special Assessments - Mission Rock CFD No. 2020-1		**Max Escalation**
Base Tax - Market Rate Residential - Tax		
Mission Rock CFD #1	$8.58 /SF	2.0%
Base Tax - Office Use -Tax Zone 1 & 2		
Mission Rock CFD #1	$6.50 /SF	2.0%
Base Special Tax - Office Use - Tax Zone 1		
Mission Rock CFD #1	$1.92 /SF	2.0%
Shoreline Special Tax - Office Use - Tax Zone		
Mission Rock CFD #1	$1.82 /SF	2.0%
Contingent Services Tax - Residential Tax		
Mission Rock CFD #1	$1.40 /SF	2.0%
Contingent Services Tax - Office Tax Zone 1 &		
Mission Rock CFD #1	$1.40 /SF	2.0%
Max Special Tax per Acre - Phase 1	$2,782,408 /Phase 1 Acre	2.0%
Ground Lease Payment per Acre	$220,483 /Acre	3.0%
Anticipated CFD Proceeds		
$40,913,300		

Revenue, Expenses and Valuation

		2021	2022	2023	2024	2025	2026	2027	2028	
Revenue	**Period (12 mths)**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Total**
	Sales (Acreage):									
	Phase 1	0.00	0.00	0.78	2.47	0.00	0.00	0.00	0.00	3.25
	Phase 2	0.00	0.00	0.00	0.00	1.48	0.00	0.00	0.00	1.48
	Phase 3	0.00	0.00	0.00	0.00	0.00	0.58	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	0.78	2.47	1.48	0.58	1.30	1.30	7.91
	End of Period Inventory	7.91	7.91	7.13	4.66	3.18	2.60	1.30	0.00	
	Total Period Inventory (acres)	7.91	7.91	7.91	7.13	4.66	3.18	2.60	1.30	
	Land Sales Revenue Unappreciated									
	Phase 1	$0	$0	$146,400,000	$195,700,000	$0	$0	$0	$0	$342,100,000
	Phase 2	$0	$0	$0	$0	$111,500,000	$0	$0	$0	$111,500,000
	Phase 3	$0	$0	$0	$0	$0	$34,800,000	$0	$0	$34,800,000
	Phase 4	$0	$0	$0	$0	$0	$0	$67,700,000	$67,700,000	$135,400,000
	Total Revenue	$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
	Land Sales Revenue Appreciated	$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
Total Revenue		$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
Expenses	**All Categories**									
	General & Administrative	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($24,952,000)
	Marketing/Commissions	$0	$0	($4,392,000)	($5,871,000)	($3,345,000)	($1,044,000)	($2,031,000)	($2,031,000)	($18,714,000)
	Backbone Infrastructure									
	Phase 1	($33,472,900)	($33,472,900)	($33,472,900)	$0	$0	$0	$0	$0	($100,418,700)
	Phase 2	$0	$0	($6,484,000)	($6,484,000)	$0	$0	$0	$0	($12,968,000)
	Phase 3	$0	$0	$0	($13,855,000)	($13,855,000)	$0	$0	$0	($27,710,000)
	Phase 4	$0	$0	$0	$0	$0	($15,940,000)	($15,940,000)	($15,940,000)	($31,880,000)
	Total Infrastructure	($33,472,900)	($33,472,900)	($39,956,900)	($20,339,000)	($13,855,000)	($15,940,000)	($15,940,000)	($15,940,000)	($172,976,700)
	Ad Valorem Taxes	($1,730,582)	($1,765,193)	($1,799,805)	($1,653,526)	($1,101,096)	($765,306)	($637,099)	($324,238)	($9,776,845)
	Mission Rock CFD#1	($2,260,706)	($2,305,921)	($2,351,135)	$0	$0	$0	$0	$0	($6,917,762)
	Ground Lease Payment	($1,744,018)	($1,796,339)	($1,850,229)	($1,717,812)	($1,156,403)	($812,808)	($684,496)	($352,516)	($10,114,621)
Total Expenses		($42,327,206)	($42,459,352)	($53,469,068)	($32,700,338)	($22,576,499)	($21,681,114)	($22,411,595)	($21,766,754)	($259,391,927)
Net Income		($42,327,206)	($42,459,352)	$92,930,932	$162,999,662	$88,923,501	$13,118,886	$45,288,405	$45,933,246	$364,408,073
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		($35,870,514)	($30,493,646)	$56,560,634	$84,073,412	$38,869,282	$4,859,649	$14,217,164	$12,219,997	$144,435,978
Net Present Value										$144,435,978
Conclusion of Value by Discounted Cash Flow Analysis (Rd.)										**$144,400,000**

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Subdivision Development Method

Inputs

Revenue & Expenses		
Taxable Land Acreage - All Blocks	7.91	
Total Land Revenue	$623,800,000	
Total Revenue per Acre	$78,862,200	
Phase 1 - Blocks A, B, F & G		
Phase 1 Land Acreage	3.25	
Phase 1 Revenue	$342,100,000	
Phase 2 - Blocks C & D		
Phase 2 Land Acreage	1.48	
Phase 2 Revenue	$111,500,000	
Phase 3 - Block E		
Phase 3 Land Acreage	0.58	
Phase 3 Revenue	$34,800,000	
Phase 4 - Blocks H, I, J, & K		
Phase 4 Land Acreage	2.60	
Phase 4 Revenue	$135,400,000	
Annual Revenue Appreciation	1.000	
General & Administrative	4.0%	
Marketing & Commissions	3.0%	
Remaining Infrastructure Costs	$229,830,000	
Phase 1	$141,332,000	61%
Phase 2	$12,968,000	6%
Phase 3	$27,710,000	12%
Phase 4	$47,820,000	21%

Ad Valorem Tax Table		
Annual Increase in Property Taxes	2.0%	
First Year Annual Taxes/Acre	$194,694	

Max Special Assessments - Mission Rock CFD No. 2020-1		Max Escalation
Base Tax - Market Rate Residential - Tax		
Mission Rock CFD #1	$8.58 /SF	2.0%
Base Tax - Office Use -Tax Zone 1 & 2		
Mission Rock CFD #1	$6.50 /SF	2.0%
Base Special Tax - Office Use - Tax Zone 1		
Mission Rock CFD #1	$1.92 /SF	2.0%
Shoreline Special Tax - Office Use - Tax Zone		
Mission Rock CFD #1	$1.82 /SF	2.0%
Contingent Services Tax - Residential Tax		
Mission Rock CFD #1	$1.40 /SF	2.0%
Contingent Services Tax - Office Tax Zone 1 &		
Mission Rock CFD #1	$1.40 /SF	2.0%
Max Special Tax per Acre - Phase 1	$2,782,408 /Phase 1 Acre	2.0%
Ground Lease Payment per Acre	$220,483 /Acre	3.0%

Anticipated CFD Proceeds
$36,408,300

Revenue, Expenses and Valuation

		2021	2022	2023	2024	2025	2026	2027	2028	
Revenue	**Period (12 mths)**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Total**
	Sales (Acreage):									
	Phase 1	0.00	0.00	0.78	2.47	0.00	0.00	0.00	0.00	3.25
	Phase 2	0.00	0.00	0.00	0.00	1.48	0.00	0.00	0.00	1.48
	Phase 3	0.00	0.00	0.00	0.00	0.00	0.58	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	0.78	2.47	1.48	0.58	1.30	1.30	7.91
	End of Period Inventory	7.91	7.91	7.13	4.66	3.18	2.60	1.30	0.00	
	Total Period Inventory (acres)	7.91	7.91	7.91	7.13	4.66	3.18	2.60	1.30	
	Land Sales Revenue Unappreciated									
	Phase 1	$0	$0	$146,400,000	$195,700,000	$0	$0	$0	$0	$342,100,000
	Phase 2	$0	$0	$0	$0	$111,500,000	$0	$0	$0	$111,500,000
	Phase 3	$0	$0	$0	$0	$0	$34,800,000	$0	$0	$34,800,000
	Phase 4	$0	$0	$0	$0	$0	$0	$67,700,000	$67,700,000	$135,400,000
	Total Revenue	$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
	Land Sales Revenue Appreciated	$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
Total Revenue		$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
Expenses	**All Categories**									
	General & Administrative	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($24,952,000)
	Marketing/Commissions	$0	$0	($4,392,000)	($5,871,000)	($3,345,000)	($1,044,000)	($2,031,000)	($2,031,000)	($18,714,000)
	Backbone Infrastructure									
	Phase 1	($34,974,567)	($34,974,567)	($34,974,567)	$0	$0	$0	$0	$0	($104,923,700)
	Phase 2	$0	$0	($6,484,000)	($6,484,000)	$0	$0	$0	$0	($12,968,000)
	Phase 3	$0	$0	$0	($13,855,000)	($13,855,000)	$0	$0	$0	($27,710,000)
	Phase 4	$0	$0	$0	$0	$0	($15,940,000)	($15,940,000)	($15,940,000)	($31,880,000)
	Total Infrastructure	($34,974,567)	($34,974,567)	($41,458,567)	($20,339,000)	($13,855,000)	($15,940,000)	($15,940,000)	($15,940,000)	($177,481,700)
	Ad Valorem Taxes	($1,540,026)	($1,570,826)	($1,601,627)	($1,471,455)	($979,854)	($681,038)	($566,948)	($288,536)	($8,700,309)
	Mission Rock CFD#1	($2,260,706)	($2,305,921)	($2,351,135)	$0	$0	$0	$0	$0	($6,917,762)
	Ground Lease Payment	($1,744,018)	($1,796,339)	($1,850,229)	($1,717,812)	($1,156,403)	($812,808)	($684,496)	($352,516)	($10,114,621)
Total Expenses		($43,638,317)	($43,766,652)	($54,772,557)	($32,518,267)	($22,455,257)	($21,596,846)	($22,341,444)	($21,731,051)	($262,820,391)
Net Income		($43,638,317)	($43,766,652)	$91,627,443	$163,181,733	$89,044,743	$13,203,154	$45,358,556	$45,968,949	$360,979,609
Internal Rate of Return	**20.00%**	0.83333	0.69444	0.57870	0.48225	0.40188	0.33490	0.27908	0.23257	
Discounted Cash Flow		($36,365,264)	($30,393,508)	$53,025,141	$78,694,894	$35,785,085	$4,421,710	$12,658,741	$10,690,908	$128,517,706
Net Present Value										$128,517,706
Conclusion of Value by Discounted Cash Flow Analysis (Rd.)										**$128,500,000**

Subdivision Development Method

Inputs

Revenue & Expenses			Ad Valorem Tax Table		
Taxable Land Acreage - All Blocks	7.91		Annual Increase in Property Taxes	2.0%	
Total Land Revenue	$623,800,000		First Year Annual Taxes/Acre	$173,179	
Total Revenue per Acre	$78,862,200				
Phase 1 - Blocks A, B, F & G			**Max Special Assessments - Mission Rock CFD No. 2020-1**		**Max Escalation**
Phase 1 Land Acreage	3.25		**Base Tax - Market Rate Residential - Tax**		
Phase 1 Revenue	$342,100,000		Mission Rock CFD #1	$8.58 /SF	2.0%
Phase 2 - Blocks C & D			**Base Tax - Office Use -Tax Zone 1 & 2**		
Phase 2 Land Acreage	1.48		Mission Rock CFD #1	$6.50 /SF	2.0%
Phase 2 Revenue	$111,500,000				
			Base Special Tax - Office Use - Tax Zone 1		
Phase 3 - Block E			Mission Rock CFD #1	$1.92 /SF	2.0%
Phase 3 Land Acreage	0.58				
Phase 3 Revenue	$34,800,000		**Shoreline Special Tax - Office Use - Tax Zone**		
			Mission Rock CFD #1	$1.82 /SF	2.0%
Phase 4 - Blocks H, I, J, & K					
Phase 4 Land Acreage	2.60		**Contingent Services Tax - Residential Tax**		
Phase 4 Revenue	$135,400,000		Mission Rock CFD #1	$1.40 /SF	2.0%
			Contingent Services Tax - Office Tax Zone 1 &		
			Mission Rock CFD #1	$1.40 /SF	2.0%
Annual Revenue Appreciation	1.000		**Max Special Tax per Acre - Phase 1**	$2,782,408 /Phase 1 Acre	2.0%
General & Administrative	4.0%				
Marketing & Commissions	3.0%		**Ground Lease Payment per Acre**	$220,483 /Acre	3.0%
Remaining Infrastructure Costs	$229,830,000		**Anticipated CFD Proceeds**		
Phase 1	$141,332,000	61%	$32,385,000		
Phase 2	$12,968,000	6%			
Phase 3	$27,710,000	12%			
Phase 4	$47,820,000	21%			

Revenue, Expenses and Valuation

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		2021	2022	2023	2024	2025	2026	2027	2028	
Revenue	**Period (12 mths)**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**Total**
	Sales (Acreage):									
	Phase 1	0.00	0.00	0.78	2.47	0.00	0.00	0.00	0.00	3.25
	Phase 2	0.00	0.00	0.00	0.00	1.48	0.00	0.00	0.00	1.48
	Phase 3	0.00	0.00	0.00	0.00	0.00	0.58	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	0.78	2.47	1.48	0.58	1.30	1.30	7.91
	End of Period Inventory	7.91	7.91	7.13	4.66	3.18	2.60	1.30	0.00	
	Total Period Inventory (acres)	7.91	7.91	7.91	7.13	4.66	3.18	2.60	1.30	
	Land Sales Revenue Unappreciated									
	Phase 1	$0	$0	$146,400,000	$195,700,000	$0	$0	$0	$0	$342,100,000
	Phase 2	$0	$0	$0	$0	$111,500,000	$0	$0	$0	$111,500,000
	Phase 3	$0	$0	$0	$0	$0	$34,800,000	$0	$0	$34,800,000
	Phase 4	$0	$0	$0	$0	$0	$0	$67,700,000	$67,700,000	$135,400,000
	Total Revenue	$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
	Land Sales Revenue Appreciated	$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
Total Revenue		$0	$0	$146,400,000	$195,700,000	$111,500,000	$34,800,000	$67,700,000	$67,700,000	$623,800,000
Expenses	**All Categories**									
	General & Administrative	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($3,119,000)	($24,952,000)
	Marketing/Commissions	$0	$0	($4,392,000)	($5,871,000)	($3,345,000)	($1,044,000)	($2,031,000)	($2,031,000)	($18,714,000)
	Backbone Infrastructure									
	Phase 1	($36,315,667)	($36,315,667)	($36,315,667)	$0	$0	$0	$0	$0	($108,947,000)
	Phase 2	$0	$0	($6,484,000)	($6,484,000)	$0	$0	$0	$0	($12,968,000)
	Phase 3	$0	$0	$0	($13,855,000)	($13,855,000)	$0	$0	$0	($27,710,000)
	Phase 4	$0	$0	$0	$0	$0	($15,940,000)	($15,940,000)	($15,940,000)	($31,880,000)
	Total Infrastructure	($36,315,667)	($36,315,667)	($42,799,667)	($20,339,000)	($13,855,000)	($15,940,000)	($15,940,000)	($15,940,000)	($181,505,000)
	Ad Valorem Taxes	($1,369,844)	($1,397,241)	($1,424,638)	($1,308,850)	($871,574)	($605,779)	($504,297)	($256,651)	($7,738,874)
	Mission Rock CFD#1	($2,260,706)	($2,305,921)	($2,351,135)	$0	$0	$0	$0	$0	($6,917,762)
	Ground Lease Payment	($1,744,018)	($1,796,339)	($1,850,229)	($1,717,812)	($1,156,403)	($812,808)	($684,496)	($352,516)	($10,114,621)
Total Expenses		($44,809,235)	($44,934,167)	($55,936,668)	($32,355,663)	($22,346,977)	($21,521,587)	($22,278,793)	($21,699,167)	($265,882,256)
Net Income		($44,809,235)	($44,934,167)	$90,463,332	$163,344,337	$89,153,023	$13,278,413	$45,421,207	$46,000,833	$357,917,744
Internal Rate of Return	**22.00%**	0.81967	0.67186	0.55071	0.45140	0.37000	0.30328	0.24859	0.20376	
Discounted Cash Flow		($36,728,881)	($30,189,577)	$49,818,780	$73,733,485	$32,986,552	$4,027,052	$11,291,194	$9,373,182	$114,311,786
Net Present Value										$114,311,786
Conclusion of Value by Discounted Cash Flow Analysis (Rd.)										**$114,300,000**

Conclusion of Value

The preceding discounted cash flow analyses reflect value indices for the subject property of $114,300,000 (22% IRR), $128,500,000 (20% IRR) and $144,400,000 (18% IRR). In the original Appraisal Report, a seven-year development and disposition timeline was utilized. Since the COVID-19 pandemic, it is our conclusion a development and disposition timeline of eight years is warranted. In light of the range in value indicators presented herein, it is our opinion a conclusion of value towards the middle of the range, or $130,000,000, is considered reasonable. Therefore, the opinion of market value, in bulk, of the subject property, subject to the definitions, assumptions, and limiting conditions expressed in the report, our is as follows:

Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value
Market Value of the Special Tax District	Leasehold	October 28, 2020	$130,000,000

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.

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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 October 28, 2020. 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.

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Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have 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.

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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.

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Kevin Ziegenmeyer, MAI
Certified General Real Estate Appraiser
California Certificate # AG013567

DRAFT

Eric Segal, MAI
Certified General Real Estate Appraiser
California Certificate # AG026558

DRAFT

Laura Diaz
Certified General Real Estate Appraiser
California Certificate # 3005037

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Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

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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.

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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.

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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.

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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 October 28, 2020. 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

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Addendum A

Appraiser Qualifications

Kevin Ziegenmeyer, MAI

Integra Realty Resources
Sacramento

590 Menlo Drive
Suite 1
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com

Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the Central Valley area of California, Northern Nevada, and within the Sacramento Metropolitan Area. Over the past several years, Mr. Ziegenmeyer has handled many of the firm's master-planned property appraisals and has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation. Kevin is currently Senior Managing Director of the Integra-San Francisco office and Managing Director of the Integra-Sacramento office.

Licenses

California, Certified General Real Estate Appraiser, AG013567, Expires June 2021

Education

Academic:
Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:
Standards of Professional Practice, Parts A, B & C
Basic Valuation Procedures
Real Estate Appraisal Principles
Capitalization Theory and Techniques, Part A
Advanced Income Capitalization
Report Writing and Valuation Analysis
Advanced Applications
IRS Valuation Summit I & II
2008, 2009, 2010 & 2011 Economic Forecast
Business Practices and Ethics
Contemporary Appraisal Issues with Small Business Administration Financing
General Demonstration Appraisal Report Writing Seminar
7-Hour National USPAP Update Course
Valuation of Easements and Other Partial Interests
2009 Summer Conference
Uniform Appraisal Standards for Federal Land Acquisitions
2008 Economic Update
Valuation of Conservation Easements
Subdivision Valuation
2005 Annual Fall Conference
General Comprehensive Exam Module I, II, III & IV
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
2004 Central CA Market Update
Computer-Enhanced Cash Flow Modeling
Forecast 2000, 2001, 2002, 2003 & 2004
Land Valuation Assignments

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kziegenmeyer@irr.com - 916-435-3883 x224

Kevin Ziegenmeyer, MAI

Education (Cont'd)

Land Valuation Adjustment Procedures
Highest & Best Use and Market Analysis
Entitlements, Land Subdivision & Valuation
Real Estate Value Cycles
El Dorado Hills Housing Symposium
Federal Land Exchanges
M & S Computer Cost-Estimating, Nonresidential

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

DRAFT

Kevin K. Ziegenmeyer

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2019
Date Expires: June 4, 2021

Jim Martin, Bureau Chief, BREA

3045137

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Eric Segal, MAI

Experience

Mr. Segal is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1998, Mr. Segal began his career in real estate as a research analyst/appraiser trainee for Richard Seevers and Associates. By 1999, he began writing narrative appraisal reports covering a variety of commercial properties, with an emphasis on residential master planned communities and subdivisions. Today, Mr. Segal is a partner in the firm and is involved in appraisal assignments covering a wide variety of properties including office, retail, industrial, multifamily housing, master planned communities, and specializes in the appraisal of Mello-Roos Community Facilities Districts and Assessment Districts for land-secured municipal financings, as well as multifamily developments under the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (MAP) Guide. He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities of San Francisco, Monterey, Alameda and San Mateo. He has developed the experience and background necessary to deal with complex assignments covering an array of property types. Eric is currently Managing Director of the Integra-San Francisco office and Senior Managing Director of the Integra-Sacramento office.

Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

Licenses

California, Certified General, AG026558, Expires February 2021
Nevada, Certified General, A.0207666-CG, Expires January 2021
Washington, Certified General, 20100611, Expires June 2021
Arizona, Certified General, CGA - 1006422, Expires January 2022

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Education

Academic:
Bachelor of Science in Business Administration (Concentrations in Finance and Real Estate & Land Use Affairs), California State University, Sacramento

Appraisal and Real Estate Courses:
Uniform Standards of Professional Appraisal Practice
Appraisal Principles
Basic Income Capitalization
Highest & Best Use and Market Analysis
Advanced Income Capitalization
Report Writing and Valuation Analysis
Self-Storage Economics and Appraisal Seminar
Appraisal Litigation Practice and Courtroom Management
Hotel Valuations: New Techniques for today's Uncertain Times
Computer Enhanced Cash Flow Modeling
Advanced Sales Comparison & Cost Approaches
Advanced Applications
Supervisor-Trainee Course for California

esegal@irr.com - 916-435-3883 x228

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irr.com

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

DRAFT

Eric A. Segal

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2019
Date Expires: February 18, 2021

Jim Martin, Bureau Chief, BREA

3044479

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Laura Diaz

Experience

Ms. Diaz is a Certified General real estate appraiser. She began her career in real estate as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. Since graduating in 2013, Ms. Diaz has been writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, hotels, and data centers. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office.

Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2022

Education

Academic:
Bachelor of Arts in English, University of Louisville
Master of Urban Planning, University of Louisville
Graduate Certificate in Real Estate Development, University of Louisville

Appraisal and Real Estate Courses:
Uniform Standards of Professional Appraisal Practice
Basic Appraisal Principles
Basic Appraisal Procedures
Real Estate Finance Statistics and Valuation Modeling
Site Valuation and Cost Approach
General Market Analysis and Highest and Best Use
Sales Comparison Approach
Income Capitalization Approach Part I
Income Capitalization Approach Part II
General Appraiser Report Writing and Case Studies
Expert Witness for Commercial Appraisers
Basic Hotel Appraising – Limited Service Hotels

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Integra Realty Resources
San Francisco

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Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Laura B. Diaz

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2020
Date Expires: January 2, 2022

Jim Martin, Bureau Chief, BREA

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THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

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Addendum B

Definitions

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*

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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.

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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.

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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)

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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.

APPENDIX H

INFRASTRUCTURE FINANCING DISTRICT

Infrastructure Financing District Pledge Supporting Bonds

General. 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, which includes the territory in Project Area I, 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. 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.

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.

See "THE MISSION ROCK PROJECT" in the forepart of this Official Statement for a discussion of development phases.

Allocation of Allocated Tax Increment by Appendix I. 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 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

As shown in the following table, Appendix I establishes 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:

Sub-Project Area	Date
Sub-Project Area I-1	
Sub-Project Area I-2	
Sub-Project Area I-3	
Sub-Project Area I-4	
Sub-Project Area I-5	
Sub-Project Area I-6	
Sub-Project Area I-7	
Sub-Project Area I-8	
Sub-Project Area I-9	
Sub-Project Area I-10	
Sub-Project Area I-11	
Sub-Project Area I-12	
Sub-Project Area I-13	

The map below illustrates how the District and the IFD overlap.

[INSERT MAP]

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.

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 (as defined herein) as security for and a source of payment of the IFD Payment Amount by the IFD to the Fiscal Agent. 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 IFD to the Fiscal Agent by the IFD pursuant to the Pledge Agreement.

As described in "SECURITY FOR THE BONDS – Revenue Fund" in the forepart of this Official Statement, the Fiscal Agent will deposit the IFD Payment Amount in the Tax Increment Account of the Revenue Fund, and the IFD Payment Amount is available pay debt service on the Bonds, replenish the 2021 Reserve Fund and the debt service reserve funds for Parity Bonds that are not 2021 Related Bonds, and pay Administrative Expenses.

Under the Rate and Method, if and to the extent IFD Payment Amounts have been received by the Fiscal Agent during the prior fiscal year, the Development Special Taxes required to be levied overall in the District will be reduced by the amount of IFD Payment Amounts on hand. Under the Rate and Method, the Pledge Agreement and the Fiscal Agent Agreement, IFD Payment Amounts will not exceed the Development Special Taxes that would have been levied in the absence of IFD Payment Amounts. See APPENDIX B – "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES" to this Official Statement.

The IFD Payment Amount is available to pay debt service on the 2021 Bonds and any Parity Bonds.

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.