

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the 2023A Development Special Tax Bonds, the 2023B Office Special Tax Bonds and the 2023C Shoreline (Tax Zone 1) Special Tax Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the 2023A Development Special Tax Bonds, the 2023B Office Special Tax Bonds and the 2023C Shoreline (Tax Zone 1) Special Tax Bonds may be subject to the corporate alternative minimum tax. In the further opinion of Bond Counsel, interest on the 2023 Bonds is exempt from California personal income taxes. See "TAX MATTERS."*



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

<b>\$8,795,000</b>	<b>\$19,090,000</b>	<b>\$18,010,000</b>
<b>DEVELOPMENT SPECIAL TAX BONDS, SERIES 2023A</b>	<b>OFFICE SPECIAL TAX BONDS, SERIES 2023B</b>	<b>SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS, SERIES 2023C</b>

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover**

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

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

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

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

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

The 2023 Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover pages hereof. Interest on the 2023 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2024 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2023 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2023 Bonds. Individual purchases of the 2023 Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2023 Bonds will be payable by DTC through the DTC participants. See "THE 2023 BONDS – Book-Entry System" herein. Purchasers of the 2023 Bonds will not receive physical delivery of the 2023 Bonds purchased by them.

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

The 2023 Bonds are not rated. See "Special Risk Factors" herein for certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2023 Bonds.

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

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

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

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

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

The 2023 Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for Seawall Lot 337 Associates, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2023 Bonds will be available for delivery through the book-entry facilities of DTC on or about December 6, 2023.

STIFEL

PIPER | SANDLER

## **MATURITY SCHEDULE**

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

**\$8,795,000**

#### **DEVELOPMENT SPECIAL TAX BONDS, SERIES 2023A**

\$1,150,000 5.000% Term 2023A Development Special Tax Bonds due September 1, 2033  
Yield: 4.970% Price: 100.221 CUSIP<sup>†</sup>: 79771JAA7

\$1,285,000 5.250% Term 2023A Development Special Tax Bonds due September 1, 2038  
Yield: 5.470% Price: 97.785 CUSIP<sup>†</sup>: 79771JAB5

\$6,360,000 5.750% Term 2023A Development Special Tax Bonds due September 1, 2050  
Yield: 5.930% Price: 97.590 CUSIP<sup>†</sup>: 79771JAC3

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisor, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2023 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2023 Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2023 Bonds.

**\$19,090,000**  
**OFFICE SPECIAL TAX BONDS, SERIES 2023B**

\$1,380,000 5.000% Term 2023B Office Special Tax Bonds due September 1, 2033  
Yield: 4.970% Price: 100.221 CUSIP<sup>†</sup>: 79771JAD1

\$1,860,000 5.250% Term 2023B Office Special Tax Bonds due September 1, 2038  
Yield: 5.470% Price: 97.785 CUSIP<sup>†</sup>: 79771JAE9

\$3,180,000 5.500%% Term 2023B Office Special Tax Bonds due September 1, 2043  
Yield: 5.720% Price: 97.407 CUSIP<sup>†</sup>: 79771JAF6

\$12,670,000 5.750% Term 2023B Office Special Tax Bonds due September 1, 2053  
Yield: 5.970% Price: 96.945 CUSIP<sup>†</sup>: 79771JAG4

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**\$18,010,000**  
**SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS, SERIES 2023C**

\$1,305,000 5.000% Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds due September 1, 2033  
Yield: 4.970% Price: 100.221 CUSIP<sup>†</sup>: 79771JAH2

\$1,755,000 5.250%% Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds due September 1, 2038  
Yield: 5.470% Price: 97.785 CUSIP<sup>†</sup>: 79771JAJ8

\$3,005,000 5.500% Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds due September 1, 2043  
Yield: 5.720% Price: 97.407 CUSIP<sup>†</sup>: 79771JAK5

\$11,945,000 5.750% Term 2023C Shoreline (Tax Zone 1) Special Tax Bonds due September 1, 2053  
Yield: 5.970% Price: 96.945 CUSIP<sup>†</sup>: 79771JAL3

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisor, is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2023 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2023 Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2023 Bonds.



**CITY AND COUNTY OF SAN FRANCISCO  
MAYOR**

London N. Breed

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

Aaron Peskin, *Board President, District 3*

Connie Chan, *District 1*

Catherine Stefani, *District 2*

Joel Engardio, *District 4*

Dean Preston, *District 5*

Matt Dorsey, *District 6*

Myrna Melgar, *District 7*

Rafael Mandelman, *District 8*

Hillary Ronen, *District 9*

Shamann Walton, *District 10*

Ahsha Safai, *District 11*

**CITY ATTORNEY**

David Chiu

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

Carmen Chu, *City Administrator*

Benjamin Rosenfield, *Controller*

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

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

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**PROFESSIONAL SERVICES**

**Bond Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Special Tax Consultant**

Goodwin Consulting Group, Inc.  
Sacramento, California

**Municipal Advisor**

PFM California Advisors LLC  
San Francisco, California

**Fiscal Agent**

Zions Bancorporation, National Association  
Los Angeles, California

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

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## NOTICE TO INVESTORS

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2023 Bonds, the complete terms and conditions being set forth in the related Fiscal Agent Agreement (as described herein). Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisor or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the 2023 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the 2023 Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

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

The Underwriters have provided the following two sentences for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. IN CONNECTION WITH THE OFFERING OF THE 2023 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2023 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

The City maintains a website with information pertaining to the City. However, the information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the 2023 Bonds.

## **FORWARD LOOKING STATEMENTS**

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

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



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



## OFFICIAL STATEMENT

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

**\$8,795,000**  
**DEVELOPMENT**  
**SPECIAL TAX BONDS, SERIES 2023A**

**\$19,090,000**  
**OFFICE**  
**SPECIAL TAX BONDS,**  
**SERIES 2023B**

**\$18,010,000**  
**SHORELINE (TAX ZONE 1) SPECIAL**  
**TAX BONDS,**  
**SERIES 2023C**

## INTRODUCTION

### General

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

### Authority for the 2023 Bonds

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

- the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and
- Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by Mayor London N. Breed (the “Mayor”) on May 15, 2020, as supplemented by Resolution No. 565-20, which was adopted by the Board of Supervisors on December 8, 2020 and approved by the Mayor on December 18, 2020 (relating to the 2021A Development Special Tax Bonds described herein), as supplemented by Resolution No. 224-21, which was adopted by the Board of Supervisors on May 11, 2021 and approved by the Mayor on May 21, 2021 (relating to the 2021B/C Development Special Tax Bonds described herein), and as further supplemented by Resolution No. 505-23, which was adopted by the Board of Supervisors on October 31, 2023 and approved by the Mayor on November 2, 2023 approving the issuance and sale of up to \$58,335,000 of the 2023 Bonds in one or more series (collectively, the “Resolution”).

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

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

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

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

### **Use of Proceeds**

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

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

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

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

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

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

The District contains 12 blocks of land at Seawall Lot 337, of which 11 blocks are or could be subjected to the levy of one or more of the special taxes securing some or all of the 2023 Bonds. The land in the District is owned by the City, operating by and through the Port, and currently leased to (i) Seawall Lot 337 Associates, LLC (the “Master Developer”), a Delaware limited liability company, that is acting as the horizontal developer of the Mission Rock Project described herein and (ii) certain vertical developers as described under “THE MISSION ROCK PROJECT – Phase 1A of the Mission Rock Project” herein.

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

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

- Parcel A (named, “The Canyon”): a 23-story, 283-unit residential rental building, with approximately 58,136 rentable square feet of office space, and approximately 12,500 rentable square feet of first floor retail. Vertical development was completed for Parcel A and leasing is underway. Some tenants have moved in.
- Parcel B: an 8-story building of approximately 274,005 rentable square feet of office (suitable for life science uses and other office uses) and approximately 15,300 rentable square feet of retail. Parcel B’s building received a temporary certificate of occupancy in June 2023. Some retail tenants have moved in. The commercial space in the building is being actively marketed for lease.
- Parcel F: a 23-story building planned for 254 residential rental units, approximately 21,600 rentable square feet of office (intended for co-working), and approximately 8,000 rentable square feet of retail. Project completion is currently expected in June 2024.
- Parcel G: a 13-story building of approximately 303,629 square feet of office and approximately 17,300 square feet of retail. Parcel G’s building received a temporary certificate of occupancy in January 2023. All of its office space has been leased to Visa, Inc., and retail leasing efforts are underway.

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

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

## **Appraisal**

The firm of Integra Realty Resources, Inc. (the “Appraiser”) was retained by the City and prepared an Appraisal Report dated October 20, 2023 (the “Appraisal Report”), estimating the market value of the leasehold interests (by ownership) in the District that are subject to the special taxes securing the 2023 Bonds. In the report, the Appraiser concluded that the aggregate or cumulative value (by ownership) of the leasehold interests in the appraised properties as of September 15, 2023 was \$701,270,000, subject to certain assumptions and limiting conditions set forth in the report, including the condition that proceeds from the 2023 Bonds are available for public improvements. See “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein.

The Appraisal Report appraised the leasehold interests in the District that are subject to the special taxes securing one or more series of the 2023 Bonds, representing 11 of the 12 planned blocks within the District. The uses planned for development of Block D2 include primarily a parking garage and some retail space. Parking garage uses are not subject to the special taxes securing any of the 2023 Bonds and the retail space is relatively small, therefore, Block D2 was excluded from the Appraisal Report. The value of individual parcel leasehold interests may vary significantly, and no assurance can be given that should special taxes levied on one or more of the leasehold interests become delinquent, and should the delinquent

leasehold interests be offered for sale at a judicial foreclosure sale, that any bid would be received for it or, if a bid were received, that such bid would be sufficient to pay the related delinquent special taxes. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies.”

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

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

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

### **Formation of the District**

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

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

### **The 2023 Bonds**

The 2023 Bonds of each series will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover pages hereof. Interest on the 2023 Bonds shall be payable on each March 1 and September 1, commencing March 1, 2024 (each an “Interest Payment Date”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2023 Bonds of a series delivered to the Fiscal Agent prior to the applicable Record Date.

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

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

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

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

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

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

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

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

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

**Development Special Tax Bonds.** The 2023A Development Special Tax Bonds are secured by a first pledge of all Development Special Tax Revenues and the “IFD Payment Amount,” which consists of certain offsetting tax increment receipts, to the extent available. See APPENDIX H – “INFRASTRUCTURE FINANCING DISTRICT” hereto. “Development Special Tax Revenues” are defined in the related Fiscal Agent Agreement to mean the proceeds of the Development Special Tax (the “Development Special Taxes”) levied according to the Rate and Method and received by the City, including any scheduled payments thereof and any Development Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Development Special Taxes to the amount of said lien and interest thereon, but not including any interest in excess of the interest due on the Development Special Tax Bonds (defined in “ - Parity Bonds” below) or any penalties collected in connection with any such foreclosure. Office Special Taxes (defined below) and Shoreline (Tax Zone 1) Special Taxes (defined below) are not pledged to the Development Special Tax Bonds.

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

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

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

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

## **Parity Bonds**

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

Development Special Tax Bonds, the “2021B/C Bonds”), which are currently outstanding in the aggregate principal amount of \$10,000,000.

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

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

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

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

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

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

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

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

## **Reserve Funds**

### Development Special Tax Bonds Reserve Funds.

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

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

be designated as 2021B Related Parity Bonds, and amounts in the 2021B Reserve Fund are not available to pay debt service on the 2023 Bonds.

*2023A Reserve Fund.* The City, on behalf of the District, will establish the 2023A Reserve Fund as additional security for the 2023A Development Special Tax Bonds and future 2023A Related Parity Bonds (as defined below) pursuant to the Development Special Tax Bonds Fiscal Agent Agreement. Such Fiscal Agent Agreement requires the 2023A Reserve Fund to be funded at the 2023A Reserve Requirement (defined below). On the date of issuance of the 2023A Development Special Tax Bonds, proceeds of the 2023A Development Special Tax Bonds will be deposited into the 2023A Reserve Fund so that the amount in the 2023A Reserve Fund is equal to the 2023A Reserve Requirement. The 2023A Reserve Fund does not secure bonds of the District other than the 2023A Development Special Tax Bonds and any future 2023A Related Parity Bonds.

Office Special Tax Bonds Reserve Funds.

*2023B Reserve Fund.* The City, on behalf of the District, will establish the 2023B Reserve Fund as additional security for the 2023B Office Special Tax Bonds and future 2023B Related Parity Bonds (as defined below), both pursuant to the Office Special Tax Bonds Fiscal Agent Agreement. Such Fiscal Agent Agreement requires the 2023B Reserve Fund to be funded at the 2023B Reserve Requirement (defined below). On the date of issuance of the 2023B Office Special Tax Bonds, proceeds of the 2023B Office Special Tax Bonds will be deposited into the 2023B Reserve Fund so that the amount in the 2023B Reserve Fund is equal to the 2023B Reserve Requirement. The 2023B Reserve Fund does not secure bonds of the District other than the 2023B Office Special Tax Bonds and any future 2023B Related Parity Bonds.

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

*2023C Reserve Fund.* The City, on behalf of the District, will establish the 2023C Reserve Fund as additional security for the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and future 2023C Related Parity Bonds (as defined below) pursuant to the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. Such Fiscal Agent Agreement requires the 2023C Reserve Fund to be funded at the 2023C Reserve Requirement (defined below). On the date of issuance of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, proceeds of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds will be deposited into the 2023C Reserve Fund so that the amount in the 2023C Reserve Fund is equal to the 2023C Reserve Requirement. The 2023C Reserve Fund does not secure bonds of the District other than the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any future 2023C Related Parity Bonds.

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

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Series	Initial Principal Amount	Outstanding Principal Amount <sup>(1)</sup>	Reserve Fund
<b>Development Special Tax Bonds</b>			
Series 2021A	\$ 43,300,000	\$ 41,950,000	2021A Reserve Fund
Series 2021B	54,280,000	54,280,000	2021B Reserve Fund
Series 2021C	10,000,000	10,000,000	2021A Reserve Fund
Series 2023A	8,795,000	8,795,000	2023A Reserve Fund
<b>Total</b>	<u>\$116,375,000</u>	<u>\$115,025,000</u>	
<b>Office Special Tax Bonds</b>			
Series 2023B	<u>\$ 19,090,000</u>	<u>\$ 19,090,000</u>	2023B Reserve Fund
<b>Total</b>	<u>\$ 19,090,000</u>	<u>\$ 19,090,000</u>	
<b>Shoreline (Tax Zone 1) Special Tax Bonds</b>			
Series 2023C	<u>\$ 18,010,000</u>	<u>\$ 18,010,000</u>	2023C Reserve Fund
<b>Total</b>	<u>\$ 18,010,000</u>	<u>\$ 18,010,000</u>	

<sup>(1)</sup> As of November 1, 2023 for Development Special Tax Bonds Series 2021A, Series 2021B and Series 2021C.

### Future Indebtedness

The City anticipates issuing additional special tax bonds for the District as future phases proceed and is authorized to issue up to \$3.7 billion of bonded indebtedness and other debt in the aggregate including the previously issued District bonds. Issuance of additional District bonds will impact the overall value-to-lien ratios for the District and is limited under the Fiscal Agent Agreements. Because all of the Leasehold Interests in Taxable Parcels are subject to the Development Special Tax, but only Leasehold Interests in Taxable Parcels with Office Square Footage are subject to the Office Special Tax, and only Leasehold Interests in Taxable Parcels in Tax Zone 1 with Office Square Footage are subject to the Shoreline (Tax Zone 1) Special Tax, the requirements for issuance of Development Special Tax Parity Bonds, Office Special Tax Parity Bonds and Shoreline (Tax Zone 1) Special Tax Parity Bonds are not identical. See “SECURITY FOR THE 2023 BONDS – Future Indebtedness” and “– Parity Bonds” and “SPECIAL RISK FACTORS – Future Indebtedness” herein.

### Foreclosure Covenant

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

### Limited Obligations

*The 2023 Bonds of each series are limited obligations of the City, secured by and payable solely from certain pledged revenues, consisting of the “Revenues” (with respect to the 2023A Development Special Tax Bonds), the “Office Special Tax Revenues” (with respect to the 2023B Office Special Tax Bonds) and the “Shoreline (Tax Zone 1) Special Tax Revenues” (with respect to the 2023C Shoreline (Tax Zone 1) Special Tax Bonds) as defined in, and the funds pledged therefor, under the related Fiscal Agent Agreement. The 2023 Bonds of each series are not payable from any source of funds other than the applicable pledged revenues for such series and the funds pledged therefor under the related Fiscal Agent*

*Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on any series of 2023 Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement for each series of 2023 Bonds), the State of California or any political subdivision thereof is pledged to the payment of the Development Special Tax Bonds, the Office Special Tax Bonds or the Shoreline (Tax Zone 1) Special Tax Bonds.*

## **Transfer Restrictions**

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

## **Continuing Disclosure**

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

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

## **No Rating**

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

## **Risk Factors**

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

## **Further Information**

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

## **THE FINANCING PLAN**

The 2023A Development Special Tax Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District (previously defined as, the "Facilities"), (ii) a deposit to the 2023A Reserve Fund under the Development Special Tax Bonds Fiscal Agent Agreement in connection with the 2023A Development Special Tax Bonds, and (iii) costs of issuance. The 2023B Office Special Tax Bonds are being issued to finance: (i) Facilities, (ii) a deposit to the 2023B Reserve Fund under the Office Special Tax Bonds Fiscal Agent Agreement in connection with the 2023B Office Special Tax Bonds and (iii) costs of issuance. The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are being issued to finance: (i) Facilities, (ii) a deposit to the 2023C Reserve Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement in connection with the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, and (iii) costs of issuance.

The 2023 Bonds are expected to finance the costs of Horizontal Improvements, including (i) demolition and abatement of the site, (ii) earthwork and construction of retaining walls, (iii) streetscape improvements, (iv) low pressure water system improvements, (v) auxiliary water supply system improvements, (vi) sewer and stormwater system infrastructure, (vii) joint trench and dry utilities, (viii) parks and public spaces, (ix) hazardous soil removal, (x) shoreline protection facilities and (xi) entitlements.

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

See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE MISSION ROCK PROJECT – Overview of Mission Rock Transaction Structure" herein.

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## ESTIMATED SOURCES AND USES OF FUNDS

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

	2023A Development Special Tax Bonds	2023B Office Special Tax Bonds	2023C Shoreline (Tax Zone 1) Special Tax Bonds	Total
<b>Sources of Funds</b>				
Principal Amount	\$8,795,000.00	\$19,090,000.00	\$18,010,000.00	\$45,895,000.00
Net Original Issue Discount	(179,197.25)	(507,675.10)	(478,828.60)	(1,165,700.95)
Total Sources	<u>\$8,615,802.75</u>	<u>\$18,582,324.90</u>	<u>\$17,531,171.40</u>	<u>\$44,729,299.05</u>
<b>Uses of Funds</b>				
Deposit to 2023A Improvement Fund	\$7,474,290.92	-	-	\$7,474,290.92
Deposit to 2023B Improvement Fund	-	\$16,177,775.19	-	16,177,775.19
Deposit to 2023C Improvement Fund	-	-	\$15,260,836.35	15,260,836.35
Deposit to 2023A Reserve Fund	846,388.97	-	-	846,388.97
Deposit to 2023B Reserve Fund	-	1,798,374.52	-	1,798,374.52
Deposit to 2023C Reserve Fund	-	-	1,696,581.10	1,696,581.10
Costs of Issuance <sup>(1)</sup>	<u>295,122.86</u>	<u>606,175.19</u>	<u>573,753.95</u>	<u>1,475,052.00</u>
Total Uses	<u>\$8,615,802.75</u>	<u>\$18,582,324.90</u>	<u>\$17,531,171.40</u>	<u>\$44,729,299.05</u>

<sup>(1)</sup> Includes Underwriters' discount, fees and expenses for Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Special Tax Consultant, the Appraiser, the Fiscal Agent, and its counsel, costs of printing the Official Statement, and other costs of issuance of the 2023 Bonds.

## THE 2023 BONDS

### Description of the 2023 Bonds

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

Interest on all 2023 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2023 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the dated date of the 2023 Bonds; provided, however, that if at the time of authentication of a 2023 Bond, interest is in default thereon, such 2023 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the 2023 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2023 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such 2023 Bonds are transferred to a new Owner. "Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day. The interest, principal of and any premium on

the 2023 Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2023 Bonds at the Principal Office of the Fiscal Agent. All 2023 Bonds so paid by the Fiscal Agent shall be canceled by the Fiscal Agent.

## Redemption

***Optional Redemption – 2023A Development Special Tax Bonds.*** The 2023A Development Special Tax Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Development Special Taxes, prior to their stated maturity on any date on or after September 1, 2030, as a whole or in part as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2023A Development Special Tax Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2030 through August 31, 2031	103%
September 1, 2031 through August 31, 2032	102
September 1, 2032 through August 31, 2033	101
September 1, 2033 and any date thereafter	100

***Mandatory Sinking Fund Redemption – 2023A Development Special Tax Bonds.*** The 2023A Development Special Tax Bonds of each maturity are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund under the Development Special Tax Bonds Fiscal Agent Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

### 2023A Development Special Tax Bonds Maturing September 1, 2033

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
2024	\$ 105,000
2026	15,000
2027	35,000
2028	60,000
2029	80,000
2030	100,000
2031	125,000
2032	295,000
2033 (maturity)	335,000

### 2023A Development Special Tax Bonds Maturing September 1, 2038

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
2034	\$ 205,000
2035	235,000
2036	255,000
2037	280,000
2038 (maturity)	310,000

2023A Development Special Tax Bonds Maturing September 1, 2050

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
2039	\$ 320,000
2040	375,000
2041	405,000
2042	445,000
2043	485,000
2044	530,000
2045	575,000
2046	620,000
2047	680,000
2048	730,000
2049	795,000
2050 (maturity)	400,000

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

***Optional Redemption – 2023B Office Special Tax Bonds.*** The 2023B Office Special Tax Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Office Special Taxes, prior to their stated maturity on any date on or after September 1, 2030, as a whole or in part as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2023B Office Special Tax Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2030 through August 31, 2031	103%
September 1, 2031 through August 31, 2032	102
September 1, 2032 through August 31, 2033	101
September 1, 2033 and any date thereafter	100

***Mandatory Sinking Fund Redemption – 2023B Office Special Tax Bonds.*** The 2023B Office Special Tax Bonds of each maturity are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund under the Office Special Tax Bonds Fiscal Agent Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

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2023B Office Special Tax Bonds Maturing September 1, 2033

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2024	\$ 265,000
2025	20,000
2026	40,000
2027	65,000
2028	90,000
2029	120,000
2030	145,000
2031	180,000
2032	210,000
2033 (maturity)	245,000

2023B Office Special Tax Bonds Maturing September 1, 2038

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2034	\$ 285,000
2035	325,000
2036	370,000
2037	415,000
2038 (maturity)	465,000

2023B Office Special Tax Bonds Maturing September 1, 2043

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2039	\$ 515,000
2040	570,000
2041	635,000
2042	695,000
2043 (maturity)	765,000

2023B Office Special Tax Bonds Maturing September 1, 2053

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2044	\$ 840,000
2045	920,000
2046	1,005,000
2047	1,095,000
2048	1,190,000
2049	1,295,000
2050	1,400,000
2051	1,515,000
2052	1,640,000
2053 (maturity)	1,770,000

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

***Optional Redemption – 2023C Shoreline (Tax Zone 1) Special Tax Bonds.*** The 2023C Shoreline (Tax Zone 1) Special Tax Bonds are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Shoreline (Tax Zone 1) Special Taxes, prior to their stated maturity on any date on or after September 1, 2030, as a whole or in part as directed by the City, at a redemption price (expressed as a percentage of the principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2030 through August 31, 2031	103%
September 1, 2031 through August 31, 2032	102
September 1, 2032 through August 31, 2033	101
September 1, 2033 and any date thereafter	100

***Mandatory Sinking Fund Redemption – 2023C Shoreline (Tax Zone 1) Special Tax Bonds.*** The 2023C Shoreline (Tax Zone 1) Special Tax Bonds of each maturity are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

2023C Shoreline (Tax Zone 1) Special Tax Bonds Maturing September 1, 2033

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount Subject to Redemption</u>
2024	\$ 250,000
2025	15,000
2026	40,000
2027	60,000
2028	85,000
2029	110,000
2030	140,000
2031	170,000
2032	200,000
2033 (maturity)	235,000

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2023C Shoreline (Tax Zone 1) Special Tax Bonds Maturing September 1, 2038

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2034	\$ 270,000
2035	305,000
2036	350,000
2037	390,000
2038 (maturity)	440,000

2023C Shoreline (Tax Zone 1) Special Tax Bonds Maturing September 1, 2043

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2039	\$ 485,000
2040	540,000
2041	595,000
2042	660,000
2043 (maturity)	725,000

2023C Shoreline (Tax Zone 1) Special Tax Bonds Maturing September 1, 2053

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption
2044	\$ 790,000
2045	865,000
2046	945,000
2047	1,030,000
2048	1,125,000
2049	1,220,000
2050	1,320,000
2051	1,430,000
2052	1,550,000
2053 (maturity)	1,670,000

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

***Redemption from Special Tax Prepayments.*** Development Special Tax Prepayments and any corresponding transfers from the 2023A Reserve Fund shall be used to redeem 2023A Development Special Tax Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same debt service profile for the Development Special Tax Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price for the 2023A Development Special Tax Bonds (expressed as a percentage of the principal amount of the

2023A Development Special Tax Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<b><u>Redemption Date</u></b>	<b><u>Redemption Price</u></b>
Any Interest Payment Date on or before March 1, 2031	103%
September 1, 2031 and March 1, 2032	102
September 1, 2032 and March 1, 2033	101
September 1, 2033 and any Interest Payment Date thereafter	100

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

Office Special Tax Prepayments and any corresponding transfers from the 2023B Reserve Fund shall be used to redeem 2023B Office Special Tax Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same debt service profile for the Office Special Tax Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price for the 2023B Office Special Tax Bonds (expressed as a percentage of the principal amount of the 2023B Office Special Tax Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<b><u>Redemption Date</u></b>	<b><u>Redemption Price</u></b>
Any Interest Payment Date on or before March 1, 2031	103%
September 1, 2031 and March 1, 2032	102
September 1, 2032 and March 1, 2033	101
September 1, 2033 and any Interest Payment Date thereafter	100

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

Shoreline (Tax Zone 1) Special Tax Prepayments and any corresponding transfers from the 2023C Reserve Fund shall be used to redeem 2023C Shoreline (Tax Zone 1) Special Tax Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same debt service profile for the Shoreline (Tax Zone 1) Special Tax Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price for the 2023C Shoreline (Tax Zone 1) Special Tax Bonds (expressed as a percentage of the principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<b><u>Redemption Date</u></b>	<b><u>Redemption Price</u></b>
Any Interest Payment Date on or before March 1, 2031	103%
September 1, 2031 and March 1, 2032	102
September 1, 2032 and March 1, 2033	101
September 1, 2033 and any Interest Payment Date thereafter	100

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

***Notice of Redemption.*** The Fiscal Agent shall cause notice to be sent at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, and to the respective registered Owners of any 2023 Bonds designated for redemption, at their addresses appearing on the bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2023 Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its Electronic Municipal Market Access (“EMMA”) system.

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

The City has the right to rescind any notice of the optional redemption of 2023 Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2023 Bonds of the applicable series then called for redemption, and such cancellation shall not constitute a default under the related Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the related Fiscal Agent Agreement.

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

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

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

***Purchase of Bonds in Lieu of Redemption.*** In lieu of redemption under the related Fiscal Agent Agreement, moneys in the Bond Fund under such Fiscal Agent Agreement or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2023 Bonds, upon the filing with the Fiscal Agent of an Officer’s Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer’s Certificate may

provide, but in no event may 2023 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2023 Bonds were to be redeemed in accordance with such Fiscal Agent Agreement.

### **The Fiscal Agent**

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

### **Book-Entry System**

DTC will act as securities depository for the 2023 Bonds. The 2023 Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of 2023 Bonds will not receive physical certificates representing their interest in the 2023 Bonds. So long as the 2023 Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the 2023 Bonds. Payments of the principal of, premium, if any, and interest on the 2023 Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the 2023 Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” hereto.

### **Debt Service Schedules**

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

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## DEVELOPMENT SPECIAL TAX BONDS DEBT SERVICE SCHEDULE

<b>Year Ending (September 1)</b>	<b>Outstanding Development Special Tax Parity Bonds</b>	<b><u>2023A Development Special Tax Bonds</u></b>			<b>Total Development Special Tax Bonds</b>
	<b><u>Debt Service<sup>(1)</sup></u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	<b><u>Debt Service</u></b>
2024	\$ 5,521,775.00	\$ 105,000.00	\$ 361,182.12	\$ 466,182.12	\$ 5,987,957.12
2025	5,624,575.00	-	485,412.50	485,412.50	6,109,987.50
2026	5,727,175.00	15,000.00	485,412.50	500,412.50	6,227,587.50
2027	5,834,375.00	35,000.00	484,662.50	519,662.50	6,354,037.50
2028	5,940,775.00	60,000.00	482,912.50	542,912.50	6,483,687.50
2029	6,051,175.00	80,000.00	479,912.50	559,912.50	6,611,087.50
2030	6,165,175.00	100,000.00	475,912.50	575,912.50	6,741,087.50
2031	6,282,375.00	125,000.00	470,912.50	595,912.50	6,878,287.50
2032	6,257,375.00	295,000.00	464,662.50	759,662.50	7,017,037.50
2033	6,373,175.00	335,000.00	449,912.50	784,912.50	7,158,087.50
2034	6,661,100.00	205,000.00	433,162.50	638,162.50	7,299,262.50
2035	6,789,962.50	235,000.00	422,400.00	657,400.00	7,447,362.50
2036	6,927,350.00	255,000.00	410,062.50	665,062.50	7,592,412.50
2037	7,072,212.50	280,000.00	396,675.00	676,675.00	7,748,887.50
2038	7,208,625.00	310,000.00	381,975.00	691,975.00	7,900,600.00
2039	7,356,387.50	320,000.00	365,700.00	685,700.00	8,042,087.50
2040	7,499,187.50	375,000.00	347,300.00	722,300.00	8,221,487.50
2041	7,651,625.00	405,000.00	325,737.50	730,737.50	8,382,362.50
2042	7,802,450.00	445,000.00	302,450.00	747,450.00	8,549,900.00
2043	7,960,937.50	485,000.00	276,862.50	761,862.50	8,722,800.00
2044	8,120,837.50	530,000.00	248,975.00	778,975.00	8,899,812.50
2045	8,281,162.50	575,000.00	218,500.00	793,500.00	9,074,662.50
2046	8,450,987.50	620,000.00	185,437.50	805,437.50	9,256,425.00
2047	8,613,862.50	680,000.00	149,787.50	829,787.50	9,443,650.00
2048	8,789,000.00	730,000.00	110,687.50	840,687.50	9,629,687.50
2049	8,959,687.50	795,000.00	68,712.50	863,712.50	9,823,400.00
2050	8,590,000.00	400,000.00	23,000.00	423,000.00	9,013,000.00
2051	8,777,600.00	-	-	-	8,777,600.00
Total	\$201,290,925.00	\$8,795,000.00	\$9,308,319.62	\$18,103,319.62	\$219,394,244.62

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

**OFFICE SPECIAL TAX BONDS  
DEBT SERVICE SCHEDULE**

<b>Year Ending (September 1)</b>	<b>2023B Office Special Tax Bonds</b>		<b>Total</b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	
2024	\$ 265,000.00	\$ 787,694.10	\$ 1,052,694.10
2025	20,000.00	1,056,825.00	1,076,825.00
2026	40,000.00	1,055,825.00	1,095,825.00
2027	65,000.00	1,053,825.00	1,118,825.00
2028	90,000.00	1,050,575.00	1,140,575.00
2029	120,000.00	1,046,075.00	1,166,075.00
2030	145,000.00	1,040,075.00	1,185,075.00
2031	180,000.00	1,032,825.00	1,212,825.00
2032	210,000.00	1,023,825.00	1,233,825.00
2033	245,000.00	1,013,325.00	1,258,325.00
2034	285,000.00	1,001,075.00	1,286,075.00
2035	325,000.00	986,112.50	1,311,112.50
2036	370,000.00	969,050.00	1,339,050.00
2037	415,000.00	949,625.00	1,364,625.00
2038	465,000.00	927,837.50	1,392,837.50
2039	515,000.00	903,425.00	1,418,425.00
2040	570,000.00	875,100.00	1,445,100.00
2041	635,000.00	843,750.00	1,478,750.00
2042	695,000.00	808,825.00	1,503,825.00
2043	765,000.00	770,600.00	1,535,600.00
2044	840,000.00	728,525.00	1,568,525.00
2045	920,000.00	680,225.00	1,600,225.00
2046	1,005,000.00	627,325.00	1,632,325.00
2047	1,095,000.00	569,537.50	1,664,537.50
2048	1,190,000.00	506,575.00	1,696,575.00
2049	1,295,000.00	438,150.00	1,733,150.00
2050	1,400,000.00	363,687.50	1,763,687.50
2051	1,515,000.00	283,187.50	1,798,187.50
2052	1,640,000.00	196,075.00	1,836,075.00
2053	1,770,000.00	101,775.00	1,871,775.00
Total	\$19,090,000.00	\$ 23,691,331.60	\$ 42,781,331.60

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

<b>Year Ending (September 1)</b>	<b><u>2023C Shoreline (Tax Zone 1) Special Tax Bonds</u></b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	\$ 250,000.00	\$ 743,104.17	\$ 993,104.17
2025	15,000.00	997,000.00	1,012,000.00
2026	40,000.00	996,250.00	1,036,250.00
2027	60,000.00	994,250.00	1,054,250.00
2028	85,000.00	991,250.00	1,076,250.00
2029	110,000.00	987,000.00	1,097,000.00
2030	140,000.00	981,500.00	1,121,500.00
2031	170,000.00	974,500.00	1,144,500.00
2032	200,000.00	966,000.00	1,166,000.00
2033	235,000.00	956,000.00	1,191,000.00
2034	270,000.00	944,250.00	1,214,250.00
2035	305,000.00	930,075.00	1,235,075.00
2036	350,000.00	914,062.50	1,264,062.50
2037	390,000.00	895,687.50	1,285,687.50
2038	440,000.00	875,212.50	1,315,212.50
2039	485,000.00	852,112.50	1,337,112.50
2040	540,000.00	825,437.50	1,365,437.50
2041	595,000.00	795,737.50	1,390,737.50
2042	660,000.00	763,012.50	1,423,012.50
2043	725,000.00	726,712.50	1,451,712.50
2044	790,000.00	686,837.50	1,476,837.50
2045	865,000.00	641,412.50	1,506,412.50
2046	945,000.00	591,675.00	1,536,675.00
2047	1,030,000.00	537,337.50	1,567,337.50
2048	1,125,000.00	478,112.50	1,603,112.50
2049	1,220,000.00	413,425.00	1,633,425.00
2050	1,320,000.00	343,275.00	1,663,275.00
2051	1,430,000.00	267,375.00	1,697,375.00
2052	1,550,000.00	185,150.00	1,735,150.00
2053	1,670,000.00	96,025.00	1,766,025.00
Total	\$18,010,000.00	\$ 22,349,779.17	\$ 40,359,779.17

## SECURITY FOR THE 2023 BONDS

### General

#### *Pledged Revenues.*

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

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

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



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

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

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

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

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

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

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

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

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

“Shoreline (Tax Zone 1) Special Tax Revenues” as defined in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement means the proceeds of the Shoreline (Tax Zone 1) Special Taxes received by the City, including any scheduled payments thereof and any Shoreline (Tax Zone 1) Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Shoreline (Tax Zone 1) Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Shoreline (Tax Zone 1) Special Tax Bonds or any penalties collected in connection with any such foreclosure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the principal of, and interest and any premium on, such series of Office Special Tax Parity Bonds. See “ - Reserve Funds.”

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City will cause proceeds of the Development Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund under the Development Special Tax Bonds Fiscal Agent Agreement in

an amount, taking into account any amounts then on deposit in such Bond Fund and any expected transfers from the IFD Payment Amount Fund, the Improvement Fund(s) under the Development Special Tax Bonds Fiscal Agent Agreement as directed by the City, the 2021A Reserve Fund, the 2021B Reserve Fund, and any reserve account (including the 2023A Reserve Fund) for Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, the 2021B Capitalized Interest Account, the 2021C Capitalized Interest Account, a capitalized interest account for any Development Special Tax Parity Bonds, and the Development Special Tax Prepayments Account of such Bond Fund, such that the amount in such Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Development Special Tax Bonds on such Interest Payment Date and any past due principal or interest on the Development Special Tax Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

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

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

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

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

the CFD Remainder Account, after which they will no longer be available to pay debt service on the Development Special Tax Bonds.

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

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

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

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

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

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City will cause proceeds of the Office Special Taxes to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2023B Reserve Fund an amount, taking into account amounts then on deposit in the 2023B Reserve Fund, such that the amount in the 2023B Reserve

Fund is equal to the 2023B Reserve Requirement, and (b) for deposit in the reserve account for any Office Special Tax Parity Bonds that are not 2023B Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Office Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2023B Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Office Special Tax Bonds); and

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

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

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

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

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

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



to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

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

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

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

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

On each October 1, the City will cause all of the moneys remaining in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to be transferred to the Shoreline Zone 1 Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund

Trustee, after which they will no longer be available to pay debt service on the Shoreline (Tax Zone 1) Special Tax Bonds.

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

### **IFD Payment Amount Fund**

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

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

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

Amounts in the IFD Payment Amount Fund will be used to pay principal of and interest on the Development Special Tax Bonds in the immediately succeeding Bond Year and, to the extent available, to make deposits to replenish any debt service reserve funds under the Development Special Tax Fiscal Agent Agreement. For example, any IFD Payment Amount paid by the IFD to the Fiscal Agent on July 1, 2025 (which would be funded from the property tax increment allocated to the IFD from Project Area I for fiscal year 2024-25 and committed under the Pledge Agreement, as described in APPENDIX H) would be used to reduce the Development Special Tax levy for fiscal year 2025-26 and applied according to the Development Special Tax Fiscal Agent Agreement to pay debt service on the Development Special Tax Bonds for the Bond Year ending on September 1, 2026 (i.e., on March 1, 2026 and September 1, 2026). No property tax increment is expected to be allocated to the IFD from Project Area I in Fiscal Year 2023-24.

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

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

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

## **Bond Funds**

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

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

At least five (5) Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in each Bond Fund are sufficient to pay the debt service due on the Development Special Tax Bonds, the Office Special Tax Bonds and the Shoreline (Tax Zone 1) Special Tax Bonds, respectively, on the next Interest Payment Date. If amounts in a Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

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

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

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

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

Bond Fund and used to pay debt service of the 2021B Development Special Tax Bonds and any 2021B Related Parity Bonds.

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

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

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

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

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

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

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

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

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in such Bond Fund to make the payments provided for in the Shoreline (Tax Zone 1)

Special Tax Bonds Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Shoreline (Tax Zone 1) Special Tax Bonds, then to the payment of principal due on the Shoreline (Tax Zone 1) Special Tax Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Shoreline (Tax Zone 1) Special Tax Bonds by reason of sinking payments.

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

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

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

## **Reserve Funds**

### **Development Special Tax Bonds Reserve Funds.**

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

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

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

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

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

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

provided, however,

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

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

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

Upon issuance of the 2023A Development Special Tax Bonds, the initial 2023A Reserve Requirement will be \$846,388.97. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

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

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023A Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2023A Development Special Tax Bonds or any 2023A Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

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

*2021B Reserve Fund.* The District has established under the Development Special Tax Bonds Fiscal Agent Agreement a 2021B Reserve Fund. The 2021B Reserve Fund is established for the benefit of the

2021B Development Special Tax Bonds and any future 2021B Related Parity Bonds. None of the 2023 Bonds will be designated as 2021B Related Parity Bonds and moneys in the 2021B Reserve Fund may not be used to pay debt service on the 2023 Bonds.

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

Office Special Tax Bonds Reserve Fund.

The City will establish a debt service reserve fund under the Office Special Tax Bonds Fiscal Agent Agreement that secures the 2023B Office Special Tax Bonds and any 2023B Related Parity Bonds, as described below. The parity bonds test in the Office Special Tax Bonds Fiscal Agreement does not require the City to establish a debt service reserve fund for future Parity Bonds.

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

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

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

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

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

provided, however,

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

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

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

Upon issuance of the 2023B Office Special Tax Bonds, the 2023B Reserve Requirement of \$1,798,374.52 is expected to be satisfied from the proceeds of the 2023B Office Special Tax Bonds.

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

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023B Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2023B Office Special Tax Bonds or any 2023B Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

See APPENDIX C-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE OFFICE SPECIAL TAX BONDS” hereto for more information about the 2023B Reserve Fund.

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

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

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

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

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

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

provided, however,

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

(B) that in no event shall the amount calculated exceed the amount on deposit in the 2023C Reserve Fund on the date of issuance of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds (if they are the only Shoreline (Tax Zone 1) Special Tax Bonds covered by the 2023C Reserve Fund) or the most recently issued



series of 2023C Related Parity Bonds except in connection with any increase associated with the issuance of 2023C Related Parity Bonds; and

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

Upon issuance of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, the 2023C Reserve Requirement of \$1,696,581.10 is expected to be satisfied from the proceeds of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds.

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

The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023C Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2023C Shoreline (Tax Zone 1) Special Tax Bonds or any other 2023C Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

See APPENDIX C-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS” hereto for more information about the 2023C Reserve Fund.

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

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

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

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

“Assessed Parcel” means, in any Fiscal Year, any Taxable Parcel that meets all five of the following conditions: (i) there is a building on the Taxable Parcel for which a Certificate of Occupancy (as defined in

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Source: Goodwin Consulting Group, Inc.*

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

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

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

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

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

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

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

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

Step 1d. For all Assessed Parcels:

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

There could be a default or a delay in payments to the owners of the 2023 Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any. Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes may be levied on the Leasehold Interests in Taxable Parcels within the District that are subject to such Special Taxes up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the related 2023 Bonds. However, under the Rate and Method, none of the Development Special Tax levy, Office Special Tax levy or Shoreline (Tax Zone 1) Special Tax levy on a Leasehold Interest in a Taxable Parcel may increase by more than 10% of the Maximum Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, respectively, as a consequence of delinquencies

or defaults in payment of such tax levied on Leasehold Interests in another Parcel(s) in the District (a “Delinquency Levy”). In addition, the Delinquency Levy, if any, is determined when calculating the Development Special Tax Requirement. Accordingly, when determining the levy of Development Special Taxes on Leasehold Interests in Assessed Parcels, the Delinquency Levy, if any, has already been applied and, therefore, the Administrator shall not levy any additional Delinquency Levy on an Assessed Parcel that has its Development Special Tax levy reduced or eliminated by Parcel Increment.

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

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

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

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Office Special Taxes theretofore levied in the District to the amount of Office Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Office Special Tax in the District is delinquent in the payment of one or more installments of Office Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the District is then participating in the Teeter Plan, or an equivalent procedure,

(2) the amount in the 2023B Reserve Fund is at least equal to the 2023B Reserve Requirement, and (3) the amount in the reserve account for any Office Special Tax Parity Bonds that are not 2023B Related Parity Bonds is at least equal to the required amount.

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

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

### **Limited Obligation**

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

The City is under no obligation to 2023A Development Special Tax Bond Owners to levy any tax, other than the Development Special Taxes, or to transfer any funds of the City other than to transfer to the Fiscal Agent the Development Special Taxes as set forth in the Development Special Tax Bonds Fiscal Agent Agreement and to the IFD the ad valorem property tax increment revenue that is the source of the IFD Payment Amount. The City is under no obligation to 2023B Office Special Tax Bond Owners to levy any tax, other than the Office Special Taxes, or to transfer any funds of the City other than to transfer to the Fiscal Agent the Office Special Taxes as set forth in the Office Special Tax Bonds Fiscal Agent Agreement. The City is under no obligation to 2023C Shoreline (Tax Zone 1) Special Tax Bond Owners to levy any tax, other than the Shoreline (Tax Zone 1) Special Taxes, or to transfer any funds of the City other than to transfer to the Fiscal Agent the Shoreline (Tax Zone 1) Special Taxes as set forth in the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement. See “SECURITY FOR THE 2023 BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose liens upon delinquencies, “SECURITY FOR THE 2023 BONDS – Reserve Funds,” for a discussion of the 2023A

Reserve Fund securing the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds, the 2021A Reserve Fund securing the 2021A Development Special Tax Bonds, the 2021C Development Special Tax Bonds and any other 2021A Related Parity Bonds, the 2023B Reserve Fund securing the 2023B Office Special Tax Bonds and any 2023B Related Parity Bonds and the 2023C Reserve Fund securing the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds.

### **Teeter Plan**

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

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

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

### **Parity Bonds**

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

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

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

(A) *Compliance.* Following issuance of the Development Special Tax Parity Bonds, the City shall be in compliance with all covenants set forth in the Development Special Tax Bonds Fiscal Agent

Agreement and all Supplemental Agreements, and issuance of the Development Special Tax Parity Bonds shall not cause the City to exceed the District's \$3.7 billion limitation on debt.

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

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

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

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

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

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

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

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

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

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

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

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

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

be an amount equal to the aggregate principal amount of such Development Special Tax Bonds, proposed Development Special Tax Parity Bonds or Other Special Tax Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied to pay for the Development Special Tax Bonds, proposed Development Special Tax Parity Bonds or Other Special Tax Bonds on such Leasehold Interest in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of issuance of the proposed Development Special Tax Parity Bonds are expected to first collectively constitute Developed Property under the Rate and Method, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Development Special Tax Bonds, Development Special Tax Parity Bonds or Other Special Tax Bonds in such fiscal year.

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

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

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

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

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

See “ – Future Indebtedness” below.

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

Any such Office Special Tax Parity Bonds shall be secured by a lien on the Office Special Tax Revenues under the Office Special Tax Bonds Fiscal Agent Agreement and certain funds pledged for the payment of the Office Special Tax Bonds under such Fiscal Agent Agreement on a parity with all other

Office Special Tax Bonds Outstanding under such Fiscal Agent Agreement. The City may issue such Office Special Tax Parity Bonds subject to the following specific conditions precedent:

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

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

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

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

(ii) a deposit to a reserve account for the Office Special Tax Parity Bonds (and such other series of Office Special Tax Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Office Special Tax Parity Bonds will have no interest in or claim to the 2023B Reserve Fund and that the Owners of the Office Special Tax Bonds covered by the 2023B Reserve Fund will have no interest in or claim to such other reserve account; or

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

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

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

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

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



which is the amount of special taxes that could be levied for such Other Special Tax Bonds on Leasehold Interests in Taxable Parcels within the District that are subject to the Office Special Tax, and the denominator of which is the total amount of special taxes that could be levied to pay such Other Special Tax Bonds on all parcels of land against which the special taxes could be levied to pay such Other Special Tax Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on such bonds occurs), based upon information from the most recent available Fiscal Year.

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

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

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

For purposes of clause (E) above, “Qualifying Taxable Parcel” means, as of the date of the Officer’s Certificate described in clause (F) below, a Taxable Parcel that (i) is subject to a Parcel Lease, (ii) the Leasehold Interest in which is subject to the Office Special Tax and not delinquent in the payment of Office Special Taxes and (iii) the Leasehold Interest in which has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Office Special Tax Bonds then Outstanding that is allocable to such Leasehold Interest, plus (x) the portion of the aggregate principal

amount of the series of Office Special Tax Parity Bonds proposed to be issued that is allocable to such Leasehold Interest, plus (y) the aggregate principal amount of any fixed assessment liens on such Leasehold Interest, plus (z) the portion of the applicable principal amount of any and all Other Special Tax Bonds that is allocable to such Leasehold Interest. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Office Special Tax Bonds, Office Special Tax Parity Bonds or Other Special Tax Bonds allocable to each Leasehold Interest in a Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Office Special Tax Bonds, proposed Office Special Tax Parity Bonds or Other Special Tax Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied to pay for the Office Special Tax Bonds, proposed Office Special Tax Parity Bonds or Other Special Tax Bonds on such Leasehold Interest in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of issuance of the proposed Office Special Tax Parity Bonds are expected to first collectively constitute Developed Property under the Rate and Method, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Office Special Tax Bonds, Office Special Tax Parity Bonds or Other Special Tax Bonds in such fiscal year.

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

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

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

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

See “ – Future Indebtedness” below.

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

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

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

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

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

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

(ii) a deposit to a reserve account for the Shoreline (Tax Zone 1) Special Tax Parity Bonds (and such other series of Shoreline (Tax Zone 1) Special Tax Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Shoreline (Tax Zone 1) Special Tax Parity Bonds will have no interest in or claim to the 2023C Reserve Fund and that the Owners of the Shoreline (Tax Zone 1) Special Tax Bonds covered by the 2023C Reserve Fund will have no interest in or claim to such other reserve account; or

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

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

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

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

In addition, the Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Shoreline (Tax Zone 1) Special Tax Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Shoreline (Tax Zone 1) Special Tax Parity Bonds proposed to

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

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

“Special Tax District Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interests in all Taxable Parcels subject to the levy of the Shoreline (Tax Zone 1) Special Taxes and not delinquent in the payment of any Shoreline (Tax Zone 1) Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement and with the proceeds of any proposed series of Shoreline (Tax Zone 1) Special Tax Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. In such Fiscal Agent Agreement, it is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Under such Fiscal Agent Agreement, neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any appraiser pursuant to this definition.

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

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

“Taxable Parcel Value” under the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interest in a Taxable Parcel, including with respect to such Leasehold Interest the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Shoreline (Tax Zone 1) Special Tax Parity Bonds, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Shoreline (Tax Zone 1) Special Tax Parity Bonds by an Appraiser selected by the City, or (ii) in the alternative, the assessed value as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the District. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

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

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

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

See “ – Future Indebtedness” below.

### **Subordinate and Unsecured Obligations**

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

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

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

### **Other Indebtedness and Obligations**

The properties in the District may be subject to other existing authorized indebtedness payable from taxes and assessments that may be levied. Existing authorized indebtedness is shown in Table 14 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 San Francisco Unified School District CFD’s special tax may be levied for twenty years beginning in fiscal year 2010-11. The special tax levied by the San Francisco Unified School District CFD may not exceed about \$32 per parcel for single-family residential and nonresidential parcels and about \$16 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.

### **Future Indebtedness**

As discussed under the caption “ - Parity Bonds” above, the District is authorized to issue \$3.7 billion of bonded indebtedness and other debt in the aggregate including the previously issued District bonds. Assuming development within the District progresses as projected by the Master Developer, the City anticipates issuing additional community facilities district bonds for the District. The City does not

expect to issue additional bonds associated with Phase 1. Additional bonds that will be sized based on the Development Special Taxes, Office Special Taxes and Shoreline Special Taxes on parcels in Phase 2 through Phase 4 (referred to herein as the Shoreline (Tax Zone 2) Special Tax) may follow as development proceeds. See Table 5 below. Issuance of additional District bonds may result in overall appraised value-to-lien ratios for the District as a whole and for individual Parcels that are lower than current ratios unless sufficient additional investment by the Master Developer and/or the Vertical Developers occurs before the issuance of such bonds.

See “THE MISSION ROCK PROJECT – Projected Development Special Tax Levy, Appraised Values and Value-to-Lien Ratios” and “SPECIAL RISK FACTORS – Future Indebtedness” herein. Issuance of additional District bonds and other parity bonds would be limited under the Fiscal Agent Agreements. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” and “- Bonds Payable from Other Special Taxes Levied under the Rate and Method” herein.

## **FORMATION OF THE DISTRICT**

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

On April 14, 2020, after holding a noticed public hearing, the Board of Supervisors adopted (i) Resolution No. 160-20 forming the District and the Future Annexation Area, approving the levy of special taxes within the District according to the Rate and Method and approving an initial \$3,700,000,000 annual appropriation limit for the District, subject to approval of the qualified electors, (ii) Resolution No. 161-20 declaring the necessity to incur bonded indebtedness and other debt in an amount not to exceed \$3,700,000,000, subject to approval of the qualified electors and (iii) Resolution No. 162-20, calling an election of the qualified landowner electors in the District. The Mayor approved these resolutions on April 24, 2020.

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

On May 5, 2020, the Board of Supervisors adopted Resolution No. 195-20 pursuant to which the Board of Supervisors, acting as the legislative body of the District, approved the canvass of the votes and declared the District to be fully formed with the authority to levy certain special taxes, to incur bonded and other indebtedness and to maintain an appropriations limit. See “SECURITY FOR THE 2023 BONDS” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto. On the same date, the Board of Supervisors adopted Resolution No. 196-20, pursuant to which the Board of Supervisors approved the incurrence of \$3,700,000,000 of bonded indebtedness and other debt for the District. The Mayor approved these resolutions on May 15, 2020.

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

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

with the Rate and Method. The District began levying Development Special Taxes during Fiscal Year 2020-21.

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

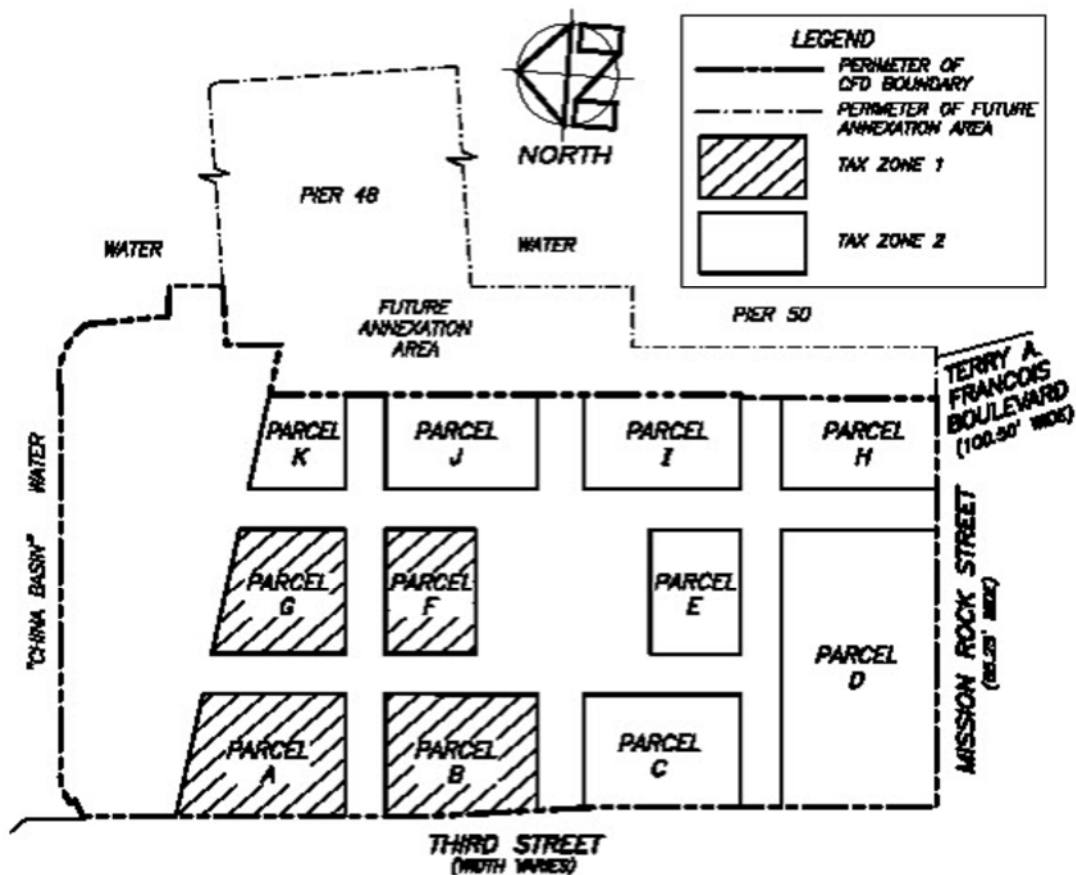
On May 11, 2021, the Board of Supervisors adopted Resolution No. 224-21, further supplementing Resolution No. 196-20, and approving the form of a First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$64,900,000 of special tax bonds in one or more series. The Mayor approved this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

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

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

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## THE CITY

**General.** The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (previously defined as the “Bay”). Silicon Valley is about a 40-minute drive to the south and the Napa and Sonoma “wine country” is about an hour’s drive to the north. As of January 1, 2023, the State estimates the City’s population to be 831,703, among the largest in the country. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” hereto.

The City benefits from a broad economic base, anchored by major technology companies such as Salesforce Inc., Uber Technologies Inc., Accenture and Cisco Systems Inc. In addition, the City is near Silicon Valley, a region regarded as a global center for technology and innovation. San Francisco has historically ranked among the highest average income counties in the country. The City is served by two major airports: San Francisco International Airport and Oakland International Airport. There are multiple universities located in or near the City, such as University of California, Berkeley, Stanford University, University of San Francisco, San Francisco State University, University of California, San Francisco and UC Law San Francisco.

**Continuing Impact of COVID-19 Pandemic and Other Factors on San Francisco Economy.** Beginning in late winter 2020, the City faced significant negative impacts resulting from the global COVID-19 pandemic and efforts to contain it. While public health restrictions have been loosened or eliminated in response to positive public health data on COVID-19, economic conditions have not fully recovered.

Housing affordability, homelessness and crime, which have posed challenges in urban areas like the City in recent years, may also negatively impact economic activities.

The impacts on the City's economy have been material and in many cases adverse. The pandemic and recent economic conditions have resulted in a decline in population, reductions in tourism and disruption of the local economy, widespread business closures, business relocations out of the City and job cuts by many tech companies. A recent forecast from the State's Department of Finance indicates that the City's population is likely to remain below 2020 levels through 2060.

As of June 2023, hotel revenue was at about 75% of 2019 levels. Domestic and international enplanements were also below pre-pandemic levels. A large-scale return to workplaces has yet to materialize, which is also reflected in continued low transit ridership to workplace centers in the City.

In addition, the pandemic negatively impacted values in certain segments of the real estate market. The City's office vacancy rate topped 30% as of the third quarter of 2023. The downtown office market has been particularly impacted. Additionally, the City's housing market also remains sluggish, with condo prices falling faster in San Francisco than statewide. Apartment vacancy rates were under 6% as of September 2023, though rents remain below 2019 levels. Building permits for single and multifamily homes in 2022 numbered near 2020 levels, which was a ten-year low, with permits in 2023 issuing at an even slower annualized pace through June.

Recent economic conditions in the City also reflect the impact of increasing interest rates driven by Federal Reserve rate-setting actions aimed at mitigating inflation.

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

## **THE PORT**

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

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

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

On November 3, 2015, San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the Project Site (which is defined below as the premises ground leased to the Master Developer under a Master Lease, currently having the same boundaries as the District), subject to environmental review, and established a City policy to encourage development of the Project Site. Proposition D specifically provides

that it is intended to encourage and implement the lease and development of the Project Site as described in SB 815 to support the purposes of the Burton Act, especially the preservation of historic piers and historic structures and construction of waterfront plazas and open space.

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

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

## **THE MISSION ROCK PROJECT**

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

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

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

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

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

The Mission Rock Project site is located adjacent to Muni light rail which offers connectivity to BART at Powell station within about 15 minutes and Caltrain at its Fourth and King Streets terminus within

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

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

- Approximately 1,058 residential rental units, with 40 percent affordable to low and moderate income households earning 45-150% of the area median income.
- About 8 acres of parks and open space, including the signature 4.4-acre China Basin Park on the waterfront.
- Up to 1.4 million square feet of new, high quality office space.
- Approximately 175,000 square feet of neighborhood-serving retail and production space (considered part of the active ground floor retail space).
- Up to 3,000 space parking structure to serve Oracle Park and neighborhood needs.
- Rehabilitation of historic Pier 48.
- Public waterfront access and improvements, including a segment of the Blue Greenway trail connection from Embarcadero to Hunters Point.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lease expires or all of the leased premises has been released from the Master Lease, either as a Horizontal Improvement acquired by an Acquiring Agency or as a Vertical Parcel leased to a Vertical Developer.

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

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

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

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

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

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

***Phase 1 Budget.*** The Master Developer has a Port-approved Phase Budget for Phase 1 to construct the Phase 1A Horizontal Improvements required for the Vertical Developers of Parcels A, B, F and G to obtain certificates of occupancy for the vertical improvements on those Parcels and to construct Phase 1B (China Basin Park). The Phase Budget for Phase 1 was most recently amended in October 2023 to reflect additional costs attributable to (1) sequencing complexity and project time extensions, impacting both hard and soft costs; (2) unforeseen conditions related to soils, dewatering and underground utilities; (3) enhanced security improvements and reinforcing of concrete in China Basin Park; (4) inflation and cost increases of labor and resources; and (5) increased Master Developer, City, and Port staff costs required to implement the project, including coordination of unique design features. The budget increase was approximately \$34.3 million in the aggregate. The Master Developer is currently on track to complete the Phase 1A and 1B improvements within the approved budget. The Phase 1 and future phase budgets are reflected in the financial tables herein. See “ - Development and Financing Plan for the Mission Rock Project” below.

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

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

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

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

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**Table 2**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Overview of the Mission Rock Project**  
**(as of September 15, 2023)**

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

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

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

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

*Source: Master Developer*

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An overview of the proposed residential development in the Mission Rock Project is set forth below in Table 3, though one of these parcels in Table 3 below (in addition to Parcels I and J) has flexible entitlements, as shown in Table 2 above.

**Table 3**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Residential Overview**  
**(as of September 15, 2023)**

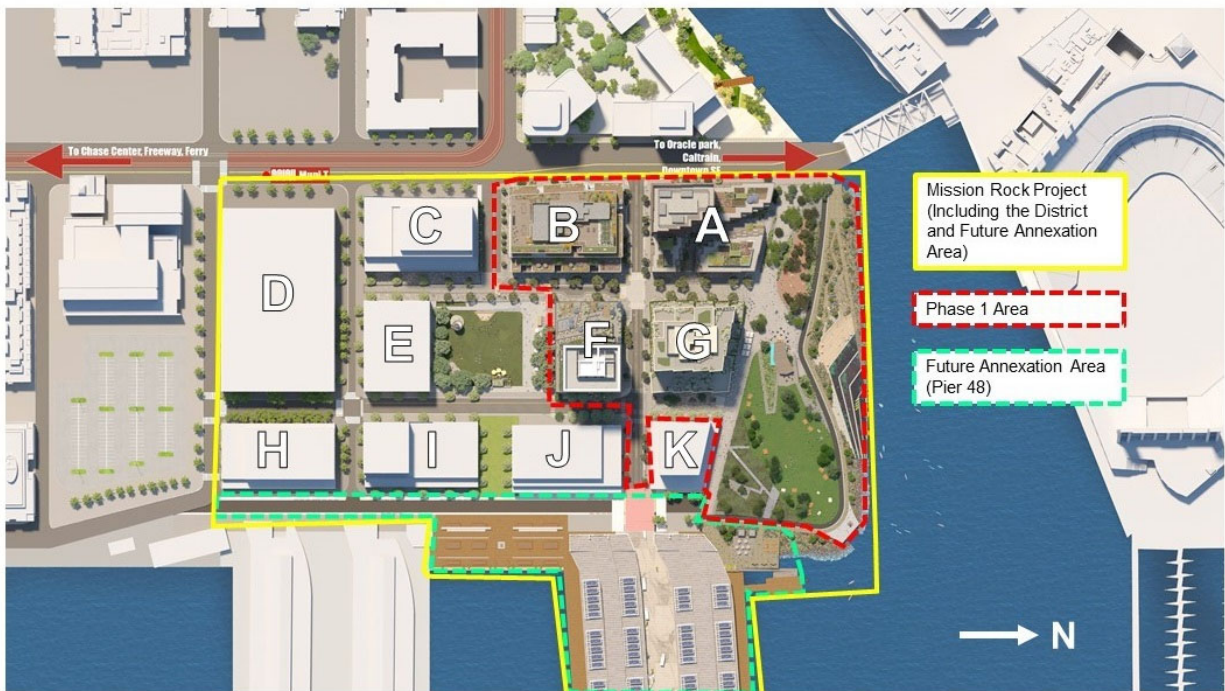
Parcel/ Block	Phase	Tax Zone	Number of Units		
			Market Rate Units	Inclusionary Units <sup>(1)</sup>	Total
A	1	1	181	102	283
F	1	1	157	97	254
D1	2	2	115	149	264
H <sup>(2)</sup>	4	2	80	46	126
K	4	2	92	39	131
<b>Totals</b>			<b>625</b>	<b>433</b>	<b>1,058</b>

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

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

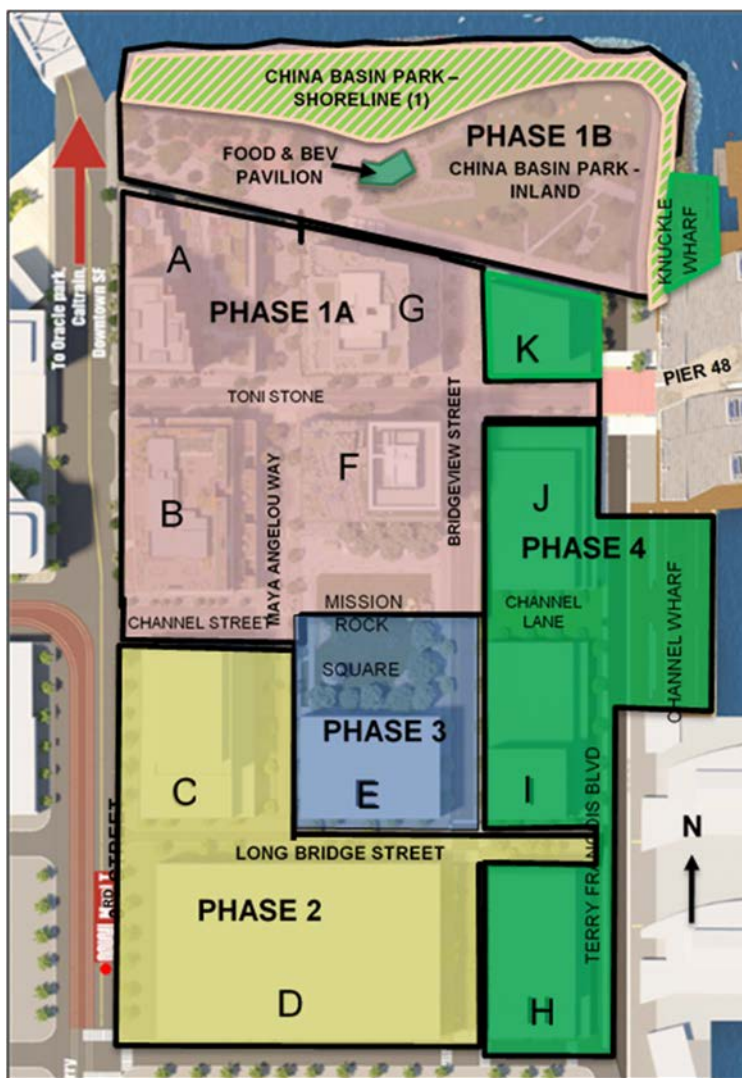
Source: Master Developer

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



## Project Phasing and Mapping Process

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



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

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

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

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

*Although the Master Developer expects to have sufficient funds available to complete development 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. Also Vertical Developers have no obligation to fund infrastructure for the Mission Rock Project. Any contributions by the Master Developer or any such entity to fund the costs of such development are entirely voluntary.*

**Cost Estimates of Public Improvements for the Mission Rock Project.** The table below identifies the estimated costs of the improvements required to be constructed and the fees required to be paid by the Master Developer to develop the property in the District as of September 15, 2023, and are reflective of the recent October 2023 revision of the Phase Budget for Phase 1. The estimated public improvement costs set forth in the table below are estimates, and actual costs may be affected by known and unknown risks, uncertainties and other factors which may cause actual costs to be materially different from these estimates.

The table below reflects the current Phase 1 Budget as approved by the Port Commission on October 10, 2023.

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**Table 4**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Cost Estimates for Horizontal Infrastructure for Mission Rock Project**  
**(as of September 15, 2023)**

<b>Description</b>	<b>Estimated Public Improvement Costs<sup>(1)</sup></b>	<b>Spent To Date</b>	<b>Percent Complete</b>
Phase 1A <sup>(2)(3)</sup>			
Entitlement Phase	\$ 29,330,000	\$ 29,330,000	100%
Hard Costs <sup>(4)</sup>	80,785,667	69,276,667	86%
Mission Rock Utilities Systems <sup>(5)</sup>	43,525,000	36,153,446	83%
City Reimbursables	19,577,000	3,038,059	16%
Developer Reimbursables	23,787,637	18,346,178	77%
Soft Costs <sup>(6)</sup>	53,662,798	44,292,197	83%
<b>Totals Phase 1A</b>	<b>\$250,668,102</b>	<b>\$200,436,547</b>	<b>80%</b>
Phase 1B through Phase 4 <sup>(7)</sup>			
Phase 1B China Basin Park Hard Costs	\$ 40,657,253	\$15,015,902	37%
Phase 2 – 4 Hard Costs <sup>(4)(8)</sup>	120,850,000	-	-
Hard Costs Outside of GMP <sup>(8)</sup>	46,750,000	-	-
Soft Costs <sup>(9)</sup>	37,400,000	2,780,067	7%
<b>Totals Phase 1B through Phase 4</b>	<b>\$245,657,253</b>	<b>\$ 17,795,969</b>	<b>7%</b>
<b>Totals for Mission Rock Project</b>	<b>\$496,325,355</b>	<b>\$218,232,516</b>	<b>44%</b>

<sup>(1)</sup> Metrics herein reflect the October 2023 Phase 1 Budget increase and updated Phase 2-4 budget estimates. See “ - Overview of Mission Rock Transaction Structure – Phase 1 Budget” above.

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

<sup>(3)</sup> Remaining Infrastructure Costs represented in the Appraisal Report are based on Phase 1A costs and Phase 1A amounts spent to September 15, 2023.

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

<sup>(5)</sup> The Mission Rock Utilities Systems was financed by sources other than the Master Developer, is not part of the Phase 1 Budget and is not expected to be a reimbursable cost of the Port.

See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” herein.

<sup>(6)</sup> Soft Costs includes architecture, engineering, fees, bonds, city permits, insurance, tax, accounting, legal, general conditions, contingency and debt service on 2021A Development Special Tax Bonds, the 2021B/C Bonds prior to tax levy on Vertical Parcels classified as “Developed Property” as defined in the Rate and Method. Please note, categories have been condensed compared to prior reporting in order to be consistent with the presentation format used for the October 2023 Phase 1 budget increase approval. Soft Costs previously excluded architecture, engineering, and permits, as that was previously a separate line item.

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

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

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

Source: Master Developer

**Horizontal Financing Plan.** The Master Developer, through the Phase I Sub, estimates the costs to complete horizontal infrastructure required to support the planned development within Mission Rock Project as of September 15, 2023 to be approximately \$496.3 million in total, of which approximately \$250.7 million is attributable to Phase 1A and \$245.7 million is attributable to Phase 1B through Phase 4.

Approximately \$200.4 million has been spent in Phase 1A, including entitlement costs, and approximately \$17.8 million has been spent in Phase 1B through Phase 4. Remaining costs total approximately \$278.1 million, of which approximately \$50.2 million is attributable to Phase 1A, and \$227.9 million attributable to Phase 1B through Phase 4.

As of September 15, 2023, the Phase I Sub has funded its site development costs related to Phase 1A and Phase 1B of the Mission Rock Project through internally generated funds, Mission Rock Utilities bond anticipation notes proceeds (see “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” below) and other sources. A portion of the development costs have already been reimbursed through DRP Advances, 2021A Development Special Tax Bonds proceeds, 2021B/C Bond proceeds and other sources.

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

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

	<b>Actual As of 9/15/23<sup>(1)</sup></b>	<b>Projected Through 12/31/23</b>	<b>Projected After 1/1/24</b>	<b>Totals</b>
<b>Sources Phase 1A</b>				
DRP Advances <sup>(2)</sup>	\$ 42,247,500	\$ -	\$ -	\$ 42,247,500
CFD Proceeds <sup>(3)</sup>	99,030,318	39,462,371	-	138,492,689
Mission Rock Utilities Bonds <sup>(4)</sup>	43,525,000	-	-	43,525,000
Developer Equity	134,953,102	15,356,901	27,503,099	177,813,102
<b>TOTAL SOURCES PHASE 1A</b>	<b>\$ 307,626,089</b>	<b>\$ 74,206,973</b>	<b>\$ 27,503,099</b>	<b>\$402,078,291</b>
<b>Uses Phase 1A</b>				
Entitlement Costs <sup>(5)</sup>	\$ 29,330,000	-	-	\$ 29,330,000
Mission Rock Utilities Systems <sup>(4)</sup>	36,153,446	7,371,554	-	43,525,000
Phase 1A Infrastructure <sup>(6)</sup>	134,953,102	15,356,901	27,503,099	177,813,102
<b>TOTAL USES PHASE 1A</b>	<b>\$ 200,436,548</b>	<b>\$ 22,728,456</b>	<b>\$ 27,503,099</b>	<b>\$250,668,102</b>
<b>NET CASH FLOW PHASE 1A</b>	<b>\$ 119,319,373</b>	<b>\$ 32,090,816</b>	<b>\$ 0</b>	<b>\$151,410,189</b>
<b>Sources Phases 1B – 4</b>				
DRP Advances <sup>(2)</sup>	\$ -	\$ -	\$ 39,300,000	\$ 39,300,000
CFD Proceeds <sup>(3)</sup>	-	-	159,951,649	159,951,649
Developer Equity	17,795,969	17,094,234	210,767,050	245,657,253
<b>TOTAL SOURCES PHASES 1B – 4</b>	<b>\$ 17,795,969</b>	<b>\$ 17,094,234</b>	<b>\$410,018,700</b>	<b>\$444,908,902</b>
<b>Uses Phases 1B – 4</b>				
Phase 1B-4 Infrastructure	\$ 17,795,969	\$ 17,094,234	\$210,767,050	\$245,657,253
<b>TOTAL USES PHASE 1B – 4</b>	<b>\$ 17,795,969</b>	<b>\$ 17,094,234</b>	<b>\$210,767,050</b>	<b>\$245,657,253</b>
<b>NET CASH FLOW PHASES 1B – 4</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$199,251,649</b>	<b>\$199,251,649</b>
<b>NET CASH FLOW</b>	<b>\$119,319,373</b>	<b>\$32,090,816</b>	<b>\$199,251,649</b>	<b>\$350,661,838</b>

<sup>(1)</sup> Includes only revenues and costs associated with the construction of infrastructure as of September 15, 2023; does not include every source or cost incurred by the Master Developer (or through the Phase I Sub) as of September 15, 2023.

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

<sup>(3)</sup> CFD Proceeds reflected in the table above are net of transaction costs and capitalized interest, if applicable. CFD Proceeds after September 15, 2023 reflect estimates. Reflects expected additional CFD bonds leveraging Development Special Tax Revenues, as well as Office Special Tax Revenues and Shoreline Special Tax Revenues. See “ - Horizontal Infrastructure Status” below.

<sup>(4)</sup> See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities - Financing the Mission Rock Utilities System” herein.

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

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

Source: Master Developer

***Port Capital Advances.*** Under the terms of the DDA, both the Master Developer and the Port may invest capital to fund project costs. While the Port may elect to make this investment, the Master Developer must fund horizontal infrastructure costs with Master Developer funds if public financing or land proceeds are not available. To the extent the Port funds horizontal infrastructure costs, the Master Developer obligation to fund is reduced correspondingly. On October 10, 2023, the Port Commission approved making a Port Capital contribution of up to \$16.5 million (“Port Capital Advances”). Each of these Port Capital Advances will receive 10 percent interest from the date of the advance. The Port Capital Advance will require a budget appropriation by the Board of Supervisors, which the Port anticipates seeking in 2024.

Of the full \$16.5 million, \$1.86 million is expected to be repaid by the first project sources available at the time the Port Capital contribution is made (likely available tax increment as the source). The remaining Port Capital Advances and associated interest will be repaid from sources available to the Mission Rock Project, including Special Taxes, but after satisfaction of annual debt service on District bonds.

***Horizontal Infrastructure Status.*** Construction of Phase 1A horizontal improvements commenced through early works permits in January 2020 and are now substantially complete. Remaining costs for Phase 1A are attributable to hard cost retention and general close out of the project, as is consistent with billing timing for construction projects. Phase 1B horizontal improvements commenced construction in March 2022 and are expected to be substantially completed in early 2024. ***Phase 2 horizontal construction commencement will be dependent upon market conditions. The Master Developer continues to closely monitor the viability of Phase 2.***

Pursuant to the PIA, the Phase I Sub posted subdivision payment and performance bonds for use by the City related to the Phase 1A public improvements permitted by the City. Specifically, the Phase I Sub had posted (i) a performance bond of about \$29.6 million to secure the satisfactory performance of Phase I Sub’s obligations and (ii) a payment bond of about \$14.8 million as a guarantee of payment for labor, materials, equipment, and services required for the Phase 1A Horizontal Improvements (though amounts available under the performance bond and the payment bond cannot be aggregated). As of June 5, 2023, the performance bond was reduced to reflect the value of the work remaining to be completed and, as of September 15, 2023, is now at \$7.8 million. The public improvements supported by the performance bonds do not include those permitted by the Port in its regulatory capacity or the Mission Rock Utilities Systems (as defined below) but do include the pump station planned for use with the Mission Rock Utilities Systems. See “ - Mission Rock Utilities Sustainable Blackwater and Thermal Energy Facilities” below and “SPECIAL RISK FACTORS - Real Estate Investment Risks – Public Infrastructure Construction Delays” herein.

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

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



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

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

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

***Thermal DES.*** In general, to receive a certificate of occupancy, a building must provide heating and cooling. Usually, a building will have a system constructed within the building itself, including boilers, chillers and cooling towers. For the Mission Rock Project, the Master Developer constructed the Thermal DES within the building on Parcel A. The Thermal DES supplies hot and chilled water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings in the Mission Rock Project. The Thermal DES contains heating and cooling equipment for the entire development which will replace the need to have this type of equipment inside each building. Since March 2023, the Thermal DES is operational.

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

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

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

***The Mission Rock Utilities Systems.*** Pursuant to the CC&Rs, buildings in the District are required to receive thermal energy and blackwater recycling services from MRU upon completion of the Mission Rock Utilities Systems. Before completion of the first Vertical Parcel, long-term utility service agreements

were put in place that require the Mission Rock Owners Association (a California nonprofit mutual benefit corporation, of which each of the holders of leasehold interest in the Vertical Parcels is a member) to use MRU to provide thermal energy and blackwater recycling services to buildings in the District through the Mission Rock Utilities Systems. In addition, parks and open spaces in the District will use recycled water from the Mission Rock Utilities Systems. Utility rates billed to tenants and the Port will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs. The rates billed to the Port are subject to an annually escalating cap intended to roughly reflect the use for China Basin Park in proportion to Phase 1 total use. Unless or until subsequent Phases of the Mission Rock Project are completed, these costs may lead to comparatively higher rates than would otherwise apply and rates that are higher than the rates for comparable services elsewhere in the City.

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

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

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

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

been prepared in accordance with Bay Area Air Quality Management District requirements to minimize site users' exposure to site contaminants.

The Master Developer has conducted environmental testing in connection with its development of the Mission Rock Project. The Master Developer will be conducting environmental remediation in compliance with the Mission Rock SMP, the Mission Rock DCP, the Mission Rock ADMP, and State law for the work on Seawall Lot 337.

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

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

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

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

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

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

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

Phase 1A vertical improvements began in December 2020. Three of the four planned buildings have received temporary certificates of occupancy, and the fourth is expected to be completed in the second quarter of 2024. Future Phase construction commencement is currently dependent on market conditions.

The expected development, construction and stabilization schedule in Phase 1A is summarized in the tables below as of September 15, 2023:

**Table 6**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Overview of Phase 1A of Mission Rock Project**  
**(projected dates as of September 15, 2023)**

	<b>Parcel A</b>	<b>Parcel B</b>	<b>Parcel F</b>	<b>Parcel G</b>
	<b>(The Canyon)</b>			
Vertical Developer/Leaseholder	Mission Rock Parcel A Owner, L.L.C.	Mission Rock Parcel B Owner, L.L.C.	Mission Rock Parcel F Owner, L.L.C.	Mission Rock Parcel G Owner, L.L.C.
Use	Residential/Office	Office	Residential/Office	Office
Rentable Office Square Feet <sup>(1)</sup>	58,136	274,005	21,600	303,629
Rentable Retail Square Feet <sup>(1)</sup>	12,500	15,300	8,000	17,300
Rentable Residential Square Feet <sup>(1)</sup>	214,135	-	177,898	-
Rental Residential Units	283	-	254	-
Date of Parcel Lease Execution	October 2020	October 2020	October 2020	June 2020
First Fiscal Year as Developed Property under the Rate and Method	2023-2024	2023-2024	2023-2024	2022-2023
Ground Breaking	1/2021	6/2021	4/2022	12/2020
Core/Shell Completion	5/2023	6/2023	6/2024	1/2023
Lease Up Commencement	6/2023	6/2023	7/2024	9/2022 <sup>(5)</sup>
Stabilization	7/2024 <sup>(2)</sup>	6/2025 <sup>(3)</sup>	6/2025 <sup>(4)</sup>	3/2023 <sup>(5)</sup>

<sup>(1)</sup> Square footage amounts shown above represent the expected rentable (leasable) square footage for office, residential (including market-rate rentable square footage and any inclusionary unit rentable square footage), and retail/ground floor space. Note that this square footage has only been confirmed for the office component of Parcel G, where there is a contractual square footage as defined by the Visa, Inc. lease. Market-Rate Residential Square Footage subject to the Development Special Tax excludes any inclusionary unit rentable square footage. See “SECURITY FOR THE 2023 BONDS - Rate and Method of Apportionment of Special Taxes” above.

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

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

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

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

Source: Master Developer

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

Designed by renowned architecture firm MVRDV, the building design for Parcel A draws inspiration from the western U.S. landscape and mimics a cascading canyon. With market leading amenities

and interior finishes, Parcel A offers co-working and gathering spaces for residents. It features a fitness center and outdoor lounge space and a hot tub, on a shared roof deck where tenants can enjoy views of the San Francisco Bay and China Basin Park.

Vertical construction commenced in January 2021, and the building received a temporary certificate of occupancy in May 2023. As of September 15, 2023, remaining costs for Parcel A total approximately \$49.2 million, primarily attributable to commercial tenant improvement costs and remaining hard cost billing. The Parcel A Vertical Developer expects the remaining costs of approximately \$49.2 million to be financed through a combination of debt and equity. The first residents moved into the building on June 1, 2023. The Below-Market-Rate unit marketing process was launched in April 2023. As of September 15, 2023, the market rate units are approximately 40% leased. Consulting firm Capgemini has leased approximately 30,000 square feet of office space at The Canyon for a ten-year term, representing about half of the building's office square footage. Capgemini's move-in is scheduled to begin in April 2024.

The Parcel A Vertical Developer secured a construction loan in November 2020. The Parcel A Loan is in good standing and is secured by the leasehold interest in Parcel A. The Parcel A Loan matures on December 9, 2023, with two, one-year extension options. The Parcel A Vertical Developer is able to satisfy all conditions to such extension options, and expects to exercise its first extension option.

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

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

Vertical construction commenced in June 2021, and the building received a temporary certificate of occupancy in June 2023. As of September 15, 2023, remaining costs for Parcel B total approximately \$103.3 million, primarily attributable to commercial tenant improvements and remaining hard cost billing. The commercial space in the building is being actively marketed for lease. Leases with each of Blades Co. Barbershop, Ike's Love & Sandwiches and LuxFit gym have been announced for three of the six ground floor retail spaces.

Parcel B vertical development is funded wholly from equity.

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

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

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

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

As of September 15, 2023, the Parcel F Vertical Developer has incurred approximately \$201.7 million on pre-development, on-site infrastructure, pre-paid ground lease, and on-site development costs and fees, and anticipates that an additional \$117.4 million will be required to be expended on such costs to complete the building on Parcel F. The Parcel F Vertical Developer financed Parcel F through \$116.2 million in loan proceeds, equity and the Jobs/Housing Equivalency subsidy of \$103.6 million. The Parcel F Vertical Developer expects the remaining costs of \$117.4 million to be financed through a combination of debt and equity. The site permit was issued in March 2022 and the Parcel F construction began in April 2022. As of September 1, 2023, concrete has been poured for levels 1-14, and facade installation was underway. Project completion is currently expected in June 2024. The Parcel F Vertical Developer secured a construction loan in March 2022. The Parcel F loan is in good standing and is secured by the leasehold interest in Parcel F. The Parcel F loan matures on March 24, 2026, with two, one-year extension options.

The commercial space in the building is being actively marketed for lease. A lease with San Francisco-based Arsicault Bakery has been announced for one of the five ground-floor retail spaces.

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

**Parcel G.** Mission Rock Parcel G Owner, L.L.C., a Delaware limited liability company (the “Parcel G Vertical Developer”) is developing Parcel G as a 13-story building planned for approximately 303,629 square feet of office and 17,300 square feet of retail. Vertical construction commenced in early December 2020, and the building received a temporary certificate of occupancy in January 2023. As of September 15, 2023, the Parcel G Vertical Developer delivered the entirety of the office space to Visa, Inc. Leases with Proper Food, a coffee tenant and a restaurant tenant have been executed for three of the five ground-floor retail spaces.

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

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

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

- Tenant: Visa, Inc.
- 303,629 rentable square feet (100% of the building’s office space)
- 15 year initial term; first renewal term of ten (10) years and second renewal term of nine (9) years, six (6) months (total aggregate initial term and renewal terms may not exceed thirty-four (34) years, six (6) months)
- Lease commencement was March 10, 2023.

The Parcel G Vertical Developer secured a construction loan in October 2020. The Parcel G Loan is in good standing and is secured by the leasehold interest in Parcel G. The Parcel G loan originally matured on October 29, 2023, with a single one-year extension option. The Parcel G Vertical Developer recently

exercised its extension option. The Vertical Developer expects the remaining costs to be funded with equity. Remaining costs for Parcel G total \$51.2 million and are primarily attributable to commercial tenant improvements and hard cost billing.

Table 7 below provides details on the residential unit mix planned for Parcels A and F. Table 8 below provides details on the vertical construction costs and financing sources for Parcels A, B, F and G. The amounts set forth in Table 8 are estimates as of September 15, 2023 and are subject to change.

**Table 7**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Parcels A and F – Residential Unit Summary**  
**(as of September 15, 2023)**

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

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

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

Source: Master Developer

**Table 8**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Parcels A, B, F, and G – Financing Summary**  
**(as of September 15, 2023)**  
**(\$ in millions)**

Parcel	Total Cost <sup>(1)</sup>	Financing Sources			% Equity	% Debt	Spent to Date	Remaining Cost <sup>(3)</sup>	Financing Status
		JHEF <sup>(2)</sup>	Total Debt	Total Equity					
Parcel A	\$356.4	\$77.7	\$141.9	\$136.8	60%	40%	\$307.2	\$ 49.2	Construction loan matures December 9, 2023, with two, one-year extension options
Parcel B	366.8	-	0	366.8	100	-	263.6	103.3	100% equity funded
Parcel F	319.0	103.6	116.2	99.2	64	36	201.7	117.4	Construction loan matures March 24, 2026, with two, one-year extension options
Parcel G	434.5	-	285.0	149.5	34	66	383.3	51.2	Construction loan matures October 29, 2024

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

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

<sup>(3)</sup> Remaining costs for Parcels A, B and G are primarily attributable to commercial tenant improvements and hard cost billing.

Source: Master Developer

## **Assessment Appeals; Late Payments**

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

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

The first installment of Fiscal Year 2022-23 property taxes and special taxes that was due on December 10, 2022 for the two assessor parcels that constitute Phases 2 through 4 in the District were inadvertently paid late. However, the amounts due in respect of those parcels were paid in full on January 6, 2023 and February 1, 2023 along with applicable late-payment penalties.

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

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

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

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## Expected Land Use and Expected Maximum Special Tax Revenues

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

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

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

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

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

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

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

Source: Goodwin Consulting Group, Inc.

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

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

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

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

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

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

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

<sup>(5)</sup> Phase 2 through Phase 4 correspond to Tax Zone 2.

Sources: Goodwin Consulting Group, Inc.

## Property Values

**Assessed Value.** There are 14 assessor parcel numbers in the District, of which 6 correspond to Taxable Parcels. All of the remaining eight assessor parcels have exempt uses (e.g., streets), with no assessed value assigned to them as a result. Table 11 below, sets forth total assessed values for fiscal years 2021-22 through 2023-24 for the six assessor parcel numbers that correspond to Taxable Parcels. Table 12 below, sets forth assessed values by parcel for fiscal year 2023-24 for the six assessor parcel numbers that correspond to Taxable Parcels. The sale prices of the Taxable Parcels were not established through an arms-length market transaction. Without adequate market exposures, such sales prices and, consequently, the assessed value based on such sales prices may be different than market sales prices. Accordingly, there can be no assurance that the assessed valuations of the Taxable Parcels with the District accurately reflect market values.

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

<b>Fiscal Year</b>	<b>Total Assessed Value<sup>(1)</sup></b>	<b>Percent Change</b>
2021-22	\$135,288,365	NA
2022-23	252,334,987	86.5%
2023-24	608,293,302	141.1

<sup>(1)</sup> Value as reflected in tax bills issued in October 2023 incorporating applicable supplemental assessed value and Assessor adjustments. See “ – Assessment Appeals; Late Payments” above. Previously enrolled values differed.

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

**Table 12**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Assessed Values of Each Taxable Parcel for Fiscal Year 2023-24**

<b>Planning Parcel(s)</b>	<b>Total Assessed Value<sup>(1)</sup></b>
Parcel A	\$221,054,656
Parcel B	146,422,329
Parcel F	72,140,928
Parcel G	159,821,148
Parcels C, D, E, H, I, J	8,854,241
Parcel K	0
<b>Total</b>	<b>\$608,293,302</b>

<sup>(1)</sup> Value as reflected in tax bills issued in October 2023 incorporating applicable supplemental assessed value and Assessor adjustments. See “ – Assessment Appeals; Late Payments” above. Previously enrolled values differed.

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

**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 hereto.

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

**The Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 183 thereof. See Appendix G hereto.**

The Appraisal Report of the leasehold interests (by ownership) in all Taxable Parcels within the District was prepared by the Appraiser in connection with the issuance of the 2023 Bonds. In the Appraisal Report, the Appraiser concluded that the aggregate value (by ownership) of the leasehold interests in the appraised properties as of September 15, 2023 was \$701,270,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report. For purposes of the Appraisal Report, the inspection of the Taxable Parcels in the District occurred on August 4, 2023.

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

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

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

The Appraisal Report observes that key market indicators in the San Francisco office market remain well below pre-pandemic levels, as activity continues to be affected by the severe drop in office use. The transition to remote working during the pandemic heavily impacted this market, and the effects are still unfolding. Growth plans were halted and office space needs were evaluated, resulting predominantly in downsizing and consolidating. Coupled with macroeconomic uncertainty, the office market continues to deteriorate. Recent leasing activity has been dominated by renewals and subleases. From 2016 until 2018 office vacancy ranged in the mid-7% to mid-8%. Vacancy has increased each quarter after the second quarter 2020. The average vacancy rate was 27.1% in the second quarter 2023, up from 24.8% the previous quarter and up from 21.7% a year ago. Sublease space continues to be a significant source of vacancy,

accounting for 27% of all vacancy in the market. Net absorption was negative each quarter in 2020 and totaled negative 9.4 million square feet by year end. Factors contributing to the negative absorption included tech firms reducing, or “right-sizing” their footprint, small and mid-sized tenants vacating their spaces as they struggled to maintain operations, and tenants leaving the market in search of more affordable alternatives. As pandemic-related restrictions eased in the economy, leasing activity improved, but net absorption remained negative, totaling negative 4.2 million square feet by year end 2021. Conditions continued to decline through 2022 as companies continued to downsize/consolidate, giving more space back than what was leased. Net absorption in 2022 was negative 5.1 million square feet. The first half of 2023 posted negative net absorption of 4.1 million square feet, with 2,345,728 square feet lost in the second quarter. According to market research reports cited in the Appraisal Report, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and were then flat to slightly increasing until the third quarter 2020, when they began to decline. As of the second quarter of 2023, the region’s average asking rate was \$6.01 psf/month (full service), down from \$6.02 psf/month in the first quarter and down from \$6.30 psf/month the previous year. The Appraisal Report indicates that guarded reliance should be placed on average asking rates given the number of variables impacting such figures.

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

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

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

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

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

interest) of \$1,000,000. See “THE MISSION ROCK PROJECT – Development and Financing Plan for the Mission Rock Project – Horizontal Infrastructure Status” herein regarding Phase 2 through Phase 4 viability assessment.

**Value Estimate.** Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of September 15, 2023, the aggregate market value (by ownership) of the leasehold interests in the Taxable Parcels within the District was \$701,270,000. The Appraisal Report displays the value among leaseholds as set forth in the following table:

Ownership	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	\$229,190,000
Mission Rock Parcel B Owner L.L.C.	144,480,000
Mission Rock Parcel F Owner L.L.C.	87,740,000
Mission Rock Parcel G Owner L.L.C.	238,860,000
Seawall Lot 337 Associates, LLC	1,000,000
Total Aggregate, or Cumulative, Value	\$701,270,000

The value of property within the District is an important factor in determining the investment quality of the 2023 Bonds. If a taxpayer defaults in the payment of the Development Special Tax, the Office Special Tax or the Shoreline (Tax Zone 1) Special Tax, the District’s primary remedy is to foreclose on the leasehold interest in the delinquent property in an attempt to obtain funds with which to pay the delinquent special tax. The Development Special Tax, the Office Special Tax or the Shoreline (Tax Zone 1) Special Tax are not personal obligations of the owners or tenants of the property. A variety of economic, political and natural occurrences incapable of being accurately predicted can affect property values.

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

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

The following Table 13 sets forth the Fiscal Year 2023-24 actual Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax levies and a summary of value-to-lien ratios. See “SECURITY FOR THE 2023 BONDS – Parity Bonds” and “– Future Indebtedness” herein. Pursuant to the Act and the Rate and Method, the principal amount of the 2023 Bonds is not allocable among the parcels in the District based on the value of the parcels. A downturn of the economy or other market factors may depress property values and hence the value-to-lien ratios. See “SPECIAL RISK FACTORS – Real Estate Investment Risks,” “– Public Health Emergencies” and “– Value-to-Lien Ratios; Future Indebtedness; Parity Liens” herein.

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**Table 13**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Fiscal Year 2023-24 Actual Special Tax Levy and Summary of Value-to-Lien Ratios**  
**(Development Status as June 30, 2023)**

Development Class and Planning Parcel	Appraised Value	Fiscal Year 2023-24 Actual Special Tax Levy				Allocated Development Special Tax Bond Debt <sup>(1)</sup>	Allocated Office Special Tax Bond Debt	Allocated Shoreline (Tax Zone 1) Special Tax Bond Debt <sup>(2)</sup>	Total Allocated Bond Debt <sup>(3)</sup>	Average Value-to- Lien <sup>(4)</sup>
		Development Special Tax Levy	Office Special Tax Levy	Shoreline Special (Tax Zone 1) Tax Levy	Total Special Tax Levy					
Phase 1/Developed Property										
A	\$229,190,000	\$1,614,246	\$87,522	\$82,964	\$1,784,732	\$28,085,797	\$1,326,196	\$1,251,167	\$30,663,160	7.47
B	144,480,000	1,822,232	538,259	510,225	2,870,717	31,704,492	8,156,074	7,694,651	47,555,216	3.04
F	87,740,000	1,181,237	45,651	43,274	1,270,162	20,552,009	691,739	652,605	21,896,353	4.01
G	238,860,000	1,993,407	588,410	557,764	3,139,580	34,682,702	8,915,991	8,411,577	52,010,271	4.59
Subtotal	\$700,270,000	\$6,611,122	\$1,259,843	\$1,194,226	\$9,065,191	\$115,025,000	\$19,090,000	\$18,010,000	\$152,125,000	4.60
Undeveloped Property										
Phases 2-4	\$ 1,000,000	0	0	N/A	0	0	0	N/A	0	N/A
Total	\$701,270,000	\$6,611,122	\$1,259,843	\$1,194,226	\$9,065,191	\$115,025,000	\$19,090,000	\$18,010,000	\$152,125,000	4.61

<sup>(1)</sup> Represents the debt lien of \$41,950,000 in 2021A Development Special Tax Bonds, \$64,280,000 for the 2021B/C Bonds, and \$8,795,000 for the 2023A Development Special Tax Bonds.

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

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

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

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



## **Delinquency History**

Under the provisions of the Special Tax Financing Law, the Development Special Taxes, the Office Special Taxes and the Shoreline (Tax Zone 1) Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Development Special Tax Bonds, Office Special Tax Bonds and Shoreline (Tax Zone 1) Special Tax Bonds are to be derived, will be billed to holders of Leasehold Interests on their regular property tax bills. Such special tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special tax installment payments cannot generally be made separately from property tax payments. Therefore, the unwillingness or inability of a holder of a Leasehold Interest to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installment payments in the future. See the caption “SPECIAL RISK FACTORS – Tax Delinquencies.”

Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes were levied for the first time in Fiscal Year 2020-21, thus offering no historical information regarding payment delinquencies before that fiscal year. All installments of the Development Special Tax levy in Fiscal Year 2020-21 were paid in full. The first installment of Fiscal Year 2022-23 special taxes that was due on December 10, 2022 for the two assessor parcels that constitutes Phases 2 through 4 in the District was paid late and such first installment for Office Special Taxes and the Shoreline (Tax Zone 1) Special Taxes for Parcel G was paid late due to a clerical error in billing. See “ - Assessment Appeals; Late Payments” above. No District special tax payments are currently delinquent. Because the County’s Teeter Plan is not available for the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes collections of such special taxes will reflect actual deficiencies. Neither the City, the Port, the Underwriters nor the District can predict the willingness or ability of the holders of Leasehold Interests to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes.

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

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## Direct and Overlapping Debt

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

**Table 14**  
**City and County of San Francisco**  
**Special Tax District No. 2020-1**  
**(Mission Rock Facilities and Services)**  
**Direct and Overlapping Tax and Assessment Debt**  
**(as of September 1, 2023)**

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

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

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

Ratios to 2023-24 Assessed Valuation:

**Direct Debt (\$106,230,000).....15.45%**  
Total Direct and Overlapping Tax and Assessment Debt..... 16.87%

*Source: California Municipal Statistics, Inc.*

The 2023-24 assessed valuation in the table above does not reflect recent adjustments by the Assessor. See “ – Property Value - Assessed Value” above.

## SPECIAL RISK FACTORS

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

## Real Estate Investment Risks

**Generally.** The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes

in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates, interest rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies, (iii) natural disasters (including, without limitation, earthquakes, subsidence and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction, and (iv) the impacts of a public health emergency, such as the COVID-19 pandemic, on construction and sales activity, the national and regional economy and financial circumstances of property owners in the District. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of holders of Leasehold Interests in the District to pay their Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due. See “THE CITY – Continuing Impact of COVID-19 Pandemic and Other Factors on San Francisco Economy” and “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein.

***Phase 1A Not Complete and Only Partially Leased.*** Significant portions of the completed Parcels in Phase 1A are not yet leased. As of September 15, 2023, at Parcel A, about 40% of the market rate residential units, and about half of the building’s office square footage is leased. At Parcel B, the commercial space in the building is being actively marketed for lease, and three of the six ground floor retail spaces have been leased. At Parcel G, all of the office space has been leased, and three of five retail spaces have been leased. Parcel F is not yet complete, and is not expected to receive a temporary certificate of occupancy before June 2024. See “THE MISSION ROCK PROJECT - Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project” herein. Inability to complete and lease the spaces in Phase 1A could adversely affect the ability or willingness of holders of Leasehold Interests in the District to pay their Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due. See also “– Failure to Develop Properties” below and “THE CITY – Continuing Impact of COVID-19 Pandemic and Other Factors on San Francisco Economy” and “THE MISSION ROCK PROJECT – Property Values – Appraisal Report” herein regarding apartment and office market developments.

***Failure to Secure Sufficient Funding, Financing and Refinancing.*** Continued funding will be needed to complete the development of the property within the District, and cost overruns may increase the amount of funding needed beyond the amount currently projected. For the Phase 1A Parcels, Parcel A, F and G were financed, at least in part, with construction loans that will need permanent refinancing or repayment when due. The construction loan for Parcel A matures December 9, 2023, with two, one-year extension options. The construction loan for Parcel F matures March 24, 2026, with two, one-year extension options. The Parcel G construction loan matures October 29, 2024. See “THE MISSION ROCK PROJECT— Vertical Development and Financing Plans for Phase 1A of the Mission Rock Project” for a discussion of the estimated sources of funding for the completion of the construction of certain of the projects in District. No assurance can be given that any needed sources of public or private funding, financing and refinancing will be available.

***Public Infrastructure Construction Delays.*** The Vertical Developers of parcels in both Phase 1A and later phases of the Mission Rock Project, requires completion of certain portions of the Horizontal Improvements in order to receive regulatory approval to occupy the buildings they construct. Construction of Phase 1A Horizontal Improvements are now substantially complete, and thus, temporary certificates of occupancy have been received for the buildings on Parcels A, B and G. Parcel F is expected to receive its temporary certificate of occupancy soon after vertical construction is complete, currently estimated for June 2024. With respect to each vertical parcel, the Vertical Developer, Phase I Sub, and the Master Developer have entered into Vertical Coordination Agreements (“VCAs”) which require cooperation and ongoing coordination for construction of Phase 1. The existing PIA and VCAs do not address Mission Rock Project

phases other than Phase 1. Phase 1B horizontal improvements commenced construction in March 2022 and are expected to be substantially completed in early 2024. Phase 2 horizontal construction commencement will be dependent upon market conditions. See “THE MISSION ROCK PROJECT - Development and Financing Plan for the Mission Rock Project – Horizontal Infrastructure Status” herein. The City has no obligation to complete construction of the Horizontal Improvements, and a determination to call on the payment and performance bonds to complete the Horizontal Improvements would be subject to approval by the Board of Supervisors.

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

Only a portion of Horizontal Improvements in the Mission Rock Project are complete, with a substantial portion for Phase 1B through Phase 4 still incomplete. See Table 4 herein. Should Horizontal Improvements in the Mission Rock Project remain incomplete, the buildings that remain to be constructed in Phase 2 through Phase 4 will not have access to public and other shared infrastructure and will be inherently less valuable than property with access to that infrastructure and would provide less security to the Bondowners in the event the City, on behalf of the District, forecloses on a Leasehold Interest due to the nonpayment of Development Special Taxes, Office Special Taxes or Shoreline Special Taxes.

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

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

***Ownership and Allocation of Development Rights and Obligations.*** Vertical Developers have limited rights to construct the Horizontal Improvements required to obtain regulatory approvals to occupy the buildings to be constructed in the Mission Rock Project. Vertical Developers’ rights are limited to construction of Deferred Infrastructure, if any. Deferred Infrastructure is defined as Horizontal Improvements that would be Horizontal Improvements built or installed by the Master Developer but for the Port’s agreement through a Phase Approval to require Vertical Developers to construct, limited to (i) utility infrastructure, (ii) public right of way improvements, and (iii) fixtures installed between right-of-

way curbs and the boundaries of a Development Parcel, such as sidewalks and curb cuts, lighting, street furnishings, landscaping, and utility boxes and laterals serving the parcel. There is no Deferred Infrastructure in Phase 1A. Since the leaseholders of the parcels are subject to change, the same development plans outlined in this Official Statement may not be continued by the subsequent leaseholders if the parcels are transferred (such as upon foreclosure on the Leasehold Interest) to different leaseholders, although a transferee of the leasehold under the Master Lease would be obligated to comply with the DDA (until satisfied), and a transferee of a Parcel Lease would be obligated to comply with the VDDA (until satisfied) and will be subject to the policies and requirements of the City.

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

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

***Failure to Develop Properties.*** Phase 1A Horizontal Improvements commenced in January 2020 and are now nearly complete. Vertical improvements on Parcel A, Parcel B and Parcel G are substantially complete, except for ongoing tenant improvements and project close out. Vertical improvements on Parcel F began in April 2022 and are expected to be complete in June 2024. The buildings constructed on Parcels A, B and G (but not Parcel F) have been issued temporary certificates of occupancy. Construction of Phase 1B is not yet completed, and construction of Phases 2, 3 and 4 has not yet commenced. See “THE MISSION ROCK PROJECT - Overview of the Mission Rock Project” herein. Unimproved or partially improved land is inherently less valuable than land with improvements on it, especially if there are restrictions on development, and provides less security to the Bondowners should it be necessary for the City to foreclose on Leasehold Interest due to the nonpayment of Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes. See “SECURITY FOR THE 2023 BONDS – Future Indebtedness” and “THE MISSION ROCK PROJECT - Special Tax Levy and Value-to-Lien Ratios” herein. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the holders of Leasehold Interests in property within the District to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or to satisfy

such governmental requirements could adversely affect planned land development. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within the District, will be enacted, and a risk that future voter approved land use initiatives could add more restrictions and requirements on development within the District.

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

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

***Development of Mission Rock Utilities.*** Because rates for service by the Mission Rock Utilities System will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs, if development of later buildings is delayed, the costs of service for ratepayers in buildings completed earlier may be proportionally higher. For example, ratepayers in Phase 1 buildings would pay proportionally higher rates while buildings in Phase 2 through Phase 4 are delayed. In addition, rates paid by the Port (for service to China Basin Park) are subject to an annually escalating cap. See "THE MISSION ROCK PROJECT - Development and Financing Plan for the Mission Rock Project - Horizontal Infrastructure Status" herein. The debt service component of such costs could also increase for ratepayers generally if the cost of future financing or other costs components are higher. The outstanding notes to finance Mission Rock Utilities have a 7% interest rate payable semiannually and mature on July 1, 2027. The Appraisal Report includes assumptions regarding the cost of utilities services. Actual costs that will be charged to ratepayers or borne by tenants may be higher than projected and higher than comparable services outside the District, which higher costs, if not mitigated, could reduce demand for District spaces compared to spaces outside the District.

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

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

Program is set forth on the Office Development Annual Limit Program website at <https://sf-planning.org/office-development-annual-limitation-program>.

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

## **Public Health Emergencies**

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

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

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

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

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

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

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

Further, the value-to-lien ratios may vary widely from parcel to parcel. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a Leasehold Interest with delinquent Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes be foreclosed upon and sold, any bid would be received for such Leasehold Interest or, if a bid were received, that such bid would be sufficient to pay all delinquent special taxes. Like the Vertical Developers, potential bidders on Leasehold Interests would not have the right to construct the Horizontal Improvements required to obtain regulatory approvals to occupy the buildings to be constructed in the District, which may dissuade potential bidders from bidding on Leasehold Interests foreclosed upon prior to completion of the Horizontal Improvements. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances.

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

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



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

### **Billing of Special Taxes**

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

Under provisions of the Act, the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes are levied on Leasehold Interests in Taxable Parcels within the District. Such Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of the holder of a Leasehold Interest to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make installment payments of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in the future. See “SECURITY FOR THE 2023 BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes.

### **Maximum Special Tax Rates**

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

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

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

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

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

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

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

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

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

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

### **Disclosure to Future Lessees**

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

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

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

Similarly, in the event a Taxable Parcel is developed with an affordable housing use that qualifies for a welfare exemption under Section 214(g) of the California Revenue and Taxation Code, the Act provides that the Board of Supervisors may permit the owner of the Leasehold Interest to prepay the

Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes relating to such Leasehold Interest, but only if the Board of Supervisors finds and determines that the prepayment arrangement will not adversely affect the City's ability to make scheduled payments of debt service on the related 2023 Bonds.

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

### **Seismic Risks**

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

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

***Earthquake Safety Implementation Plan (“ESIP”).*** ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (“CAPSS”), a 10-year-long study evaluating the seismic vulnerabilities San Francisco faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco’s buildings and recommended a 30-year plan for action. As a result of this plan, San Francisco has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2021. As of October 29, 2023, 92% of the buildings have been brought into compliance. Currently, the City is implementing a façade ordinance requiring owners of 5-story or higher buildings to submit inspection reports every 10 years. The first set of inspections focus on pre-1910 buildings. Inspection reports for more recent buildings will be phased in over the next four years. Future tasks will address the seismic vulnerability of older nonductile concrete and concrete tilt-up buildings, which are at high risk of severe damage or collapse in an earthquake. This retrofit program is currently in development.

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

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

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

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

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

Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resources Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over \$5 million consider mitigation and/or adaptation measures.

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

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

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

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the 2023 Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change adaptation. In July 2018, the United States District Court for the Northern District of California denied the People's motion for remand to State court and then dismissed the lawsuit, which the City had joined as a plaintiff. The plaintiffs appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which in May 2020 vacated the District Court's order that found the case arose under federal law, remanding the case back to the District Court to determine if there were any other grounds for federal jurisdiction. In June 2021, the U.S. Supreme Court declined to review the Ninth Circuit's decision. In October 2022, the District Court ordered the case remanded to State court and stayed the remand pending any appeals. The defendants have appealed the District Court's decision to the Ninth Circuit, which has scheduled oral argument on the issue in November 2023. While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

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

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

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

In September 2010, a Pacific Gas & Electric ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and

water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

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

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

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

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

## **Hazardous Substances**

A serious risk in terms of the potential reduction in the value of a parcel within the District would be the discovery of a hazardous substance. In general, the owners and operators of a parcel within the District may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the



costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

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

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

### **Bankruptcy and Foreclosure**

The payment of taxes by the holders of Leasehold Interests and the ability of the District to foreclose the lien of a delinquent unpaid Development Special Tax, Office Special Tax or Shoreline (Tax Zone 1) Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE 2023 BONDS – Covenant for Superior Court Foreclosure.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2023 Bonds (including Bond Counsel’s approving legal opinions) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of the holder of a Leasehold Interest (or such lessee’s partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2023 Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes depends upon whether a court were to determine that the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes levied after the filing of a petition in bankruptcy.*

## Property Controlled by FDIC and Other Federal Agencies

The City's ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the FDIC or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Development Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the Leasehold Interests subject to the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2023 Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not *ad valorem* taxes and therefore not payable by the FDIC, and the FDIC is seeking a refund of any special taxes previously paid

by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Law that the federal government is exempt from special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a Leasehold Interest in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a Leasehold Interest at a foreclosure sale. Owners of the 2023 Bonds should assume that the City will be unable to foreclose on any Leasehold Interest in which the FDIC has an interest. Such an outcome would cause a draw on the 2023A Reserve Fund, the 2021A Reserve Fund, the 2021B Reserve Fund, the 2023B Reserve Fund and the 2023C Reserve Fund and perhaps, ultimately, a default in payment of the 2023 Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the Leasehold Interests in the District that are subject to the Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2023 Bonds are outstanding.

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

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the City to levy and collect within the District both existing and future taxes, assessments, fees and charges. According to the "Official Title and Summary" of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the "authority of local governments to impose taxes and property-related assessments, fees and charges." On July 1, 1997 California State Senate Bill 919 ("SB 919") was signed into law. SB 919 enacted the "Proposition 218 Omnibus Implementation Act," which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes by the City within the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The City has completed its proceedings for the levy of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in accordance with the provisions of Section 4 of Article XIII A. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Development Special Tax, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes is subject to the same restrictions as are applicable to the Board of

Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2023 Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes in a manner which does not interfere with the timely repayment of the applicable 2023 Bonds, but which does reduce the maximum amount of Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes in amounts greater than the amount necessary for the timely retirement of the applicable 2023 Bonds.

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

### **Validity of Landowner Elections**

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

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

The Court held that the CCFD special tax election did not comply with applicable requirements of Proposition 13, which added Article XIII A to the California Constitution (which states "Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district") and Proposition 218, which added Article XIII C and XIII D to the California Constitution (Section 2 of Article XIII C provides "No local government may impose, extend or increase any special tax

unless and until that tax is submitted to the electorate and approved by a two-thirds vote”), or with applicable provisions of San Diego’s Charter, because the electors in such an election were not the registered voters residing within such district.

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego’s argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State’s constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the Development Special Tax, the Office Special Tax and the Shoreline (Tax Zone 1) Special Tax within the District, and the City, as the owner of the property in the District, was the qualified elector for the District.

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

## **Ballot Initiatives and Legislative Measures**

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

## **No Acceleration**

The Development Tax Bonds, Office Special Tax Bonds and Shoreline (Tax Zone 1) Special Tax Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of such bonds or the related Fiscal Agent Agreement or upon any adverse change in the tax status of interest on such bonds. There is no provision in the Act or the Fiscal Agent Agreements for acceleration of the Development Special Taxes, Office Special Taxes or Shoreline (Tax Zone 1) Special Taxes in the event of a payment default by a holder of a Leasehold Interest within the District. Pursuant to each Fiscal Agent Agreement, an Owner of a bond issued thereunder is given the right for the equal benefit and protection of all such bond Owners to pursue certain remedies described in APPENDIX C-1 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS,” APPENDIX C-2 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE OFFICE TAX

BONDS” and APPENDIX C-3 – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS” hereto.

### **Limitations on Remedies**

Remedies available to the 2023 Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2023 Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2023 Bonds and of the Fiscal Agent Agreements to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2023 Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the related Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the 2023 Bond Owners.

Enforceability of the rights and remedies of the 2023 Bond Owners, and the obligations incurred by the City on behalf of the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the applicable limitations on remedies against public agencies in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure.”

### **Limited Secondary Market**

As stated herein, investment in the 2023 Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand and appreciate the risk of such investments should consider investment in the 2023 Bonds. The 2023 Bonds have not been rated by any national rating agency, and the City has not undertaken to obtain a rating. See “NO RATING” herein. There can be no guarantee that there will be a secondary market for purchase or sale of the 2023 Bonds or, if a secondary market exists, that the 2023 Bonds can or could be sold for any particular price.

### **Cybersecurity**

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

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

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

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

## **CONTINUING DISCLOSURE**

### **The City**

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2023 Bonds (the "City Disclosure Certificate"), the City has covenanted for the benefit of owners of the 2023 Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. Each Annual Report is to be filed not later than nine months after the end of the City's fiscal year (which date shall be June 30 of each year), commencing with the report for the 2022-23 Fiscal Year (which is due not later than March 31, 2024). The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E-1 – "FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE" hereto. These covenants have been made by the City in order to assist the Underwriters in complying with the Rule.

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

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

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

For fiscal year 2021-22, although the City's Annual Comprehensive Financial Report was posted on EMMA, it was not linked to all of the CUSIP numbers for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2022A and 2022B. The City has taken action to link such Annual Comprehensive Financial Report to the applicable CUSIP numbers.

### **Master Developer**

The Master Developer is not an obligated party under Rule 15c2-12. However, pursuant to a continuing disclosure certificate, dated the date of issuance of the 2023 Bonds (the "Developer Disclosure Certificate"), the Master Developer has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) on a semiannual basis, certain information concerning the Mission Rock Project and the development of Phase 1A of the Mission Rock Project; and (b) notice of certain enumerated events. Each semiannual report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2024.

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

This is the fourth continuing disclosure undertaking by the Master Developer.

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

## **TAX MATTERS**

***Federal Tax Status – 2023A Development Special Tax Bonds, 2023B Office Special Tax Bonds and 2023C Shoreline (Tax Zone 1) Special Tax Bonds.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2023A Development Special Tax Bonds, 2023B Office Special Tax Bonds and 2023C Shoreline (Tax Zone 1) Special Tax Bonds (the "Tax Exempt Bonds") is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Tax Exempt Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Tax Exempt Bonds in order that the interest thereon be, and



continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Tax Exempt Bonds.

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

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

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

***California Tax Status – 2023 Bonds.*** In the further opinion of Bond Counsel, interest on the 2023 Bonds is exempt from California personal income taxes.

***Other Tax Considerations.*** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2023 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2023 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2023 Bonds, or as to the consequences of owning or receiving interest on the 2023 Bonds, as of any future date. Prospective purchasers of the 2023 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2023 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2023 Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2023 Bonds, the ownership, sale or disposition of the 2023 Bonds, or the amount, accrual or receipt of interest on the 2023 Bonds.

***Forms of Opinion.*** The forms of opinion of Bond Counsel are set forth as Appendix D hereto.

## **UNDERWRITING**

Stifel, Nicolaus & Company Incorporated and Piper Sandler & Co. (the “Underwriters”) purchased the 2023A Development Special Tax Bonds at a purchase price of \$8,509,730.01, representing the principal amount of the 2023A Development Special Tax Bonds, less a net original issue discount of \$179,197.25 and less an Underwriters’ discount of \$106,072.74, the 2023B Office Special Tax Bonds at a purchase price of \$18,352,088.56, representing the principal amount of the 2023B Office Special Tax Bonds, less a net original issue discount of \$507,675.10 and less an Underwriters’ discount of \$230,236.34 and the 2023C Shoreline (Tax Zone 1) Special Tax Bonds at a purchase price of \$17,313,960.48, representing the principal amount of the 2023C Shoreline (Tax Zone 1) Special Tax Bonds, less a net original issue discount of \$478,828.60 and less an Underwriters’ discount of \$217,210.92. The Underwriters intend to offer the 2023 Bonds to the public initially at the prices set forth on the inside cover pages of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2023 Bonds to the public. The Underwriters may offer and sell the 2023 Bonds to certain dealers (including dealers depositing 2023 Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

## **LEGAL OPINION AND OTHER LEGAL MATTERS**

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2023 Bonds, in substantially the forms set forth in Appendix D hereto, will be made available to purchasers of the 2023 Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2023 Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2023 Bonds. Bond Counsel’s opinion will speak only as of its date, and subsequent distributions of the opinion by recirculation of this Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. Bond Counsel assumes no obligation to revise or supplement the opinion to reflect any facts or circumstances that may come to their attention after the date

of original delivery of the Bonds, or any changes in law that may occur after the date of original delivery of the 2023 Bonds. In rendering the opinion, Bond Counsel will rely upon certain certifications and opinions, which Bond Counsel will not have independently verified. The opinions contained in the opinion are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, the opinions contained in the opinion represent the legal judgment of Bond Counsel based upon their review of existing law that they deem relevant to such opinions and in reliance upon the certifications and opinions referenced above.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, Norton Rose Fulbright US LLP, as Disclosure Counsel, and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriters' counsel, is contingent on the issuance and delivery of the 2023 Bonds.

Norton Rose Fulbright US LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Upon issuance and delivery of the 2023 Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriters to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein (including without limitation exclusion of any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included herein, and information in Appendices B and F hereof, as to all of which Disclosure Counsel will express no view), no facts have come to the attention of the personnel with Norton Rose Fulbright US LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2023 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder or other person or party, other than the addressee of the letter, will be entitled to or may rely on such letter of Disclosure Counsel.

## **TRANSFER RESTRICTIONS**

The Fiscal Agent Agreements provide that the 2023 Bonds are only each to be sold (including in secondary market transactions) to "Qualified Purchasers," which is defined in the Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1),(2), (3) or (7) under the Securities Act of 1933).

Neither the Underwriters nor any Holder or Beneficial Owner of the 2023 Bonds shall deposit the 2023 Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Underwriters nor any Holder or Beneficial Owner shall deposit the 2023 Bonds in any trust or account under its control the majority of the assets of which constitute the 2023 Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers; provided that none of the Underwriters, Holders or Beneficial Owners shall have an obligation to independently establish or confirm that any transferee of a 2023 Bond is Qualified Purchaser, however any actual transfer of a 2023 Bond to any entity that is not a Qualified Purchaser shall be deemed null and void as provided in the Fiscal Agent Agreements.

Under the Fiscal Agent Agreements, no transfer, sale or other disposition of any 2023 Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2023 Bond for its own account for investment purposes and not with a view to distributing such 2023 Bond. Each purchaser of any 2023 Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the City, the Underwriters and the Fiscal Agent as follows:

1. That the 2023 Bonds are payable solely from Revenues, and from certain funds and accounts established and maintained pursuant to the related Fiscal Agent Agreement;
2. That it is a Qualified Purchaser and that it is purchasing the 2023 Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933 or other applicable securities laws;
3. That such purchaser acknowledges that the 2023 Bonds and beneficial ownership interests therein may only be transferred to Qualified Purchasers;
4. That the City, the Fiscal Agent, the Underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements; and
5. If a holder of the 2023 Bonds makes an assignment of its beneficial ownership interest in the 2023 Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein.

## **NO LITIGATION**

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

To the knowledge of the City, Port and the District, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City, Port and the District, which questions the formation or existence of the District, or contests the authority of the City on behalf of the District to levy and collect the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes or to issue the 2023 Bonds.

### **The Master Developer and Certain Affiliates**

There is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body pending against the Master Developer (with proper service of process to the Master Developer having been accomplished) or, to the actual knowledge of the person signing a certificate to this effect, is pending against Mission Rock Partners, the Phase I Sub, Mission Rock Parcel A Owner, L.L.C., Mission Rock Parcel B Owner, L.L.C., Mission Rock Parcel F Owner, L.L.C., or Mission Rock Parcel G Owner, L.L.C. (the "Affiliates") with proper service of process to such Affiliate having been accomplished), or, to the actual knowledge of the person signing a certificate to this effect, threatened in writing against the Master Developer or any such Affiliate, which if successful, is reasonably likely to materially and adversely affect the Master Developer's or its Affiliate's ability to develop the Mission Rock Project as described in the Official Statement or to pay the Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes (to the extent the responsibility of the Master Developer or its Affiliates) prior to delinquency.

## Ongoing Investigations

In January 2020, the City's former Director of Public Works, Mohammad Nuru, was criminally charged with public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation ("FBI") agents. In February 2020, then-City Attorney Dennis Herrera and Controller Ben Rosenfield announced the initiation of a joint investigation stemming from the federal criminal charges against Mr. Nuru. The City Attorney's Office focused on holding public officials and City vendors accountable. The Controller undertook a public integrity review of contracts, purchase orders, and grants to the City.

Mr. Nuru resigned from employment with the City in February 2020. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

Mr. Wong was criminally charged in June 2020 with conspiring with City officials and laundering money. As part of the criminal investigation into Mr. Nuru and Mr. Wong, the SFPUC received a federal, criminal, grand jury subpoena in June 2020 to produce documents, communications, contracts and records, including the complete personnel file of the SFPUC's former General Manager, Harlan L. Kelly, Jr.

In November 2020, Mr. Kelly was charged in a criminal complaint with one count of honest services wire fraud. The complaint alleged that Mr. Kelly also engaged in a long-running bribery scheme and corrupt partnership with Mr. Wong. The complaint further alleged that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. According to the criminal complaint against Mr. Kelly, Mr. Wong bribed Mr. Kelly with thousands of dollars in airfare, meals, jewelry, and travel expenses, as well as by making improvements to Mr. Kelly's home.

Mr. Wong pled guilty in July 2020 and continues to cooperate with the ongoing federal criminal investigation. Mr. Wong has not been sentenced.

Mr. Wong settled civilly with the City in May 2021. As part of his civil settlement, he and his companies agreed to pay the City more than \$300,000 in ethics fines and more than \$1 million in restitution. The total restitution amount to the City includes \$73,000 that he received through the SFPUC when Mr. Kelly was General Manager.

Mr. Kelly resigned from employment with the City, effective November 30, 2020. Michael Carlin, former-Deputy General Manager of the SFPUC, then served as the Acting General Manager of the SFPUC through October 31, 2021. Mr. Herrera began serving as General Manager of the SFPUC on November 1, 2021.

Since Mr. Nuru's arrest in January 2020, the Controller's Office, in consultation with the City Attorney, has issued 11 public integrity reviews. Ten of the 11 reports focus primarily on City departments other than the SFPUC. The Controller's Office's December 9, 2021 Public Integrity Audit looked specifically at SFPUC's Social Impact Partnership Program and made seven recommendations to strengthen internal controls and oversight. The SFPUC concurred with all seven of those recommendations, and as of September 2023, five of the seven recommendations had been implemented and two were in progress.

In October 2021, a criminal grand jury returned an indictment against Mr. Kelly and Victor Makras, a San Francisco real estate broker and property developer. Mr. Makras formerly served on several City boards and commissions, including the Port Commission, Police Commission, Public Utilities Commission, and Retirement Board. In addition to the original charges against Mr. Kelly of conspiracy with Mr. Wong, the indictment added charges of bank fraud and bank fraud conspiracy related to a \$1.3 million loan Mr. Kelly obtained from Quicken Loans.

Mr. Makras' case was severed from Mr. Kelly's, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to the bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined \$15,200.

On July 14, 2023, Mr. Kelly was convicted of one count of conspiracy to commit honest services wire fraud, one count of honest services wire fraud, and four counts related to charges stemming from a bank fraud scheme. The jury found Mr. Kelly not guilty of two honest services wire fraud counts. Mr. Kelly has not been sentenced.

On August 29, 2023, the San Francisco District Attorney charged Lanita Henriquez, who served as the director of the San Francisco Community Challenge Grant Program under the Office of the San Francisco City Administrator, and Rudolph Dwayne Jones, a former City official who occasionally served as a prime contractor and a subcontractor to the SFPUC, with counts of misappropriation of public monies, bribery, and financial conflict of interest in a government contract. It is alleged that Ms. Henriquez and Mr. Jones misappropriated public money between 2016 and 2020, that Mr. Jones wrote Ms. Henriquez multiple checks in 2017 and 2018 totaling \$25,000, while Ms. Henriquez directed government grant contracts exceeding \$1.4 million to entities controlled by Mr. Jones, in which entities Ms. Henriquez also had a financial stake, between 2016 and 2020.

The San Francisco District Attorney has not alleged any impropriety in connection with the sole grant program administered by Ms. Henriquez. At the direction of the City Administrator, City departments have undertaken a review of contracts between the City and contracts retaining Mr. Jones and/or RDJ Enterprises, LLC, an entity affiliated with Mr. Jones (collectively, "RDJ") in order to terminate or cancel any subcontract, service order, or other contractual arrangement with RDJ.

Master Developer and a Vertical Developer Affiliate had contracts with RDJ Enterprises to facilitate compliance with the Project's local business enterprise subcontracting requirements. After the indictment against Rudolph Dwayne Jones and his affiliated enterprises, in response to a request from the Port, Master Developer and its Vertical Developer affiliate terminated all contracts with RDJ Enterprises effective September 27, 2023.

The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation. The San Francisco District Attorney's Office Public Integrity Task Force has also independently investigated certain of the matters described here, and the City can give no assurance when this task force will complete its investigation.

## **NO RATING**

The City has not made, and does not intend to make, any application to any rating agency for the assignment of a rating on the 2023 Bonds. Ratings are obtained as a matter of convenience for prospective investors, and the assignment of a rating is based upon the independent investigations, studies, and assumptions of rating agencies. The determination by the City not to obtain a rating does not, directly or indirectly, express any view by the City of the credit quality of the 2023 Bonds. The lack of a bond rating

could impact the market price or liquidity for the 2023 Bonds in the secondary market. See “SPECIAL RISK FACTORS - Limited Secondary Market.”

### **MUNICIPAL ADVISOR**

The City has retained PFM California Advisors LLC as Municipal Advisor in connection with the issuance of the 2023 Bonds. The Municipal Advisor has assisted in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2023 Bonds. The Municipal Advisor is not obligated to undertake, and have not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing the 2023 Bonds.

Compensation paid to the Municipal Advisor is contingent upon the successful issuance of the 2023 Bonds.

### **MISCELLANEOUS**

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

This Official Statement does not constitute a contract with the purchasers of the 2023 Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Anna Van Dagna  
Director of the Office of Public Finance



## **APPENDIX A**

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

*The information contained in this Appendix A is provided for informational purposes only. No representation is made that any of the information contained in this Appendix A is material to the holders from time to time of the 2023 Bonds, and the City has not undertaken in its Continuing Disclosure Certificate to update this information. The 2023 Bonds are limited obligations of the City, secured by and payable solely from the Revenues and the funds pledged therefor under the related Fiscal Agent Agreement. The 2023 Bonds are not payable from any other source of funds other than Revenues and the funds pledged therefor under the related Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the 2023 Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the related Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2023 Bonds.*

#### **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.

#### **COVID 19 Pandemic**

The economic and demographic data contained in this appendix are the latest available, but include data as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, the data for such dates and periods are not indicative of the current financial condition or future prospects of the District, the City, and the region or of expected Pledged Facilities Increment or Pledged Housing Increment. See "RISK FACTORS – Public Health Emergencies" in the forepart of this Official Statement.

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## Population

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

**POPULATION**  
**City and County of San Francisco**  
**2014 through 2023<sup>(1)</sup>**

Fiscal Year	Population
2014	852,948
2015	863,450
2016	871,613
2017	878,697
2018	885,716
2019	886,885
2020	873,965
2021	853,414
2022	837,036
2023	831,703

<sup>(1)</sup> For 2014-2019 and 2021-2023, population statistics are as of January 1. For 2020, population statistics are as of April 1.

*Source:* California Department of Finance.

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## Employment

The following table summarizes employment in the City and County of San Francisco from 2018 through 2022. 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 2018 through 2022

Industry	Employment <sup>(1)</sup>				
	2018	2019	2020	2021	2022
All Farm	200	400	200	300	300
Mining, Logging and Construction	23,200	24,100	23,200	22,100	23,200
Manufacturing	13,200	13,800	13,400	11,700	13,400
Trade, Transportation & Utilities	82,600	84,300	73,200	70,100	72,700
Information	46,100	52,500	54,600	58,200	64,300
Financial Activities	59,900	62,000	60,300	61,000	64,200
Professional and Business Services	195,400	203,100	200,900	200,600	219,100
Education and Health Services	90,300	94,100	91,500	93,900	95,800
Leisure and Hospitality	98,500	101,800	59,100	57,000	75,900
Other Services	27,700	28,000	21,800	22,800	25,700
Government	98,200	98,800	98,200	101,300	105,900
Total Civilian Labor Force	735,100	762,900	696,500	699,000	760,400

<sup>(1)</sup> 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.

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The following tables summarize the civilian labor force, employment and unemployment in the City and County of San Francisco from 2013 to 2022.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**City and County of San Francisco**  
**Annual Averages, 2013 through 2022**  
**(not seasonally adjusted)**

Year	Civilian Labor Force	Employed Labor Force <sup>(1)</sup>	Unemployed Labor Force <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2013	514,200	485,800	28,400	5.5
2014	527,300	504,000	23,300	4.4
2015	541,400	521,600	19,800	3.7
2016	555,300	537,000	18,300	3.3
2017	563,000	546,400	16,600	2.9
2018	568,700	555,100	13,600	2.4
2019	580,900	568,000	12,900	2.2
2020	560,100	515,600	44,500	7.9
2021	548,600	520,800	27,800	5.1
2022	572,600	558,000	14,600	2.5

<sup>(1)</sup> Includes persons involved in labor-management trade disputes.

<sup>(2)</sup> Includes all persons without jobs who are actively seeking work.

<sup>(3)</sup> Calculated using unrounded data.

*Source:* California State Employment Development Department, Labor Market Information Division.

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## Major Private Employers

The following table shows the largest private employers located in the City and County of San Francisco as of January 2023.

### LARGEST PRIVATE EMPLOYERS City and County of San Francisco

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>
Salesforce Inc.	11,953	1
United Airlines	10,000	2
Sutter Health	6,134	3
Wells Fargo & Co.	5,886	4
Kaiser Permanente	4,676	5
Allied Universal	3,827	6
Uber Technologies Inc.	3,413	7
First Republic Bank	3,296	8
Accenture	2,353	9
Cisco Systems Inc.	<u>1,863</u>	10
Total	53,401	

*Source:* San Francisco Business Times, “Largest Employers in San Francisco” (published January 6, 2023).

Note: Since the publication date of the rankings above, JPMorgan Chase & Co. acquired the substantial majority of assets and assumed the deposits and certain other liabilities of First Republic Bank from the Federal Deposit Insurance Corporation.

## 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 2018 through 2022<sup>(1)</sup>

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation (\$000)					
Residential	\$2,231,737	\$1,730,003	\$1,555,933	\$1,948,973	\$2,735,548
Non-Residential	2,293,555	1,461,943	1,253,946	1,013,680	1,594,894
TOTAL	<u>\$4,525,292</u>	<u>\$3,191,946</u>	<u>\$2,809,881</u>	<u>\$2,962,653</u>	<u>\$4,330,442</u>
Dwelling Units					
Single Family	95	135	65	135	272
Multiple family	5,098	3,208	2,127	2,816	6,174
TOTAL	<u>5,184</u>	<u>3,343</u>	<u>2,192</u>	<u>2,951</u>	<u>6,446</u>

*Source:* Construction Industry Research Board/CIRB.

<sup>(1)</sup> Totals may not add due to rounding.

## Taxable Sales

Taxable sales in the City and County of San Francisco from 2018 through 2022 are shown in the following table.

	<b>TAXABLE SALES</b> <b>2018 through 2022</b> <b>(\$ in Thousands)</b>				
	2018	2019	2020	2021	2022
Clothing and Clothing					
Accessories Stores	\$2,046,414	\$2,029,312	\$1,163,031	\$1,587,968	\$1,746,756
General Merchandise	790,845	755,350	560,059	667,930	691,405
Food and Beverage Stores	856,217	861,757	746,455	722,410	768,428
Food Services and Drinking Places	4,844,464	5,046,263	2,081,728	2,953,373	4,266,095
Home Furnishings & Appliances	1,018,006	1,034,213	768,022	919,239	940,945
Building Material and Garden					
Equipment and Supplies Dealers	681,369	718,692	642,104	685,895	691,182
Motor Vehicle and Parts Dealers	674,008	601,929	593,476	625,719	575,323
Gasoline Stations	583,480	548,509	304,977	432,768	612,261
Other Retail Stores	<u>2,535,667</u>	<u>2,671,219</u>	<u>2,690,590</u>	<u>2,508,494</u>	<u>2,633,438</u>
Total Retail and Food Services	\$14,030,469	\$14,267,242	\$9,550,442	\$11,103,794	\$12,925,834
All Other Outlets	<u>6,312,251</u>	<u>6,689,891</u>	<u>4,839,280</u>	<u>5,503,320</u>	<u>6,685,572</u>
Total All Outlets <sup>(1)</sup>	\$20,342,721	\$20,957,132	\$14,389,723	\$16,607,114	\$19,611,406

<sup>(1)</sup> Columns may not sum to totals due to rounding.

Source: California State Board of Equalization; and California Department of Tax and Fee Administration.

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## Assessed Valuation of Taxable Property

Assessed valuations of taxable property in the City and County of San Francisco for fiscal years 2008-09 through 2023-24 are shown in the following table:

### ASSESSED VALUATION OF TAXABLE PROPERTY Fiscal Years 2008-09 through 2023-24 (\$ in Thousands)

Fiscal Year	Net Assessed <sup>(1)</sup> Valuation (NAV)	% Change from Prior Year	Total Tax Rate per \$100 <sup>(2)</sup>	Total Tax Levy <sup>(3)</sup>	Total Tax Collected <sup>(3)</sup>	% 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	299,686,811	6.6%	1.198	3,823,246	3,785,038	99.0%
2021-22	307,712,666	2.7%	1.182	3,864,100	3,832,546	99.2%
2022-23	331,431,694	7.7%	1.180	4,067,270	4,032,813	99.2%
2023-24	343,913,585	3.8%	N/A	N/A	N/A	N/A

<sup>(1)</sup> Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

<sup>(2)</sup> Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

<sup>(3)</sup> The Total Tax Levy and Total Tax Collected through fiscal year 2022-23 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector, City and County of San Francisco.

Source: Office of the Controller, City and County of San Francisco.

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## 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 2012 through 2021.

### PER CAPITA PERSONAL INCOME 2012 through 2021

Year	San Francisco	California	United States
2012	\$87,665	\$48,121	\$44,548
2013	88,675	48,502	44,798
2014	97,887	51,266	46,887
2015	105,711	54,546	48,725
2016	112,804	56,560	49,613
2017	119,208	58,804	51,550
2018	128,812	61,508	53,786
2019	130,464	64,919	56,250
2020	141,134	70,647	59,765
2021	160,749	76,614	64,143

*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. See also “THE TREASURE ISLAND PROJECT – Transportation” in the forepart of the Official Statement.

See “RISK FACTORS – Public Health Emergencies” in the forepart of this Official Statement.

### **Public Education**

San Francisco Unified School District (“SFUSD”) established in 1851, is the only public school district within the City and is among the largest school district in California. SFUSD administers both the school district and the San Francisco County Office of Education, making it a “single district county.”

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. 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 awards undergraduate, master's and doctoral degrees in over 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 offers an extensive continuing education program.

See “RISK FACTORS – Public Health Emergencies” in the forepart of this Official Statement.

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## **APPENDIX B**

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

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## **EXHIBIT B**

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

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

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Special Taxes applicable to the Leasehold Interest in each Taxable Parcel in the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Leasehold Interests in Taxable Parcels, as described below. The Leasehold Interest in all Taxable Parcels in the STD shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to the STD.

Special Taxes shall be levied only on Leasehold Interests in Taxable Parcels. In the event a Leasehold Interest in a Taxable Parcel is terminated, the Special Taxes shall be levied on any successor Leasehold Interest in the Taxable Parcel. If a Leasehold Interest terminates while a Special Tax that was previously levied remains unpaid, the owner of the successor Leasehold Interest will take the interest subject to the obligation to pay the unpaid Special Tax along with any applicable penalties and interest.

The City will covenant in each Indenture that, as long as any Bonds are outstanding, it will not terminate, and it will inhibit the Port from terminating, any Leasehold Interest in a Taxable Parcel unless the Port enters into a new lease the term of which ends on or after the final maturity date of the Bonds and that covers substantially the same real property and improvements as the terminated lease. It will not be a violation of this covenant if the City or the Port initiates judicial foreclosure of any such lease pursuant to the CFD Law.

#### **A. DEFINITIONS**

The terms hereinafter set forth have the following meanings:

**“Administrative Expenses”** means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City carrying out duties with respect to the STD and the Bonds, including, but not limited to, levying and collecting the Special Taxes, the fees and expenses of legal counsel, charges levied by the City, including the Controller’s Office, the Treasurer and Tax Collector’s Office, the City Attorney, and the Port, costs related to property owner inquiries regarding the Special Taxes, costs associated with appeals or requests for interpretation associated with the Special Taxes and this RMA, costs associated with annexation of property into the STD, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the City and any other major property owner (whether or not deemed to be an obligated person),

costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City in any way related to the establishment or administration of the STD.

**“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 this RMA.

**“Affordable Housing Project”** means a residential or primarily residential project, as determined by the Review Authority, within which 100% of the residential units are Affordable Units.

**“Affordable Square Footage”** means both: (i) the entire square footage of an Affordable Housing Project; and (ii) the aggregate net rentable square footage that is or is expected to be associated with Affordable Units within a building on a Parcel of Developed Property. The Review Authority shall make the final determination as to the amount of Affordable Square Footage within a building in the STD.

**“Affordable Unit”** means a Residential Unit for which a deed restriction has been recorded that (i) limits the rental rates on the unit or (ii) in any other way is intended to restrict the current or future value of the unit, as determined by the Review Authority.

**“Appendix”** means the Appendix to the DDA.

**“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 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.

**“Assessor’s Parcel”** or **“Parcel”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

**“Assessor’s Parcel Map”** means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

**“Association”** means a homeowners or property owners association, including any master or sub-association, that provides services to, and collects dues, fees, or charges from, property within the STD.

**“Association Square Footage”** means square footage within a building that is (i) on property in the STD that is leased to an Association, not including any such property that is located

directly under a residential structure, and (ii) used for purposes of the Association and not leased or otherwise used for purposes that are not part of the operation of the Association.

**“Authorized Expenditures”** means, separately with respect to the Development Special Tax, Office Special Tax, Shoreline Special Tax, and Contingent Services Special Tax, those costs, facilities or public services authorized to be funded by the applicable Special Tax as set forth in the Financing Plan and the documents adopted by the Board at STD Formation, as may be amended from time to time.

**“Base Contingent Services Special Tax”** means, for any Square Footage Category, the per-square-foot Contingent Services Special Tax for square footage within such Square Footage Category, as identified in Table 4 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Development Special Tax”** means, for any Square Footage Category, the per-square-foot Development Special Tax for Square Footage within such Square Footage Category, as identified in Table 1 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Office Special Tax”** means, for Office Square Footage and Excess Exempt Square Footage, the per-square-foot Office Special Tax identified in Table 2 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Shoreline Special Tax”** means, for any Square Footage Category, the per-square-foot Shoreline Special Tax for Square Footage within such Square Footage Category, as identified in Table 3 in Section C below, that can be levied on a Leasehold Interest in a Taxable Parcel.

**“Base Special Tax”** means, collectively, the Base Development Special Tax, the Base Office Special Tax, the Base Shoreline Special Tax, and the Base Contingent Services Special Tax.

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

**“Board”** means the Board of Supervisors of the City, acting as the legislative body of STD No. 2020-1.

**“Bond Sale”** means, for the Development Special Tax, issuance of Development Special Tax Bonds, for the Office Special Tax, issuance of Office Special Tax Bonds, and, for the Shoreline Special Tax, issuance of Shoreline Special Tax Bonds.

**“Bonds”** means bonds or other debt (as defined in the CFD Law), whether in one or more series, that are issued or assumed by or for the STD to finance Authorized Expenditures including any Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline Special Tax Bonds. The term “Bonds” includes any promissory note executed by or on behalf of STD No. 2020-1 for the benefit of the Port.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay debt service on Bonds.

**“Certificate of Occupancy”** means the first certificate, including any temporary certificate of occupancy, issued by the Port to confirm that a building or a portion of a building has met all of the building codes and can be occupied for residential or non-residential use. For purposes of this RMA, “Certificate of Occupancy” shall not include any certificate of occupancy that was issued prior to January 1, 2019 for a building within the STD; however, any subsequent certificates of occupancy that are issued for new construction, or expansion of a building shall be deemed a Certificate of Occupancy and the Special Taxes shall apply to the associated square footage. For Pier 48, only a certificate of occupancy issued in association with the permanent reuse of the building (as determined by the Port) shall qualify as a “Certificate of Occupancy” for purposes of this RMA.

**“CFD Law”** means the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), which incorporates the Mello-Roos Act.

**“City”** means the City and County of San Francisco, California.

**“Contingent Services Special Tax”** means a special tax levied in any Fiscal Year after the Trigger Event on a Leasehold Interest in a Taxable Parcel to pay the Services Special Tax Requirement.

**“County”** means the City and County of San Francisco, California.

**“DDA”** means the Disposition and Development Agreement between the Port and the Developer, including all exhibits and attachments, as may be amended from time to time.

**“Deputy Director”** means the Deputy Director of Finance and Administration for the Port or other such official that acts as the chief financial officer for the Port.

**“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.

**“Developer”** means Seawall Lot 337 Associates, LLC, or any successor or assign that takes over as tenant under the Master Lease.

**“Development Approval Documents”** means, collectively, the DDA, any Vertical DDA, any Final Maps, Review Authority approvals, or other such approved or recorded document or plan that identifies the type of structures, acreage, and Market-Rate Residential Square Footage and Office Square Footage approved for development on Taxable Parcels.

**“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 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 Indenture 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 pursuant to Step 1d. in Section F below, 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 Indenture; (b) in the sole and absolute discretion of the Port, proceeds received by the STD 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.

**“Escalator”** means the lesser of the following: (i) the annual increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-Hayward region (base years 1982-1984=100) published by the Bureau of Labor Statistics of the United States Department of Labor, or, if such index is no longer published, a similar escalator that is determined by the Port and City to be appropriate, and (ii) five percent (5%).

**“Estimated Base Development Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Development Special Tax by square footage within each Square Footage Category proposed for development and, if applicable, already in completed buildings on a Taxable Parcel.

**“Estimated Base Office Special Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Office Special Tax by square footage within each Square Footage Category proposed for development and, if applicable, already in completed buildings on a Taxable Parcel.

**“Estimated Base Shoreline Special Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Shoreline Special Tax by square footage within each Square Footage Category proposed for development and, if applicable, already in completed buildings on a Taxable Parcel.

**“Excess Exempt Square Footage”** means, after the First Bond Sale, any square footage in a building on a Parcel of Developed Property that is determined by the Review Authority to

exceed the amount of Exempt Square Footage for such building. Excess Exempt Square Footage means a single square-foot unit of Excess Exempt Square Footage.

**“Exempt Square Footage”** means, prior to the First Bond Sale, any square footage in or expected in a building on a Parcel of Developed Property that is determined by the Review Authority to be used or reserved for an Exempt Use. After the First Bond Sale, “Exempt Square Footage” for any building on a Parcel of Developed Property shall be the sum of following, as determined by the Review Authority:

1. The Initial Exempt Square Footage for the building; and
2. Square footage in or expected in the building that (i) exceeds the Initial Exempt Square Footage, and (ii) if exempted from Special Taxes, would not reduce coverage on outstanding Bonds below the Required Coverage.

**“Exempt Use”** means any of the following uses:

- 1) Affordable Square Footage
- 2) Association Square Footage
- 3) Child Care – child care uses that qualify for exemption from the Special Taxes, as determined by the Review Authority after review and consideration of the criteria and requirements set forth in the Parcel Lease and DDA.
- 4) Parking – areas reserved for automobile, motorcycle, or bicycle parking
- 5) Retail – commercial establishments that sell general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to restaurants (subject to the limitation below), bars, entertainment venues, health clubs, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition: (i) all street-level retail bank branches, real estate brokerages, and other such ground-level uses that are open to the public, and (ii) any area designated, pursuant to Section 102 of the Planning Code or successor sections, for “Planning, Distribution, and Repair” (PDR) services, which includes but will not be limited to the following uses: industrial or agricultural use, ambulance services, animal hospital, automotive service station, automotive repair, automotive wash, arts activities, business services, cat boarding, catering service, commercial storage, kennel, motor vehicle tow service, livery stable, parcel delivery service, public utilities yard, storage yard, trade office, trade shop, wholesale sales, or wholesale storage.
- 6) Utilities – areas reserved for facilities associated with the treatment of water or sewer, or the transmission or provision of gas and electricity, or the heating and cooling of buildings.
- 7) Amenity Square Footage – areas reserved for sitewide amenities, such as a welcome center, leasing office, sitewide management, or sitewide security.

**“Expected Land Uses”** means the total Market-Rate Residential Square Footage and Office Square Footage expected on each Planning Parcel in the STD. The Expected Land Uses at STD Formation are identified in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Maximum Development Special Tax Revenues”** means the aggregate Development Special Tax that can be levied based on application of the Base Development Special Tax to the Expected Land Uses. The Expected Maximum Development Special Tax Revenues for each Planning Parcel at STD Formation are shown in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Maximum Office Special Tax Revenues”** means the aggregate Office Special Tax that can be levied based on application of the Base Office Special Tax to the Expected Land Uses. The Expected Maximum Office Special Tax Revenues for each Planning Parcel at STD Formation are shown in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Maximum Shoreline Special Tax Revenues”** means the aggregate Shoreline Special Tax that can be levied based on application of the Base Shoreline Special Tax to the Expected Land Uses. The Expected Maximum Shoreline Special Tax Revenues for each Planning Parcel at STD Formation are shown in Attachment 3 and may be revised pursuant to Sections B, C, D, and E below.

**“Final Map”** means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots on which Permits for new construction or historic rehabilitation may be issued without further subdivision.

**“Financing Plan”** means the Financing Plan attached as Exhibit C1 and incorporated into the DDA, as such plan may be amended or supplemented from time to time in accordance with the terms of the DDA.

**“First Bond Sale”** means, (i) for the Development Special Tax, a Bond Sale of the first series of Development Special Tax Bonds, (ii) for the Office Special Tax, a Bond Sale of the first series of Office Special Tax Bonds, and (iii) for the Shoreline Special Tax, a Bond Sale of the first series of Shoreline Special Tax Bonds.

**“Fiscal Year”** means the period starting July 1 and ending on the following June 30.

**“Future Annexation Area”** means that geographic area that, at STD Formation, was considered potential annexation area for the STD and which was, therefore, identified as “future annexation area” on the recorded STD boundary map. Such designation does not mean that any or all of the Future Annexation Area will annex into the STD, but should owners of property designated as Future Annexation Area choose to annex, the annexation may be processed pursuant to the annexation procedures in the CFD Law for territory included in a future annexation area, as well as the procedures established by the Board and any other applicable provisions of the CFD Law.

**“Indenture”** means any indenture, fiscal agent agreement, resolution, or other instrument pursuant to which Bonds are issued, as modified, amended, or supplemented from time to time, and any instrument replacing or supplementing the same.

**“Initial Exempt Square Footage”** means, for any building on a Parcel of Developed Property, the square footage in or expected in the building that, at the time the Parcel became Developed Property, was determined by the Review Authority to be reserved for an Exempt Use.

**“Land Use Change”** means a change to the Expected Land Uses after STD Formation.

**“Leasehold Interest”** means a Master Lease, ground lease, or any other lease arrangement of a Parcel or Parcels against which Special Taxes 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 STD is subject to a Leasehold Interest for purposes of this RMA.

**“Management Agreement”** means the agreement between the Port and the Association (or related entity) for maintenance, operations, and event planning of the entire public realm (parks, streets, other ROWs) within the Project Site.

**“Market-Rate Residential Square Footage”** means, in any building on a Taxable Parcel, the net rentable square footage that is or is expected to be used for one or more of the following uses: (i) Market-Rate Units, (ii) any type of group or student housing that provides lodging for a week or more and may or may not have individual cooking facilities, including but not limited to boarding houses, dormitories, housing operated by medical institutions, and single room occupancy units, or (iii) a residential care facility that is not staffed by licensed medical professionals. As set forth in Section B below, the Review Authority shall make the determination as to the amount of Market-Rate Residential Square Footage on a Taxable Parcel in the STD. Market-Rate Residential Square Foot means a single square-foot unit of Market-Rate Residential Square Footage.

**“Market-Rate Unit”** means a Residential Unit that is not an Affordable Unit.

**“Master Lease”** means a lease for all or part of the Project Site that allows the Developer to take possession of the Master Lease Premises and construct horizontal improvements approved under the DDA and to conduct other uses as provided in the DDA.

**“Master Lease Premises”** means, at any point in time, the area subject to the Master Lease.

**“Maximum Contingent Services Special Tax”** means, after the Trigger Event, the greatest amount of Contingent Services Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Contingent Services Special Tax Revenues”** means, at any point in time after the Trigger Event, the aggregate Maximum Contingent Services Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Development Special Tax”** means the greatest amount of Development Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Development Special Tax Revenues”** means, at any point in time, the aggregate Maximum Development Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Office Special Tax”** means the greatest amount of Office Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Office Special Tax Revenues”** means, at any point in time, the aggregate Maximum Office Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Shoreline Special Tax”** means the greatest amount of Shoreline Special Tax that can be levied on a Leasehold Interest in a Taxable Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Shoreline Special Tax Revenues”** means, at any point in time, the aggregate Maximum Shoreline Special Tax that can be levied on all Leasehold Interests in all Taxable Parcels.

**“Maximum Special Tax”** means, for any Leasehold Interest in a Taxable Parcel in any Fiscal Year, the sum of the Maximum Development Special Tax, Maximum Office Special Tax, Maximum Shoreline Special Tax, and Maximum Contingent Services Special Tax.

**“Maximum Special Tax Revenues”** means, collectively, the Maximum Development Special Tax Revenues, Maximum Office Special Tax Revenues, Maximum Shoreline Special Tax Revenues, and Maximum Contingent Services Special Tax Revenues.

**“Mello-Roos Act”** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Part 1, Division 2 of Title 5 of the Government Code of the State of California.

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

**“Office Special Tax Bonds”** means any Bonds secured solely by Office Special Taxes.

**“Office Special Tax Requirement”** means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Office Special Tax Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on Office Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments; (iii) replenish reserve funds created for Office Special Tax Bonds under the Indenture to the extent such replenishment has not been included in the computation of the Office Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Office Special Tax Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; (vi) pay

other obligations described in the Financing Plan; and (vii) pay directly for Authorized Expenditures, so long as such levy under this clause (vii) does not increase the Office Special Tax levied on Undeveloped Property. The amount calculated to pay items (i) through (vii) above may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Office Special Tax Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (b) in the sole and absolute discretion of the Port, proceeds received by the STD from the collection of penalties associated with delinquent Office Special Taxes; and (c) any other revenues available to pay such costs, as determined by the Administrator, the City, and the Port.

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

**“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.

**“Parcel Lease”** means a contract in the form set forth as an exhibit to the DDA by which the Port will convey a leasehold interest in a Taxable Parcel to a Vertical Developer.

**“Parcel Lease Execution Date”** means the effective date of a Parcel Lease that was fully executed by the Port and a Vertical Developer.

**“Permit”** means (i) for Pier 48, a permit issued by the Port that allows for rehabilitation of the existing historic structures, and (ii) for all property in the STD (other than Pier 48 if it is annexed to the STD), the first permit, whether a site permit or building permit, issued by the Port that, immediately upon issuance or ultimately after addenda to the permit, allows for vertical construction of a building or buildings.

**“Pier 48”** is defined in the Appendix.

**“Planning Code”** means the Planning Code of the City and County of San Francisco, as it may be amended from time to time.

**“Planning Parcel”** means a geographic area within the STD that, for planning and entitlement purposes, has been designated as a separate Parcel with an alpha, numeric, or alpha-numeric identifier to be used for reference until an Assessor’s Parcel is created and an Assessor’s Parcel number is assigned. The Planning Parcels at STD Formation are identified in Attachment 1 hereto.

**“Port”** means the Port of San Francisco.

**“Project Area I”** means the area within the City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) that covers the Project Site and was formed by Ordinance No. 34-18.

**“Project Site”** is defined in the Appendix.

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

**“Proportionately”** means, for Developed Property, that the ratio of the actual Contingent Services Special Tax levied in any Fiscal Year to the Maximum Contingent Services Special Tax authorized to be levied in that Fiscal Year is equal for all Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Development Special Tax, Office Special Tax, and Shoreline Special Tax levied to the Maximum Development Special Tax, Office Special Tax, and Shoreline Special Tax, respectively, is equal for all Parcels of Undeveloped Property.

**“Public Property”** means any property within the boundaries of the STD that is owned by or leased to the federal government, State of California, City, or public agency other than the Port. Parcels of Public Property, and/or Leasehold Interests in Public Property, that do not fall within the definition of Exempt Square Footage shall be taxed as Developed Property or Undeveloped Property, as determined by the Administrator pursuant to the definitions set forth in this RMA.

**“Remainder Special Taxes”** means, as calculated between September 1<sup>st</sup> and December 31<sup>st</sup> of any Fiscal Year, any Development Special Tax, Office Special Tax, and Shoreline Special Tax revenues that were collected in the prior Fiscal Year and were not needed to: (i) pay debt service on the applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds that was due in the calendar year that begins in the Fiscal Year in which the Remainder Special Taxes were levied; (ii) pay periodic costs on the applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments (iii) replenish reserve funds created for the applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds under the applicable Indenture; (iv) cure any delinquencies in the payment of principal or interest on applicable Development Special Tax Bonds, Shoreline Special Tax Bonds, or Office Special Tax Bonds which have occurred in the prior Fiscal Year; or (v) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City or Port prior to the receipt of Development Special Tax, Shoreline Special Tax or Office Special Tax proceeds.

**“Required Coverage”** means (i) for Development Special Tax Bonds, the amount by which the Maximum Development Special Tax Revenues must exceed the Development Special Tax Bond debt service and priority Administrative Expenses (if any), as set forth in the applicable Indenture, Certificate of Special Tax Consultant, or other STD Formation Proceedings or Bond document that sets forth the minimum required debt service coverage; (ii) for Shoreline Special

Tax Bonds, the amount by which the Maximum Shoreline Special Tax Revenues must exceed the Shoreline Special Tax Bond debt service and priority Administrative Expenses (if any), as set forth in the applicable Indenture, Certificate of Special Tax Consultant, or other STD Formation Proceedings or Bond document that sets forth the minimum required debt service coverage, and (iii) for Office Special Tax Bonds, the amount by which the Maximum Office Special Tax Revenues must exceed the Office Special Tax Bond debt service and priority Administrative Expenses (if any), as set forth in the applicable Indenture, Certificate of Special Tax Consultant, or other STD Formation Proceedings or Bond document that sets forth the minimum required debt service coverage.

**“Residential Unit”** means an individual residential housing unit in a residential or mixed-use building.

**“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.

**“RMA”** means this Rate and Method of Apportionment of Special Taxes.

**“Services Special Tax Requirement”** means the amount necessary in any Fiscal Year to: (i) pay the costs of operations and maintenance or other public services that are included as Authorized Expenditures; (ii) cure delinquencies in the payment of Contingent Services Special Taxes in the prior Fiscal Year; and (iii) pay Administrative Expenses.

**“Shoreline Special Tax”** means a special tax levied in any Fiscal Year to pay the Shoreline Special Tax Requirement.

**“Shoreline Special Tax Bonds”** means any Bonds secured solely by Shoreline Special Taxes that have been levied and are available after dividing the Shoreline Special Taxes as set forth in Financing Plan Section 4.7, and factoring in debt service coverage and related Indenture requirements, as determined by the Administrator

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



(c) any other revenues available to pay such costs, as determined by the Administrator, the City, and the Port.

**“Special Taxes”** means the Development Special Tax, Shoreline Special Tax, Office Special Tax, and Contingent Services Special Tax.

**“Square Footage Category”** means, individually, Market-Rate Residential Square Footage, Office Square Footage, and Excess Exempt Square Footage.

**“STD”** or **“STD No. 2020-1”** means the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

**“STD Formation”** means the date on which the Board approved documents to form the STD.

**“STD Formation Proceedings”** means the proceedings to form the STD, including all resolutions, reports, and notices.

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

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

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

**“Taxable Parcel”** means any Parcel within the STD that is not a Tax-Exempt Port Parcel or a Parcel for which the Special Tax has been prepaid pursuant to Sections 53317.3 or 53317.5 of the Mello-Roos Act.

**“Taxpayer”** means the lessee of a Taxable Parcel within the STD.

**“Tax Zone”** means a separate and distinct geographic area in the STD within which one or more Special Taxes are applied at a rate or in a manner that is different than in other areas within the STD. The two Tax Zones at STD Formation are identified in Attachment 2 hereto. Parcels that annex into the CFD 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 STD.

**“Trigger Event”** means the earlier of (i) any amendment to the Management Agreement that expressly authorizes the levy of Contingent Services Special Taxes, (ii) the expiration or earlier termination of the Management Agreement, or (iii) any Taxable Parcel becoming Developed Property prior to a Management Agreement being executed by both the Port and the Association (or related entity).

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

**“Vertical Developer”** means a developer that has entered into a Parcel Lease for construction of vertical improvements on a Taxable Parcel or rehabilitation of Pier 48.

## **B. DATA FOR STD ADMINISTRATION**

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels. The Administrator shall also determine: (i) whether each Taxable Parcel is Developed Property or Undeveloped Property; (ii) the Planning Parcel and Tax Zone within which 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.

When a Parcel becomes Developed Property, the Administrator and Review Authority shall reference the Permit for each building on the Parcel to determine the Market-Rate Residential Square Footage and/or Office Square Footage within the building(s). If the Market-Rate Residential Square Footage and/or Office Square Footage is not identified on the Permit, the square footage assumptions used in the appraisal prepared when the Vertical DDA and/or Parcel Lease for such Parcel was executed shall be used to determine Market-Rate Residential Square Footage and/or Office Square Footage within the building. If, after review of the Permit and appraisal, there is still no clear indication of the Market-Rate Residential Square Footage and/or Office Square Footage for a building, the Review Authority shall review the Development Approval Documents and make a determination as to the amount of Market-Rate Residential Square Footage and/or Office Square Footage in the building.

When a Parcel becomes Developed Property, the Administrator and Review Authority shall also identify and document the Initial Exempt Square Footage for the building or buildings on or expected on the Parcel. The Administrator shall keep a record of the Initial Exempt Square Footage broken down by Exempt Use. After the First Bond Sale, as square footage within a building is designated for Exempt Uses, the Administrator shall compare the actual square footage used for each Exempt Use to the Initial Exempt Square Footage by Exempt Use. If, at any point in time, there is determined to be Excess Exempt Square Footage within a building, the Administrator and Review Authority shall use this comparison to determine which square footage should be designated Excess Exempt Square Footage. In addition, the Administrator shall determine whether the Excess Exempt Square Footage resulted in a reduction in Market-Rate Residential Square Footage or Office Square Footage expected in the building and, based on this determination, identify the applicable Maximum Special Taxes for the Excess Exempt Square Footage pursuant to the tables in Section C below.

The Administrator shall also: (i) coordinate with the Deputy Director to confirm Parcel Increment; (ii) coordinate with the Treasurer-Tax Collector’s Office to determine if there have been any Special Tax delinquencies or repayment of Special Tax delinquencies in prior Fiscal Years; (iii) review the Development Approval Documents and communicate with the Developer and Vertical Developers regarding proposed Land Use Changes; and (iv) upon each annexation, Land Use Change, and notification of Parcel Lease Execution Dates, update Attachment 3 to reflect the then-current Expected Land Uses, Expected Maximum Development Special Tax

Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. The Developer, Port, or Vertical Developer shall notify the Administrator each time a Parcel Lease is executed in order for the Administrator to keep track of Parcel Lease Execution Dates. In addition, the Port will: (i) provide the Administrator with copies of all leases that establish a Leasehold Interest, (ii) notify the Administrator of renewals of leases that establish a Leasehold Interest, and (iii) identify the buildings, Parcels, and Square Footage subject to such leases that establish a Leasehold Interest. Any time a lease on property within the STD is terminated, the Port will immediately notify the Administrator of such termination.

Prior to the First Bond Sale, the Administrator, Port, Developer, and any Vertical Developers shall coordinate to review the Expected Land Uses and determine if changes should be made to reflect more current estimates for land uses on each Planning Parcel. Based on this review, the Administrator shall update Attachment 3 with the then-current Expected Land Uses and Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues, which will be used to size the sale of Bonds unless and until there are additional updates of Attachment 3.

In any Fiscal Year, if it is determined that (i) a parcel map or condominium plan was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the map or plan was recorded, the Assessor does not yet recognize the newly-created Parcels, and (iii) one or more of the newly-created Parcels meets the definition of Developed Property, the Administrator shall calculate the Special Taxes for the property affected by recordation of the map or plan by determining the Special Taxes that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the Parcel that was subdivided by recordation of the parcel map or condominium plan.

## **C. MAXIMUM SPECIAL TAXES**

In calculating Maximum Special Taxes pursuant to this Section C, in any Fiscal Year in which the boundaries of the Planning Parcels are not identical to the boundaries of the then-current Assessor's Parcels, the Administrator shall review the Expected Land Uses for each Planning Parcel and assign the Maximum Special Taxes to the then-current Assessor's Parcels. The Maximum Special Tax Revenues after such allocation shall not be less than the Maximum Special Tax Revenues prior to the allocation.

### ***1. Undeveloped Property***

#### **1a. Development Special Tax, Office Special Tax, Shoreline Special Tax**

The Maximum Development Special Tax, Maximum Office Special Tax, and Maximum Shoreline Special Tax for Leasehold Interests in Undeveloped Property in all Tax Zones shall be the Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues shown in Attachment 3 of this RMA, as it may be amended as set forth herein.

## **1b. Contingent Services Special Tax**

No Contingent Services Special Tax shall be levied on Parcels of Undeveloped Property in any Tax Zone within the STD.

## **2. Developed Property**

### **2a. Development Special Tax**

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Development Special Taxes shown in Table 1 below and apply the steps set forth in this Section 2a to determine the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates and different Square Footage Categories may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 1</b> <b>Base Development Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Development Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Development Special Tax Tax Zone 2 (FY 2019-20) *</b>
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

**\* The Base Development Special Tax shown above for each Tax Zone shall be escalated as set forth in Section D.1.**

- Step 1.* Identify the Market-Rate Residential Square Footage, Office Square Footage, and/or Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.
- Step 2.* Multiply the applicable Base Development Special Tax from Table 1 by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage included in Leasehold Interests in the Taxable Parcel. Prior

to the First Bond Sale, the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel shall be the sum of the amounts calculated for Market-Rate Residential Square Footage and Office Square Footage, and Step 3 below shall not apply.

After the First Bond Sale, the Administrator shall apply Step 3 to determine the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel.

*Step 3.* Compare the Estimated Base Development Special Tax Revenues from Step 2 to the Expected Maximum Development Special Tax Revenues, and, apply one of the following, as applicable:

- *If the Estimated Base Development Special Tax Revenues are: (i) greater than or equal to the Expected Maximum Development Special Tax Revenues or (ii) less than the Expected Maximum Development Special Tax Revenues, but the Maximum Development Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Development Special Tax Revenues, are still sufficient to provide Required Coverage, then the Maximum Development Special Tax for Leasehold Interests in the Taxable Parcel shall be determined by multiplying the applicable Base Development Special Taxes by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage within each building on the Taxable Parcel. The Administrator shall update Attachment 3 to reflect the change in the Expected Maximum Development Special Tax Revenues.*
- *If the Estimated Base Development Special Tax Revenues are less than the Expected Maximum Development Special Tax Revenues, and the Maximum Development Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Development Special Tax Revenues, are insufficient to provide Required Coverage, then the Administrator and Review Authority shall coordinate with the Developer and Vertical Developer, and the Review Authority shall determine which of the following shall occur:*
  - (i) the Base Development Special Taxes that were applied to Market-Rate Residential Square Footage and/or Office Square Footage in Step 2 shall be increased proportionately until the amount that can be levied on Leasehold Interests in the Taxable Parcel, combined with the Expected Maximum Development Special Tax Revenues from all other Taxable Parcels in the STD, is sufficient to maintain Required Coverage, *or*
  - (ii) if Estimated Base Development Special Tax Revenues are less than the Expected Maximum Development Special Tax Revenues due to Excess Exempt Square Footage, then the Base Development Special Tax for Excess Exempt Square Footage shall be levied

against all Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel.

If, pursuant to (i) above, the Base Development Special Taxes are proportionately increased to maintain Required Coverage, the Administrator shall use the adjusted per-square-foot rates to calculate the Maximum Development Special Tax for each building on the Taxable Parcel. The Administrator shall revise Attachment 3 to reflect any changes to the Expected Land Uses (including the addition of Excess Exempt Square Footage) and the Expected Maximum Development Special Tax Revenues.

If, in any Fiscal Year, the Maximum Development Special Tax is determined for Leasehold Interests in any Parcel of Developed Property for which a Permit had not yet been issued, and if, when a Permit is issued for a building(s) on the Parcel, the Market-Rate Residential Square Footage and/or Office Square Footage of such building(s) is different than that used to determine the Maximum Development Special Tax, then the Administrator shall once again apply Steps 1 through 3 in this Section C.2a to recalculate the Maximum Development Special Tax for Leasehold Interests in the Parcel based on the Market-Rate Residential Square Footage and/or Office Square Footage that was determined when the Permit was issued.

The Administrator shall do a final check of the Market-Rate Residential Square Footage and Office Square Footage within each building when a Certificate of Occupancy is issued. Once again, if the Market-Rate Residential Square Footage and/or Office Square Footage is different than the Market-Rate Residential Square Footage and/or Office Square Footage that was used to determine the Maximum Development Special Tax after the Permit was issued, then the Administrator shall apply Steps 1 through 3 in this Section C.2a to recalculate the Maximum Development Special Tax for Leasehold Interests in the Parcel.

## **2b. Office Special Tax**

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Office Special Taxes shown in Table 2 below and apply the steps set forth in this Section 2b to determine the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates and different Square Footage Categories may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 2</b> <b>Base Office Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Office Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Office Special Tax Tax Zone 2 (FY 2019-20) *</b>
Office Square Footage	\$1.92 per Office Square Foot	\$1.61 per Office Square Foot
Excess Exempt Square Footage	\$1.92 per Excess Exempt Square Foot	\$1.61 per Excess Exempt Square Foot

**\* The Base Office Special Tax shown above for each Tax Zone shall be escalated as set forth in Section D.1.**

*Step 1.* Identify the Office Square Footage and Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.

*Step 2.* Multiply the applicable Base Office Special Tax from Table 2 by the actual and/or expected Office Square Footage included in Leasehold Interests in the Taxable Parcel which, prior to the First Bond Sale, shall be the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel; Step 3 below shall not apply.

After the First Bond Sale, the Administrator shall apply Step 3 to determine the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel.

*Step 3.* Compare the Estimated Base Office Special Tax Revenues from Step 2 to the Expected Maximum Office Special Tax Revenues, and, apply one of the following, as applicable:

- *If the Estimated Base Office Special Tax Revenues are: (i) greater than or equal to the Expected Maximum Office Special Tax Revenues or (ii) less than the Expected Maximum Office Special Tax Revenues, but the Maximum Office Special Tax Revenues, assuming the same Office Square Footage that went into the calculation of the Estimated Base Office Special Tax Revenues, are still sufficient to provide Required Coverage, then the Maximum Office Special Tax for Leasehold Interests in the Taxable Parcel shall be determined by multiplying the applicable Base Office Special Taxes by the actual and/or expected Office Square Footage within each building on the Taxable Parcel. The Administrator shall update Attachment 3 to reflect the change in the Expected Maximum Office Special Tax Revenues.*
- *If the Estimated Base Office Special Tax Revenues are less than the Expected Maximum Office Special Tax Revenues, and the Maximum Office Special Tax Revenues, assuming the same Office Square Footage*

*that went into the calculation of the Estimated Base Office Special Tax Revenues, are insufficient to provide Required Coverage, then the Administrator and Review Authority shall coordinate with the Developer and Vertical Developer, and the Review Authority shall determine which of the following shall occur:*

- (i) the Base Office Special Taxes that were applied to Office Square Footage in Step 2 shall be increased proportionately until the amount that can be levied on Leasehold Interests in the Taxable Parcel, combined with the Expected Maximum Office Special Tax Revenues from all other Taxable Parcels in the STD, is sufficient to maintain Required Coverage, *or*
- (ii) if Estimated Base Office Special Tax Revenues are less than the Expected Maximum Office Special Tax Revenues due to Excess Exempt Square Footage, then the Base Office Special Tax for Excess Exempt Square Footage shall be levied against all Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel.

If, pursuant to (i) above, the Base Office Special Taxes are proportionately increased to maintain Required Coverage, the Administrator shall use the adjusted per-square-foot rates to calculate the Maximum Office Special Tax for each building on the Taxable Parcel. The Administrator shall revise Attachment 3 to reflect any changes to the Expected Land Uses (including the addition of Excess Exempt Square Footage) and the Expected Maximum Office Special Tax Revenues.

If, in any Fiscal Year, the Maximum Office Special Tax is determined for Leasehold Interests in any Parcel of Developed Property for which a Permit had not yet been issued, and if, when a Permit is issued for a building(s) on the Parcel, the Office Square Footage of such building(s) is different than that used to determine the Maximum Office Special Tax, then the Administrator shall once again apply Steps 1 through 3 in this Section C.2b to recalculate the Maximum Office Special Tax for Leasehold Interests in the Parcel based on the Office Square Footage that was determined when the Permit was issued.

The Administrator shall do a final check of the Office Square Footage within each building when a Certificate of Occupancy is issued. Once again, if the Office Square Footage is different than the Office Square Footage that was used to determine the Maximum Office Special Tax after the Permit was issued, then the Administrator shall apply Steps 1 through 3 in this Section C.2b to recalculate the Maximum Office Special Tax for Leasehold Interests in the Parcel.

## **2c. Shoreline Special Tax**

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Shoreline Special Taxes shown in Table 3 below and apply the steps set forth in this Section 2c to determine the Maximum Shoreline Special



Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates and different Square Footage Categories may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 3</b> <b>Base Shoreline Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Shoreline Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Shoreline Special Tax Tax Zone 2 (FY 2019-20) *</b>
Office Square Footage	\$1.82 per Office Square Foot	\$1.82 per Office Square Foot
Excess Exempt Square Footage	\$1.82 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$1.82 per Excess Exempt Square Foot if Office Square Footage was reduced	\$1.82 per Excess Exempt Square Foot if Market-Rate Residential Square Footage was reduced or \$1.82 per Excess Exempt Square Foot if Office Square Footage was reduced

**\* The Base Shoreline Special Tax shown above for each Tax Zone shall be escalated as set forth in Section D.1.**

- Step 1.* Identify the Market-Rate Residential Square Footage, Office Square Footage, and/or Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.
- Step 2.* Multiply the applicable Base Shoreline Special Tax from Table 3 by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage included in Leasehold Interests in the Taxable Parcel. Prior to the First Bond Sale, the Maximum Shoreline Special Tax for Leasehold Interests in the Taxable Parcel shall be the sum of the amounts calculated for Market-Rate Residential Square Footage and Office Square Footage, and Step 3 below shall not apply.

After the First Bond Sale, the Administrator shall apply Step 3 to determine the Maximum Shoreline Special Tax for Leasehold Interests in the Taxable Parcel.

- Step 3.* Compare the Estimated Base Shoreline Special Tax Revenues from Step 2 to the Expected Maximum Shoreline Special Tax Revenues, and, apply one of the following, as applicable:

- *If the Estimated Base Shoreline Special Tax Revenues are: (i) greater than or equal to the Expected Maximum Shoreline Special Tax Revenues or (ii) less than the Expected Maximum Shoreline Special Tax Revenues, but the Maximum Shoreline Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Shoreline Special Tax Revenues, are still sufficient to provide Required Coverage, then the Maximum Shoreline Special Tax for Leasehold Interests in the Taxable Parcel shall be determined by multiplying the applicable Base Shoreline Special Taxes by the actual and/or expected Market-Rate Residential Square Footage and Office Square Footage within each building on the Taxable Parcel. The Administrator shall update Attachment 3 to reflect the change in the Expected Maximum Shoreline Special Tax Revenues.*
  
- *If the Estimated Base Shoreline Special Tax Revenues are less than the Expected Maximum Shoreline Special Tax Revenues, and the Maximum Shoreline Special Tax Revenues, assuming the same land uses that went into the calculation of the Estimated Base Shoreline Special Tax Revenues, are insufficient to provide Required Coverage, then the Administrator and Review Authority shall coordinate with the Developer and Vertical Developer, and the Review Authority shall determine which of the following shall occur:*
  - (i) *the Base Shoreline Special Taxes that were applied to Market-Rate Residential Square Footage and/or Office Square Footage in Step 2 shall be increased proportionately until the amount that can be levied on Leasehold Interests in the Taxable Parcel, combined with the Expected Maximum Shoreline Special Tax Revenues from all other Taxable Parcels in the STD, is sufficient to maintain Required Coverage, **or***
  - (ii) *if Estimated Base Shoreline Special Tax Revenues are less than the Expected Maximum Shoreline Special Tax Revenues due to Excess Exempt Square Footage, then the Base Shoreline Special Tax for Excess Exempt Square Footage shall be levied against all Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel.*

If, pursuant to (i) above, the Base Shoreline Special Taxes are proportionately increased to maintain Required Coverage, the Administrator shall use the adjusted per-square-foot rates to calculate the Maximum Shoreline Special Tax for each building on the Taxable Parcel. The Administrator shall revise Attachment 3 to reflect any changes to the Expected Land Uses (including the addition of Excess Exempt Square Footage) and the Expected Maximum Shoreline Special Tax Revenues.

If, in any Fiscal Year, the Maximum Shoreline Special Tax is determined for Leasehold Interests in any Parcel of Developed Property for which a Permit had not yet been issued,

and if, when a Permit is issued for a building(s) on the Parcel, the Market-Rate Residential Square Footage and/or Office Square Footage of such building(s) is different than that used to determine the Maximum Shoreline Special Tax, then the Administrator shall once again apply Steps 1 through 3 in this Section C.2c to recalculate the Maximum Shoreline Special Tax for Leasehold Interests in the Parcel based on the Market-Rate Residential Square Footage and/or Office Square Footage that was determined when the Permit was issued.

The Administrator shall do a final check of the Market-Rate Residential Square Footage and Office Square Footage within each building when a Certificate of Occupancy is issued. Once again, if the Market-Rate Residential Square Footage and/or Office Square Footage is different than the Market-Rate Residential Square Footage and/or Office Square Footage that was used to determine the Maximum Shoreline Special Tax after the Permit was issued, then the Administrator shall apply Steps 1 through 3 in this Section C.2c to recalculate the Maximum Shoreline Special Tax for Leasehold Interests in the Parcel.

## **2d. Contingent Services Special Tax**

In the first Fiscal Year after the Fiscal Year in which the Trigger Event occurs, and in each Fiscal Year thereafter, this Section C.2d shall be applied to determine the Contingent Services Special Tax for each Taxable Parcel in the STD.

When a Taxable Parcel in Tax Zone 1 or Tax Zone 2 becomes Developed Property, the Administrator shall use the Base Contingent Services Special Taxes shown in Table 4 below and apply the steps set forth in this Section 2d to determine the Maximum Contingent Services Special Tax for Leasehold Interests in the Taxable Parcel. For property that annexes into the CFD, different maximum rates may be established by creating a separate Tax Zone for such annexed property. Alternatively, property may be annexed into Tax Zones that were established prior to the annexation, and such property shall be subject to the Maximum Special Taxes applicable to that Tax Zone.

<b>Table 4</b> <b>Base Contingent Services Special Tax</b>		
<b>Square Footage Category</b>	<b>Base Contingent Services Special Tax Tax Zone 1 (FY 2019-20) *</b>	<b>Base Contingent Services Special Tax Tax Zone 2 (FY 2019-20) *</b>
Market-Rate Residential Square Footage	\$1.40 per Market-Rate Residential Square Foot	\$1.40 per Market-Rate Residential Square Foot
Office Square Footage	\$1.40 per Office Square Foot	\$1.40 per Office Square Foot
Excess Exempt Square Footage	\$1.40 per Excess Exempt Square Foot	\$1.40 per Excess Exempt Square Foot

**\* The Base Contingent Services Special Tax for each Tax Zone shown above shall be escalated as set forth in Section D.2.**

- Step 1.* Identify the Market-Rate Residential Square Footage, Office Square Footage, and/or Excess Exempt Square Footage in the building(s) on the Taxable Parcel pursuant to Section B above.
- Step 2.* Multiply the applicable Base Contingent Services Special Tax from Table 4 by the actual and/or expected Market-Rate Residential Square Footage, Office Square Footage, and Excess Exempt Square Footage included in Leasehold Interests in the Taxable Parcel. The Maximum Contingent Services Special Tax for Leasehold Interests in the Taxable Parcel shall be the sum of the amounts calculated for Market-Rate Residential Square Footage, Office Square Footage, and Excess Exempt Square Footage.

If additional structures are anticipated to be built on the Taxable Parcel as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth herein, categorize each building for which a Permit has been issued as Developed Property, and any remaining buildings for which Permits have not yet been issued shall not be subject to a Contingent Services Special Tax until a Permit is issued for such remaining buildings. To determine the Contingent Services Special Tax for any such Taxable Parcel, the Administrator shall take the sum of the Contingent Services Special Taxes determined for each building.

#### **D. CHANGES TO THE MAXIMUM SPECIAL TAXES**

**1. *Annual Escalation of Development Special Tax, Office Special Tax, and Shoreline Special Tax***

Beginning July 1, 2020 and each July 1 thereafter, 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 Base Office Special Tax for each Tax Zone; the Base Shoreline Special Tax for each Tax Zone; the Expected Maximum Development Special Tax Revenues, the Expected Maximum Office Special Tax Revenues, and the Expected Maximum Shoreline Special Tax Revenues in Attachment 3; and the Maximum Development Special Tax, the Maximum Office Special Tax, and the Maximum Shoreline Special Tax assigned to the Leasehold Interests in each Taxable Parcel.

**2. *Annual Escalation of Contingent Services Special Tax***

Beginning July 1, 2020 and each July 1 thereafter, the Base Contingent Services Special Tax for each Tax Zone and the Maximum Contingent Services Special Tax assigned to the Leasehold Interests in each Taxable Parcel shall be adjusted by the Escalator.

**3. *Changes in Square Footage Category on a Parcel of Developed Property***

If any Parcel that had been taxed as Developed Property in a prior Fiscal Year is rezoned or otherwise has a Land Use Change, as determined by the Review Authority, the Administrator shall, separately for each of the Special Taxes, multiply the applicable Base Special Tax by the new square footage within each Square Footage Category; if the First Bond Sale has not yet

occurred, this amount shall be the Maximum Special Tax for Leasehold Interests in the Parcel. If the First Bond Sale has taken place, the Administrator shall apply the remainder of this Section D.3.

If the Maximum Special Tax that would apply to Leasehold Interests in the Parcel after the Land Use Change is greater than the Maximum Special Tax that applied to Leasehold Interests in the Parcel prior to the Land Use Change, the Administrator shall increase the Maximum Special Tax for the Parcel to the amount calculated for each new Square Footage Category. If the Maximum Special Tax after the Land Use Change is less than the Maximum Special Tax that applied prior to the Land Use Change, there will be no change to the Maximum Special Tax for Leasehold Interests in the Parcel. Under no circumstances shall the Maximum Special Tax on Leasehold Interests in any Parcel of Developed Property be reduced, regardless of changes in Square Footage Category or square footage on the Parcel, including reductions in square footage that may occur due to demolition, fire, water damage, or acts of God.

#### ***4. Changes to Planning Parcels and Expected Land Uses***

If, at any time prior to the First Bond Sale, the Developer or a Vertical Developer makes changes to the boundaries of the Planning Parcels or the Expected Land Uses within one or more Planning Parcels, as determined by the Review Authority, the Administrator shall update the Expected Land Uses and Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues, which will be reflected on an updated Attachment 3. In addition, the Administrator will request updated Attachments 1 and 2 from the Developer. Updated attachments shall be maintained by the Administrator for purposes of applying this RMA, and such updates shall not require recordation of an amended RMA.

If, after the First Bond Sale, the Developer or a Vertical Developer proposes to make changes to the boundaries of the Planning Parcels or the Expected Land Uses within one or more Planning Parcels, the Administrator shall meet with the Port, Developer, and any affected Vertical Developers to review the proposed changes and evaluate the impact on the Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. If the Administrator determines that such changes will not reduce Required Coverage on Bonds that have been or will be issued, the Port will decide whether to allow the proposed changes and corresponding redistribution of the Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. If such changes are permitted, the Administrator will update Attachment 3 and request updated Attachments 1 and 2 from the Developer. Updated attachments shall be maintained by the Administrator for purposes of applying this RMA, and such updates shall not require recordation of an amended RMA. If the Administrator determines that the proposed changes will reduce Required Coverage on Bonds that have been issued, the Port will not permit the changes.

#### ***5. Reduction in Maximum Development Special Taxes Prior to First Bond Sale***

Prior to the First Bond Sale, if the City, Port and Developer determine that assumptions that were factored into estimates of Tax Increment at STD Formation have changed, and the estimated Tax Increment is expected to be lower than the original estimates, the Port and Developer may agree

to a proportional or disproportional reduction in the Base Development Special Tax as set forth in Section 4.5(e) of the Financing Plan. If the parties agree to such a reduction, the Port will direct the Administrator to use the reduced Base Development Special Tax for purposes of levying the taxes pursuant to this RMA, and an amended Notice of Special Tax Lien reflecting the reduction will be recorded against all Taxable Parcels within the STD. The reduction shall be made without a vote of the qualified STD electors.

## **E. ANNEXATIONS**

If, in any Fiscal Year, a property owner within the Future Annexation Area wants to annex property into the STD, the Administrator shall apply the following steps as part of the annexation proceedings:

- Step 1.* Working with Port staff, the Administrator shall determine the Expected Land Uses for the area to be annexed and the Tax Zone into which the property will be placed.
- Step 2.* The Administrator shall prepare or have prepared updated Attachments 1, 2, and 3 to reflect the annexed property and identify the revised Expected Land Uses, Expected Maximum Development Special Tax Revenues, Expected Maximum Office Special Tax Revenues, and Expected Maximum Shoreline Special Tax Revenues. After the annexation is complete, the application of this RMA shall be based on the adjusted Expected Land Uses and Maximum Development Special Tax Revenues, Maximum Office Special Tax Revenues, and Maximum Shoreline Special Tax Revenues, as applicable, including the newly annexed property.
- Step 3.* The Administrator shall ensure that a Notice of Special Tax Lien is recorded against all Parcels that are annexed to the STD.

## **F. METHOD OF LEVY OF THE SPECIAL TAXES**

### **1. *Development Special Tax***

Each Fiscal Year, the Administrator shall determine the Development Special Tax Requirement for the Fiscal Year, and the Development Special Tax shall be levied according to the steps outlined below:

- 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 the First Bond Sale, 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.

## **2. *Office Special Tax***

Each Fiscal Year, the Administrator shall determine the Office Special Tax Requirement for the Fiscal Year, and the Office Special Tax shall be levied according to the steps outlined below:

- Step 1.* Levy the Maximum Office Special Tax on Leasehold Interests in each Taxable Parcel of Developed Property. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.
- Step 2.* After the First Bond Sale, if additional revenue is needed after Step 1 in order to meet the Office Special Tax Requirement after Capitalized Interest has been applied to reduce the Office Special Tax Requirement, the Office Special Tax shall be levied Proportionately on Leasehold Interests in each Taxable Parcel of Undeveloped Property, in an amount up to 100% of the Maximum Office Special Tax for Leasehold Interests in each Taxable Parcel of Undeveloped Property for such Fiscal Year.

## **3. *Shoreline Special Tax***

Each Fiscal Year, the Administrator shall determine the Shoreline Special Tax Requirement for the Fiscal Year, and the Shoreline Special Tax shall be levied according to the steps outlined below:



- Step 1.* Levy the Maximum Shoreline Special Tax on Leasehold Interests in each Taxable Parcel of Developed Property. Any Remainder Special Taxes collected shall be applied pursuant to the Financing Plan.
- Step 2.* After the First Bond Sale, if additional revenue is needed after Step 1 in order to meet the Shoreline Special Tax Requirement after Capitalized Interest has been applied to reduce the Shoreline Special Tax Requirement, the Shoreline Special Tax shall be levied Proportionately on Leasehold Interests in each Taxable Parcel of Undeveloped Property, in an amount up to 100% of the Maximum Shoreline Special Tax for Leasehold Interests in each Taxable Parcel of Undeveloped Property for such Fiscal Year.

#### **4. *Contingent Services Special Tax***

Each Fiscal Year after the Fiscal Year in which the Trigger Event occurs, the Administrator shall coordinate with the City and the Port to determine the Services Special Tax Requirement for the Fiscal Year. The Contingent Services Special Tax shall then be levied Proportionately on Leasehold Interests in each Taxable Parcel of Developed Property, in an amount up to 100% of the Maximum Contingent Services Special Tax for Leasehold Interests in each Parcel of Developed Property for such Fiscal Year until the amount levied is equal to the Services Special Tax Requirement. The Contingent Services Special Tax may not be levied on Undeveloped Property.

### **G. COLLECTION OF SPECIAL TAXES**

Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes on the regular tax roll, provided, however, that the City may directly bill Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods as authorized by the CFD Law. The Board of Supervisors has ordered any Special Taxes to be levied on Leasehold Interests to be levied on the secured roll. The Special Tax bill for any Taxable Parcel subject to a Leasehold Interest will be sent to the same party that receives the possessory interest tax bill associated with the Leasehold Interest unless it is sent directly to the Taxpayer.

In calculating the Development Special Tax Requirement, Office Special Tax Requirement, or Shoreline Special Tax Requirement, under no circumstances may the Development Special Tax, Office Special Tax, or Shoreline Special Tax that is levied on a Leasehold Interest in a Taxable Parcel in a Fiscal Year be increased by more than ten percent (10%) of the respective Maximum Development Special Tax, Maximum Office Special Tax, or Maximum Shoreline Special Tax for that Parcel (or such lesser amount required by the CFD Law) as a consequence of delinquency or default in payment of Special Taxes levied on Leasehold Interests in another Parcel(s) in the STD (the “Delinquency Levy”).

The Delinquency Levy, if any, is determined when calculating the Development Special Tax Requirement. Accordingly, when determining the levy of Development Special Taxes on Leasehold Interests in Assessed Parcels pursuant to Step 1 of Section F.1, the Delinquency Levy, if any, has already been applied and, therefore, the Administrator shall not levy any additional

Delinquency Levy on an Assessed Parcel that has its Development Special Tax levy reduced or eliminated by Parcel Increment.

The Development Special Tax shall be levied and collected on Leasehold Interests in each Taxable Parcel until the earlier of: (i) the Fiscal Year in which the Port determines that all Authorized Expenditures that will be funded by the STD have been funded and all Development Special Tax Bonds have been fully repaid; (ii) the Fiscal Year after the Fiscal Year in which Tax Increment is no longer collected within the Sub-Project Area within which the Taxable Parcel is located and all Development Special Tax Bonds have been fully repaid, as determined by the Administrator with direction from the Deputy Director; and (iii) Fiscal Year 2093-94.

The Office Special Tax and the Shoreline Special Tax shall be levied on and collected from Leasehold Interests in each Taxable Parcel for 120 Fiscal Years.

Beginning in the first Fiscal Year after the Fiscal Year in which the Trigger Event occurs, the Contingent Services Special Tax shall be levied and collected in perpetuity.

## **H. EXEMPTIONS**

Notwithstanding any other provision of this RMA, no Special Taxes will be levied on fee simple interests in the STD, including Tax-Exempt Port Parcels.

## **I. INTERPRETATION OF SPECIAL TAX FORMULA**

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Taxes and any security for any Bonds.

## **J. SPECIAL TAX APPEALS**

Any Taxpayer who wishes to challenge the accuracy of computation of the Special Taxes in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the Taxpayer's application. If the Administrator concludes that the computation of the Special Taxes was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Taxes was correct, then such determination shall be final and conclusive, and the Taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the Taxpayer of the obligation to pay the Special Taxes when due.

Nothing in this Section J shall be interpreted to allow a Taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the CFD Law or elsewhere in applicable law.

## **ATTACHMENT 1**

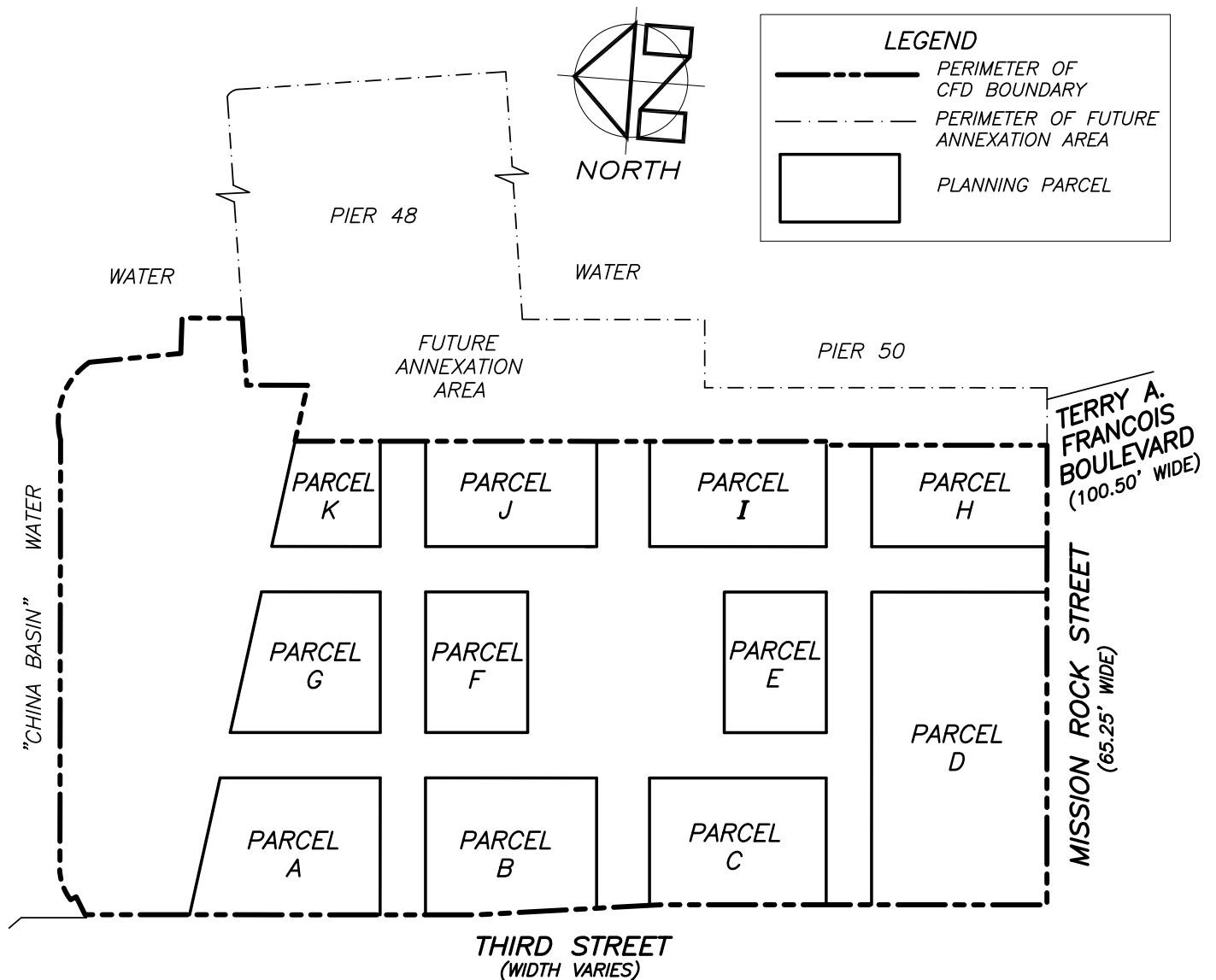
**CITY AND COUNTY OF SAN FRANCISCO  
SPECIAL TAX DISTRICT NO. 2020-1  
(MISSION ROCK FACILITIES AND SERVICES)**

**IDENTIFICATION OF PLANNING PARCELS**

# ATTACHMENT 1

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

### IDENTIFICATION OF PLANNING PARCELS



MARTIN M. RON ASSOCIATES, INC.  
Land Surveyors  
859 HARRISON STREET, SUITE 200  
San Francisco, California 94107  
S-9229E \_EXHIBIT-CFD BNDY.dwg  
JANUARY 31, 2020

## **ATTACHMENT 2**

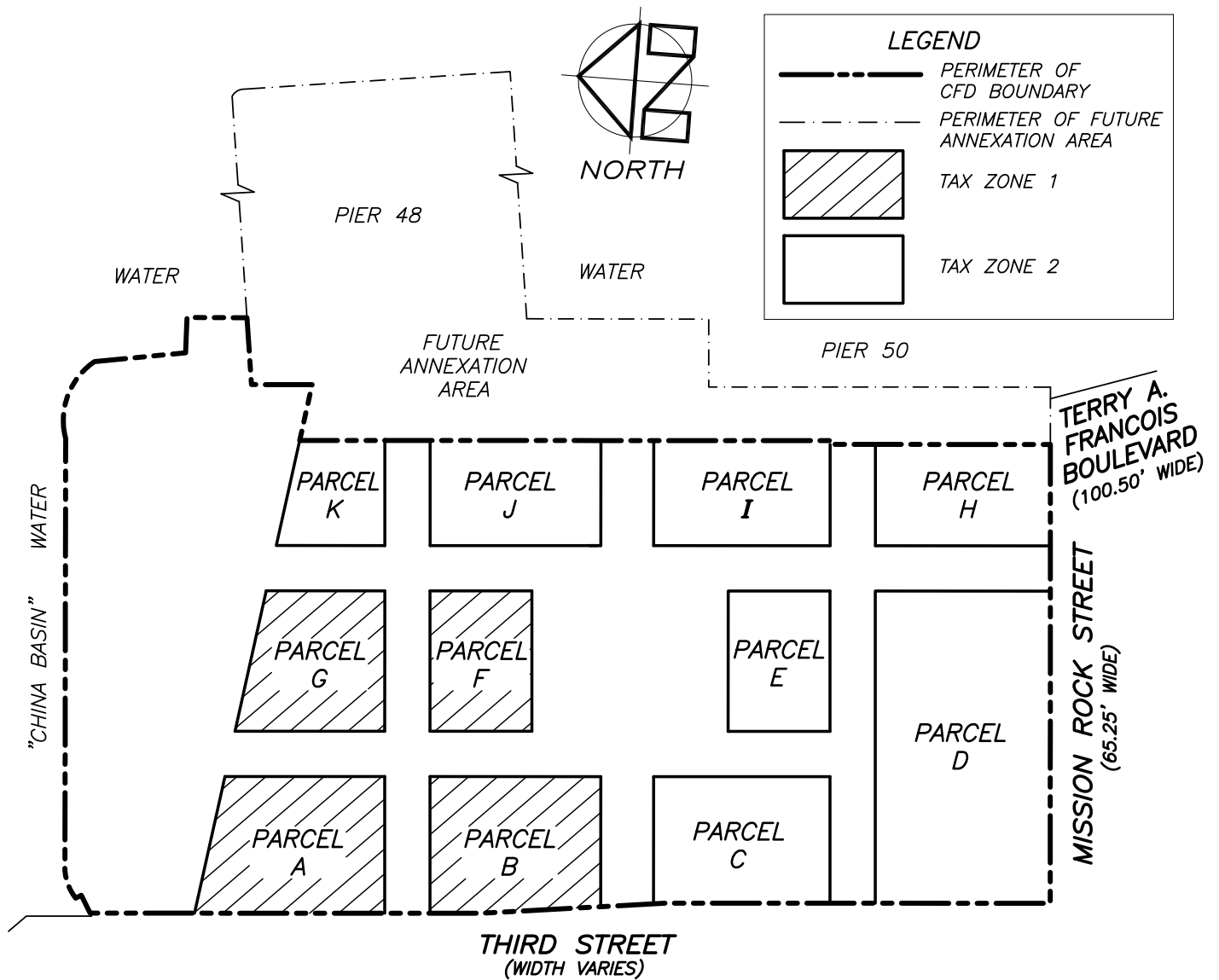
**CITY AND COUNTY OF SAN FRANCISCO  
SPECIAL TAX DISTRICT NO. 2020-1  
(MISSION ROCK FACILITIES AND SERVICES)**

### **IDENTIFICATION OF TAX ZONES**

## 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  
S-9229E \_EXHIBIT-CFD BNDY.dwg  
JANUARY 31, 2020

**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**

<b>Planning Parcel</b>	<b>Expected Land Uses</b>	<b>Expected Square Footage</b>	<b>Expected Maximum Development Special Tax Revenues (FY 2019-20)*</b>	<b>Expected Maximum Office Special Tax Revenues (FY 2019-20)*</b>	<b>Expected Maximum Shoreline Special Tax Revenues (FY 2019-20)*</b>
<b>TAX ZONE 1</b>					
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
<b>TAX ZONE 2</b>					
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
<b>TOTAL EXPECTED REVENUES (FY 2019-20 \$)</b>			<b>\$13,904,280</b>	<b>\$2,575,611</b>	<b>\$2,705,932</b>

\*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.

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## APPENDIX C-1

### SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE DEVELOPMENT SPECIAL TAX BONDS

*The following is a summary of certain provisions of the Fiscal Agent Agreement, the Pledge Agreement, and the Special Fund Administration Agreement. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.*

#### FISCAL AGENT AGREEMENT

##### **Certain Definitions.**

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

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

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

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

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and

(ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

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

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

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

“Bond” or “Bonds” means the 2021A Bonds, the 2021B Bonds, the 2021C Bonds, the 2023A Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

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

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

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2024.

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

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

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

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

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

“Dated Date” means the dated date of the Bonds, which is the Closing Date.

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

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

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

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

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

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

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

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

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

“Improvement Fund” means a fund established under the Fiscal Agent Agreement for the purpose of holding Bond proceeds to pay Project costs. The Improvement Fund for the 2023A Bonds will be the 2023A Improvement Fund.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Special Tax Financing Law or the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the Special Tax District, or any real property in the Special Tax District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

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

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

“IFD Payment Date” means July 1.

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

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

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

“Master Fiscal Agent Agreement” means that certain Fiscal Agent Agreement, dated as of May 1, 2021, by and between the City and Zions Bancorporation, National Association.

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

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

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

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

“Ordinance” means any ordinance of the Board of Supervisors of the City levying the Development Special Taxes, including but not limited to Ordinance No. 79-20 introduced by the Board of Supervisors

on May 5, 2020, and adopted by the Board of Supervisors on May 12, 2020, and signed by the Mayor on May 22, 2020.

“Original Purchaser” means the first purchaser of the Bonds from the City.

“Other Special Tax Bonds” means the following:

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

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

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

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

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

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under the Fiscal Agent Agreement.

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

(a) Federal Securities.

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

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of

California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

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

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

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

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

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

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

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

(k) the California Asset Management Program.

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

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

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

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

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

“Qualified Purchaser” means (a) a qualified institutional buyer, as that term is defined in Securities and Exchange Commission Rule 144A promulgated under the Securities Act of 1933, as amended and (b) an “institutional accredited investor,” which consists of accredited investors as defined in subsections (a)(1), (2), (3) and (7) of Securities and Exchange Commission Rule 501 promulgated under the Securities Act of 1933, as amended.

“Qualified Reserve Account Credit Instrument” means, with respect to the 2023A Reserve Fund, means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2023A Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2023A Bonds and any 2023A Related Parity Bonds.

“Qualified Taxable Parcel” has the meaning given that term in the Fiscal Agent Agreement.

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

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

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

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

“Replacement DDA” means a disposition and development agreement executed by the Port Commission to replace the DDA (or a successor to the DDA) that covers substantially the same real

property and improvements as the DDA and establishes substantially the same rights and responsibilities as the DDA (or successor to the DDA).

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

“Resolution” has the meaning given that term in the recitals of the Fiscal Agent Agreement.

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

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

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

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

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

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

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

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



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

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

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

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

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

“2023A Bonds” means the Bonds so designated and authorized to be issued under the Second Supplement to the Fiscal Agent Agreement.

“2023A Costs of Issuance Fund” means the fund designated the “2023A Costs of Issuance Fund” which fund is established pursuant to the Second Supplement to the Fiscal Agent Agreement.

“2023A Improvement Fund” means the fund designated the “2023A Improvement Fund” which fund is established pursuant to the Second Supplement to the Fiscal Agent Agreement.

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

“2023A Reserve Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Development Special Tax Bonds, 2023A Reserve Fund” established and administered under the Second Supplement to the Fiscal Agent Agreement.

“2023A Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2023A Bonds and 2023A Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, (b) 125% of average Annual Debt Service on the 2023A Bonds and 2023A Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, and (c) 10% of the outstanding principal of the 2023A Bonds and 2023A Related Parity Bonds, if any; provided, however:

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

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

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

#### **Certain Provisions Relating to the Bonds.**

**Interest.** The 2023A Bonds shall bear interest at the rates set forth on the inside cover of the Official Statement payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

### **Transfer or Exchange of Bonds.**

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

Additional Transfer Restrictions Applicable to the 2023A Bonds. No transfer, sale or other disposition of any 2023A Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2023A Bond for its own account for investment purposes and not with a view to distributing such 2023A Bond. Each transferee of a 2023A Bond, or any beneficial interest therein, shall be deemed to have acknowledged, represented, warranted and agreed with and to the City, the Participating Underwriter and the Fiscal Agent that (i) such transferee is a Qualified Purchaser that is purchasing such 2023A Bond for its own account for investment purposes and not with a view to distributing such 2023A Bond in violation of the Securities Act of 1933 or other applicable securities laws, (ii) the 2023A Bonds are payable from Revenues and such other funds described in the Fiscal Agent Agreement, (iii) the 2023A Bonds, or any beneficial interest therein, may only be transferred to a Qualified Purchaser and (iv) the City, the Participating Underwriter and the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements. Each 2023A Bond shall bear a legend describing or referencing the foregoing restrictions on transferability.

Neither the Participating Underwriter nor any Owner or Beneficial Owner of the 2023A Bonds shall deposit the 2023A Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Participating Underwriter nor any Owner or Beneficial Owner shall deposit the 2023A Bonds in any trust or account under its control the majority of the assets of which constitute the 2023A Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers.

Each entity that is or that becomes a Beneficial Owner of a 2023A Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the provisions of this Section. The transferor of a 2023A Bond agrees to provide notice to any proposed assignee of a beneficial ownership interest in the purchased 2023A Bond of the restrictions on transfer described in the Second Supplement to the Fiscal Agent Agreement. Any transfer of a 2023A Bond to any entity that is not a Qualified Purchaser shall be deemed null and void.

**Bond Register.** The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City

during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as provided in the Fiscal Agent Agreement. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

### **Certain Provisions Relating to Security for the Bonds.**

**Pledge of Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in 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 IFD Payment Amount Fund, the Development Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Development Special Taxes). The Revenues and all moneys deposited into such funds (except as otherwise provided 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, in the IFD Law and in the Special Tax Financing Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

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

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

The 2023A Bonds and all 2023A Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Second Supplement to the Fiscal Agent Agreement) of all moneys deposited in the 2023A Reserve Fund. The moneys in the 2023A Reserve Fund (except as otherwise provided therein) are dedicated to the payment of the principal of, and interest and any premium on, the 2023A Bonds and all 2023A Related Parity Bonds as provided therein and in the IFD Law and the Special Tax Financing Law until all of the 2023A Bonds and all 2023A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Second Supplement to the Fiscal Agent Agreement.

Amounts in an Improvement Fund (and the accounts therein), the Administrative Expense Fund and the 2023A Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not

pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

The Owners of the 2023A Bonds have no interest or claim to the 2021A Reserve Fund or the 2021B Reserve Fund, and the owners of the 2021A Bonds, the 2021B Bonds and the 2021C Bonds have no interest or claim to the 2023A Reserve Fund.

**Limited Obligation.** All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit of the City, the Port Commission, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

**No Acceleration.** The principal of the Bonds is not subject to acceleration.

**Parity Bonds.** In addition to the 2021A Bonds, the 2021B/C Bonds and the 2023A Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement and 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 thereunder. The City may issue such Parity Bonds subject to the following specific conditions precedent:

(A) Compliance. Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the indebtedness limit of the Special Tax District.

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

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

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

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

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

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

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

Taxable Parcels that are subject to a Parcel Lease as of the date of issuance of the proposed Parity Bonds are expected to first collectively constitute Developed Property under the Rate and Method, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Bonds, Parity Bonds or Other Special Tax Bonds in such fiscal year.

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

(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 subsections (D) or (E) above, and, in connection therewith, the Officer's Certificate in subsection (F) above need not make reference to said subsections (D) and (E).

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

Nothing in the Fiscal Agent Agreement shall affect the issuance of bonds or other debt that is payable from other special taxes than the Development Special Taxes that are levied under the Rate and Method, except as described in "Certain Covenants – Limitation on Other Special Tax Bonds."

### **Certain Funds and Accounts.**

#### **2023A Reserve Fund.**

Establishment of 2023A Reserve Fund. The 2023A Reserve Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by the Second Supplement to the Fiscal Agent Agreement, which deposit, as of the Closing Date, is equal to the initial 2023A Reserve Requirement with respect to the 2023A Bonds, and deposits shall be made as provided in the Second Supplement to the Fiscal Agent Agreement. Moneys in the 2023A Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2023A Bonds and any 2023A Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2023A Bonds and any 2023A Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2023A Bonds and any 2023A Related Parity Bonds.

Use of 2023A Reserve Fund. Except as otherwise provided in the Second Supplement to the Fiscal Agent Agreement, all amounts deposited in the 2023A Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2023A Bonds and any 2023A Related Parity Bonds or, in accordance with the provisions of the Second Supplement to the Fiscal Agent Agreement, for the purpose of redeeming 2023A Bonds and any 2023A Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2023A Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2023A Bonds and any 2023A Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2023A Reserve Fund exceeds the 2023A Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2023A Reserve Fund to (i) the Improvement Fund(s) for any Outstanding 2023A Related Parity Bonds on a pro rata basis as directed by the City, to be used to pay for Project costs and (ii) after such Improvement Funds are no longer open, the Bond Fund, to be used to pay interest on the 2023A Bonds and any 2023A Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2023A Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with any required rebate payments related to any 2023A Related Parity Bonds; *provided, however*, that no amounts in the 2023A Reserve Fund shall be used for rebate related to 2023A Related Parity Bonds unless the amount in the 2023A Reserve Fund following such withdrawal equals the 2023A Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2023A Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2023A Bonds and all Outstanding 2023A Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2023A Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with the Second Supplement to the Fiscal Agent Agreement and the provisions of the Supplemental Agreement related to the 2023A Related Parity Bonds, as applicable, of all of the Outstanding 2023A Bonds and Outstanding 2021B Related Parity Bonds. In the event that the amount so transferred from the 2023A Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2023A Bonds and Outstanding 2023A Related Parity Bonds, the balance in the 2023A Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

Notwithstanding the provisions of the Second Supplement to the Fiscal Agent Agreement, no amounts shall be transferred from the 2023A Reserve Fund under the Second Supplement to the Fiscal Agent Agreement until after the payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2023A Bonds or any 2023A Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Second Supplement to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2023A Related Parity Bonds, any resulting reduction in the 2023A Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2023A Bonds pursuant to the Second Supplement to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2023A Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Investment. Moneys in the 2023A Reserve Fund shall be invested by the Fiscal Agent under the Second Supplement to the Fiscal Agent Agreement.

Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023A Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) of applicable, an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2023A Bonds or any 2023A Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become



includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2023A Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2023A Reserve Fund to the Improvement Funds for the 2023A Bonds and any 2023A Related Parity Bonds as directed by the City to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2023A Reserve Requirement, to be derived from the first available Revenues. If the 2023A Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2023A Bonds and any 2023A Related Parity Bonds. If the 2023A Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2023A Bonds and any 2023A Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2023A Reserve Fund may be established for such series, and the calculation of the 2023A Reserve Requirement with respect to any 2023A Related Parity Bonds shall exclude the debt service on such issue of 2023A Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2023A Reserve Fund with cash if, at any time that the 2023A Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

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

### **Bond Fund.**

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

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

Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the

Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

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

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

(i) Withdraw from the 2021A Reserve Fund, in accordance with the provisions of 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 2021A Bonds and any 2021A Related Parity Bonds. Amounts so withdrawn from the 2021A Reserve Fund shall be deposited in the Bond Fund.

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

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the 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. Moneys in the Development Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement, and shall be used (together with any amounts transferred pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Investment. Moneys in the Bond Fund and the Development Special Tax Prepayments Account shall be invested under the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

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

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

### **Application of Proceeds of Development Special Taxes.**

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

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

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

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

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

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City shall cause proceeds of the Development Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund in an amount, taking into account any amounts then on deposit in the

Bond Fund and any expected transfers from the IFD Payment Amount Fund, the Improvement Fund(s) as directed by the City, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds, a capitalized interest account for any Parity Bonds, and the Development Special Tax Prepayments Account of the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

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

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

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

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

#### **Application of IFD Payment Amount.**

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

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

Application of Funds in the IFD Payment Amount Fund. Subject to the Fiscal Agent Agreement, and as directed in an Officer's Certificate, the moneys in the IFD Payment Amount Fund shall be distributed in the following order of priority:

(i) at least seven (7) Business Days prior to each Interest Payment Date, the Fiscal Agent shall transfer moneys in the IFD Payment Amount Fund to the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Funds for the Bonds, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds, a capitalized interest account for any Parity Bonds, and the Development Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds; and

(ii) at least seven (7) Business Days prior to each Interest Payment Date without preference or priority, the Fiscal Agent shall transfer moneys in the IFD Payment Amount Fund (a) to the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the IFD Payment Amount Fund and any Development Special Taxes available for that purpose are not sufficient for the purposes of this subparagraph, such amounts shall be applied to the 2021A Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

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

#### **Administrative Expense Fund.**

Establishment of Administrative Expense Fund. The Administrative Expense Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as directed in an Officer's Certificate. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided in the Fiscal Agent Agreement.

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

## **2023A Improvement Fund.**

Establishment of 2023A Improvement Fund. The 2023A Improvement Fund is established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by the Second Supplement to the Fiscal Agent Agreement.

Moneys in the 2023A Improvement Fund shall be disbursed, except as otherwise provided in the Second Supplement to the Fiscal Agent Agreement, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the 2023A Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit H attached thereto which shall:

- (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and
- (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

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

Investment. Moneys in the 2023A Improvement Fund shall be invested in accordance with the Second Supplement to the Fiscal Agent Agreement. Interest earnings and profits from such investment shall be retained in the 2023A Improvement Fund to be used for the purpose of such fund.

Closing of Fund. At such time as there are no moneys in the 2023A Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2023A Improvement Fund, such Fund may be closed as set forth below.

When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the 2023A Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the 2023A Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the 2023A Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2023A Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2023A Improvement Fund shall be closed. Moneys transferred from the 2023A Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

## **Certain Covenants.**

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

**Processing.** On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2021A Reserve Fund and any reserve account for Parity Bonds that are not 2021A Related Parity Bonds that is held by the Fiscal Agent (including the 2023A Reserve Fund), and (ii) if the amount in the 2021A Reserve Fund is less than the 2021A Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2021A Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Development Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

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

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

**Computation.** The Finance Director shall fix and levy the amount of Development Special Taxes within the Special Tax District required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and the Special Fund Administration Agreement expected to be remitted to the Fiscal Agent pursuant to the Pledge Agreement: (i) the principal of and interest on any outstanding Bonds of the Special Tax District becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2021A Reserve Fund and any other reserve account (including the 2023A Reserve Fund) for Parity Bonds that are not 2021A Related Parity Bonds to the extent such replenishment has not been included in the computation of the Development Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses that may be paid from the Development Special Tax, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Development Special Taxes.

Nothing in the Fiscal Agent Agreement is intended to limit the amount of Development Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA or the RMA.

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

**Covenant to Foreclose.** As authorized under the Special Tax Financing Law, the City covenants 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 the superior court to foreclose the lien of any Development Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

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

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

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

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



such covenant shall be entitled to petition the court for injunctive relief, including, but not limited to, an order of the court restraining any use of the proceeds of the Bonds that is inconsistent with such covenant.

### **Books and Records.**

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

Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent under the Fiscal Agent Agreement. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

**Private Activity Bond Limitations.** The City shall assure that the proceeds of the 2023A Bonds are not so used as to cause the 2023A Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

**Federal Guarantee Prohibition.** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2023A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

**Rebate Requirement.** The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2023A Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2023A Bonds, and shall take such actions as are necessary to ensure compliance with the Fiscal Agent Agreement, such as increasing the portion of the Development Special Tax levy for Administrative Expenses as appropriate to have funds available to satisfy any rebate liability under the Fiscal Agent Agreement. If necessary to satisfy its obligations under the Fiscal Agent Agreement, the City may use:

- (A) Amounts in the 2023A Reserve Fund if the amount on deposit in the 2023A Reserve Fund, following the proposed transfer, is at least equal to the 2023A Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2023A Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Development Special Taxes available for that purpose;
- (C) Amounts on deposit in the Administrative Expense Fund; and
- (D) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A), (B) and (C).

**No Arbitrage.** The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2023A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2023A Bonds would have caused the 2023A Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

**Yield of the 2023A Bonds.** In determining the yield of the 2023A Bonds to comply with the Second Supplement to the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Development Special Taxes and use of prepayments for redemption of the 2023A Bonds, without regard to whether or not prepayments are received or 2023A Bonds redeemed.

**Maintenance of Tax-Exemption.** The City shall take all actions necessary to assure the exclusion of interest on the 2023A Bonds from the gross income of the Owners of the 2023A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2023A Bonds.

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

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

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

Notwithstanding the above provision, the City may initiate proceedings to reduce the maximum Development Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, after the reduction is approved, on the basis of the parcels of land and improvements existing in the Special Tax District as of the July 1 preceding the reduction, the City will meet the coverage requirement set forth in subsection (E) of the Parity Bonds test, (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

**Covenant Regarding Termination of Leasehold Interests in Taxable Parcels.** The City shall inhibit the San Francisco Port Commission from terminating any Leasehold Interest in a Taxable Parcel except by entering a Replacement Lease and, in connection with a Replacement Lease, the City shall cause the Port Commission to require either the tenant under the terminated lease or the tenant under the

Replacement Lease to pay any scheduled Development Special Taxes then due together with interest to the payment date at the interest rate borne by the Bonds (the Port Commission may waive any interest in excess of the interest due on the Bonds and any penalties). It will not be a violation of the Fiscal Agent Agreement by either the City or the Port if the City initiates judicial foreclosure of a Leasehold Interest in a Taxable Parcel pursuant to the Fiscal Agent Agreement.

**Limitation on Other Special Tax Bonds.** In connection with the issuance by the City of any Other Special Tax Bonds, the City shall comply with the value to burden tests set forth in subsection (D) of the conditions for the issuance of Parity Bonds set forth in the Fiscal Agreement.

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

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

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

#### **Investment of Moneys in Funds.**

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

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

**Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof)

that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2021A Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

**Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

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

#### **Liability of City.**

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

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

#### **Certain Provisions Relating to the Fiscal Agent.**

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

**Removal.** Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall

be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Fiscal Agent Agreement, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

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

**Court Order.** If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds.

#### **Liability of Fiscal Agent.**

General. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct.

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

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

#### **Amendments Permitted.**

**With Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds

disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Development Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Special Tax Financing Law, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment hereof.

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

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

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

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

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

(v) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

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

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

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall

have been mailed as provided in the Fiscal Agent Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Fiscal Agent Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed.

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

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

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

(B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2021A Reserve Fund or any reserve account (including the 2023A Reserve Fund) for any Parity Bonds are that not 2021A Related Parity Bonds hereof, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the 2021A Reserve Fund or the reserve account (including the 2023A Reserve Fund) for any Parity Bonds that are not 2021 Related Parity Bonds (to the extent held in cash or invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

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

for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

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

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

## **PLEDGE AGREEMENT**

### **Certain Definitions**

“Allocated Tax Increment” means the portion of Gross Tax Increment from Project Area I that the City has agreed to allocate to the IFD for use in Project Area I by approving Appendix I of the Pledge Agreement.

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

“Base Year” for the Sub-Project Areas is defined in Appendix I of the Infrastructure Financing Plan as Fiscal Year 2017-18.

“Bond Plan Limit” means the limitation on the principal amount of bonds issued by the IFDs with respect to the Sub-Project Areas set forth in resolution No. 37-18 adopted by the Board of Supervisors on February 13, 2018 and signed by the Mayor on February 23, 2018.

“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.

“IFD Payment Amount” means, as of the IFD Payment Date, an amount equal to the lesser of (A) the Potential Development Special Tax Levy on all Current Parcels for the current Fiscal Year and (B) the amount of Pledged Tax Increment available to pay the IFD Payment Amount pursuant to Section 4.

“IFD Payment Date” means July 1.

“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.



“Pledged Tax Increment” means, for each IFD Payment Date, the Allocated Tax Increment received by the IFD as of such date that is attributable to the levy of the 1% ad valorem tax rate during the preceding Fiscal Year, but excluding the Waterfront Set-Aside except to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law for its payment obligations under the Pledge Agreement based on the use of proceeds of the Special Tax District Bonds.

“Potential Development Special Tax Levy” has the meaning given that term in the Financing Plan.

“Special Tax District Bonds” means the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds”, issued and outstanding under the Fiscal Agent Agreement, including the 2021A Special Tax District Bonds and any Parity Bonds.

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

“Sub-Project Area I-1” means Sub-Project Area I-1 (Mission Rock Site).

“Sub-Project Area I-2” means Sub-Project Area I-2 (Mission Rock Site).

“Sub-Project Area I-3” means Sub-Project Area I-3 (Mission Rock Site).

“Sub-Project Area I-4” means Sub-Project Area I-4 (Mission Rock Site).

“Sub-Project Area I-5” means Sub-Project Area I-5 (Mission Rock Site).

“Sub-Project Area I-6” means Sub-Project Area I-6 (Mission Rock Site).

“Sub-Project Area I-7” means Sub-Project Area I-7 (Mission Rock Site).

“Sub-Project Area I-8” means Sub-Project Area I-8 (Mission Rock Site).

“Sub-Project Area I-9” means Sub-Project Area I-9 (Mission Rock Site).

“Sub-Project Area I-10” means Sub-Project Area I-10 (Mission Rock Site).

“Sub-Project Area I-11” means Sub-Project Area I-11 (Mission Rock Site).

“Sub-Project Area I-12” means Sub-Project Area I-12 (Mission Rock Site).

“Sub-Project Area I-13” means Sub-Project Area I-13 (Mission Rock Site).

“Sub-Project Areas” has the meaning given that term in the recitals of the Pledge Agreement.

“Tax Increment Plan Limit” means the limitation, if any, contained in the Infrastructure Financing Plan on the number of dollars of taxes which may be divided and allocated to the IFD with respect to the Sub-Project Areas pursuant to the Infrastructure Financing Plan and the IFD Law.

“Waterfront Set-Aside” means a minimum of 20% of Allocated Tax Increment from Project Area I, which under IFD Law must be spent for shoreline restoration, removal of bay fill, and creation of waterfront public access to or environmental remediation of the San Francisco waterfront.

“Waterfront Set-Aside Account” means the Waterfront Set-Aside Account established in the Tax Increment Fund.

**Pledge of Pledged Tax Increment.** The IFD pledges and creates a lien on the Pledged Tax Increment, including such Pledged Tax Increment on deposit in the Project Account, the Waterfront Set-Aside Account and the Mello-Roos Bonds Account (Tax Increment), for the benefit of the Fiscal Agent as security for the IFD’s payment obligations under the Pledge Agreement (which pledge and lien shall attach and be binding and effective without the need for any physical delivery, recordation, filing, or further act). Such pledge shall be a first and exclusive pledge of the Pledged Tax Increment, subject to other permitted uses set forth in the Pledge Agreement. The pledge of Pledged Tax Increment under the Pledge Agreement shall be senior to any other pledge of Allocated Tax Increment.

The IFD and the City agree that the Pledged Tax Increment paid to the Fiscal Agent under the Pledge Agreement shall be used to pay debt service on the Special Tax District Bonds, replenish any debt service reserve fund for the Special Tax District Bonds and pay Horizontal Development Costs that are eligible to be paid with Pledged Tax Increment pursuant to the IFD Law, the Infrastructure Financing Plan and the Financing Plan.

**Collection of Allocated Tax Increment; Special Fund.** The IFD shall establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Tax Increment Fund.” The IFD shall establish the following accounts (among others) within the Tax Increment Fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as separate restricted accounts: the “Waterfront Set-Aside Account” and the “Project Account.”

Promptly upon receipt thereof, the IFD shall deposit 80% of the Allocated Tax Increment received in any Bond Year in the Project Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel) and 20% of such Allocated Tax Increment in the Waterfront Set-Aside Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel). The IFD may establish separate accounts within the Tax Increment Fund, and separate sub-accounts within the Project Account and the Waterfront Set-Aside Account in its discretion.

Amounts deposited to and held by the IFD in the Tax Increment Fund and the accounts therein shall be at all times separately accounted for by the IFD from all other funds or accounts, and the Allocated Tax Increment shall be used and applied solely as set forth in the Pledge Agreement.

The IFD shall establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Bonds Fund.” The IFD shall establish the following account (among others) within the Bond Fund as a separate restricted account: the “Mello-Roos Bonds Account (Tax Increment).”

During each Fiscal Year, the IFD may transfer funds from the Project Account or the Waterfront Set-Aside Account to the Mello-Roos Bonds Account (Tax Increment) in an amount equal to the IFD Payment Amount due on the following IFD Payment Date.

The obligations of the IFD with respect to Allocated Tax Increment set forth in the Pledge Agreement shall not apply to any Allocated Tax Increment applied by the Treasurer-Tax Collector to pay its costs of collecting the Allocated Tax Increment.

**Payment of Allocated Tax Increment.** On each IFD Payment Date (or such earlier date determined by the IFD), the IFD shall transfer (or cause to be transferred) Pledged Tax Increment from the accounts in the Tax Increment Fund and the Mello-Roos Bonds Account (Tax Increment) to the Fiscal Agent for deposit into the IFD Payment Amount Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, in an amount equal to the IFD Payment Amount. Allocated Tax Increment that is not Pledged Tax Increment cannot be used to pay the IFD Payment Amount because of the limitations on the authorized uses of Waterfront Set-Aside.

On the Business Day following each IFD Payment Date, the remaining Pledged Tax Increment shall be released from the pledge and lien created by the Pledge Agreement and shall be used by the IFD for authorized purposes under the Infrastructure Financing Plan.

In addition, if at any time during any Fiscal Year the IFD has set aside Pledged Tax Increment in the Mello-Roos Bonds Account (Tax Increment) that is attributable to the levy of the 1% ad valorem tax rate during such Fiscal Year in an amount sufficient to satisfy the IFD Payment Amount on the immediately succeeding IFD Payment Date, then any remaining Allocated Tax Increment shall be released from the pledge and lien created by the Pledge Agreement and shall be used by the IFD for authorized purposes under the Infrastructure Financing Plan.

**Issuance of Subordinate Debt.** Subject to any limitations set forth in the Financing Plan, the IFD may issue additional bonds or incur other loans, advances or indebtedness payable from Allocated Tax Increment on a subordinate basis to its obligations under this Pledge Agreement (“Subordinate Debt”) in such principal amount as shall be determined by the IFD. The IFD may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) Unless otherwise agreed by the City and the Developer, the conditions for the issuance of Subordinate Debt set forth in the Financing Plan have been satisfied.

(b) If, and to the extent, such Subordinate Debt is payable from Allocated Tax Increment within the Tax Increment Plan Limit, then the aggregate amount of the IFD Payment Amount and the principal of and interest to accrue on Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Allocated Tax Increment permitted under the Tax Increment Plan Limit to be allocated and paid to the IFD following the issuance of such Subordinate Debt.

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

**Coverage Covenant; Plan Limit.**

(a) The IFD shall manage its fiscal affairs in a manner which ensures that it will have sufficient Allocated Tax Increment available under the Tax Increment Plan Limit in the amounts and at the times required to enable the IFD to meet its payment obligations under the Pledge Agreement and the Financing Plan.

(b) The IFD shall not issue any bonds or take any action that would cause it to exceed the Bond Plan Limit. Board of Supervisors Resolution No. 37-18 provides that the Bond Plan Limit does not apply to the Special Tax District Bonds or any “debt” as defined in the IFD Law other than bonds, including the Pledge Agreement.

**Tax Covenants.** The following covenants shall apply to any Special Tax District Bonds to the extent the City and the IFD intended for the interest on such Special Tax District Bonds to be excluded from the gross income of the Owners of such Special Tax District Bonds for federal income tax purposes.

(a) Private Activity Bond Limitation. The City and the IFD will assure that the proceeds of the Special Tax Bonds are not so used as to cause the Special Tax District Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The City and the IFD will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Special Tax District Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The City and the IFD will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Special Tax District Bonds.

(d) No Arbitrage. The City and the IFD will not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Special Tax Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Special Tax District Bonds would have caused the Special Tax District Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The City and the IFD will take all actions necessary to assure the exclusion of interest on the Special Tax Bonds from the gross income of the Owners of the Special Tax District Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Special Tax Bonds.

(f) Record Retention. The City and the IFD will retain their records of all accounting and monitoring that they carry out with respect to the Special Tax District Bonds for at least 3 years after the Special Tax District Bonds mature or are redeemed (whichever is earlier); however, if the Special Tax District Bonds are redeemed and refunded, the City and the IFD will retain their records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Special Tax District Bonds.

(g) Compliance with Tax Certificate. The City and the IFD will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Special Tax District Bonds. The covenants of this Section will survive payment in full or defeasance of the Special Tax District Bonds.

**Special Fund Administration Agreement.** The IFD shall cause the Port, in its capacity as the IFD Agent, to maintain the Special Fund Administration Agreement, comply with the terms thereof and enforce the provisions thereof.

**Compliance with IFD Law.** The City shall use the proceeds of the Special Tax District Bonds so as to ensure that the IFD Payment Amount may be used under the IFD Law for the purposes set forth in the Fiscal Agent Agreement. The covenant set forth in the first sentence of this Section is of a special and unique kind and character, and there would not be an adequate remedy at law for a breach of such covenant. Therefore, the City agrees that the covenant may be enforced by an action for specific performance and such other equitable relief as is provided by the laws of the State of California. In pursuing specific performance of such covenant, the party seeking to enforce such covenant shall be entitled to petition the

court for injunctive relief, including, but not limited to, an order of the court restraining any use of the proceeds of the Bonds that is inconsistent with such covenant.

**Term.** The term of the Pledge Agreement shall commence on the date of issuance of the first series of the Special Tax District Bonds, and shall end on the earlier of the date no Special Tax District Bonds are outstanding or the last day on which the IFD may repay indebtedness or receive property taxes under the Infrastructure Financing Plan.

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

## **SPECIAL FUND ADMINISTRATION AGREEMENT**

### **Certain Definitions.**

Unless the context otherwise clearly requires, the capitalized terms used in the Special Fund Administration Agreement have the meanings given them in the Special Fund Administration Agreement or if not defined in the Special Fund Administration Agreement, the meanings given such terms in Part B to the Appendix of Transaction Documents for the Mission Rock Project (the “Appendix”).

“Authorized Officer” means the Executive Director of the Port, the Deputy Director of Finance and Administration of the Port, and/or the Finance Director.

“Bond Year” means the period beginning on September 2 of any year and ending on the following September 1.

“CFD Administrative Costs” means Facilities CFD Administrative Costs and Services CFD Administrative Costs.

“Debt Service” means “debt service” as defined in the Appendix.

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

“Tax Increment Bonds” means Tax Allocation Bonds and any other Debt obligation of the IFD with respect to the IFD Sub-Project Areas, not including Mello-Roos Bonds, secured by a pledge (or otherwise payable from a contribution) of Allocated Tax Increment. For the avoidance of doubt, Tax Increment Bonds includes any such debt obligations incurred pursuant to a Pledge Agreement.

“Tax Increment Bonds Debt Service Requirement” means the Debt Service coming due on Tax Increment Bonds in a Bond Year before the next expected Receipt Date of Allocated Tax Increment.

### **Effective Date; Termination of Agreement.**

- (a) The Special Fund Administration Agreement shall become effective on May 1, 2021, and shall terminate on the date determined in accordance with the Special Fund Administration Agreement.

(b) The Special Fund Administration Agreement shall terminate on the date of the latest of the following to occur:

- i. When all of the Allocated Tax Increment and Mello-Roos Taxes have been disbursed in accordance with the CFD Law, IFD Law, and Appendix I of the Special Fund Administration Agreement.
- ii. The date specified in the CFD Resolution of Formation as the last date on which Shoreline Special Taxes may be levied within the CFD.
- iii. The date specified in the CFD Resolution of Formation as the last date on which Contingent Services Special Taxes may be levied in the CFD.
- iv. When all Tax Increment Bonds and Mello-Roos Bonds and other Debt of the IFD with respect to the Sub-Project Areas have been paid in full or defeased and the proceeds thereof have been expended.
- v. Upon receipt of written direction of the Port to the Special Fund Trustee to close the funds and accounts described in the Special Fund Administration Agreement and to distribute any remaining funds therein to the Port to be used for any lawful purpose of the Port consistent with applicable law and the DDA.

**Conflicts with Indentures or Pledge Agreements.** In the event of any conflict between the Special Fund Administration Agreement and the provisions of any Indenture or Pledge Agreement, the provisions of the Indenture or Pledge Agreement shall govern.

**Establishment of Special Funds and Accounts.** The Special Fund Trustee shall, establish, maintain and hold in trust a separate account designated as the “Special Fund Trust Account” (the “Special Fund Trust Account”).

Funds and Accounts Related to Special Taxes. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Special Tax Fund” (the “Special Tax Fund”). Within the Special Tax Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts and subaccounts therein, among others:

- (a) the “Facilities Special Taxes Account,”
  - i. the “Development Special Taxes Subaccount,”
- (b) the “CFD Remainder Account,”
  - i. the “Development Special Taxes Subaccount.”

The Special Tax Fund, and the accounts and subaccounts therein, shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement. The source of funds in Special Tax Fund accounts shall be the Special Taxes collected by the Treasurer/Tax Collector and distributed to the CFD by the Controller.

Fund and Accounts Related to Allocated Tax Increment. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Tax

Increment Fund” (the “Tax Increment Fund”), which shall constitute the special fund required by Section 53396(b) of the IFD Law with respect to the Sub-Project Areas. Within the Tax Increment Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts and subaccounts therein:

- (i) the “Project Account,”
- (ii) the “Waterfront Set-Aside Account,” and
- (iii) the “IFD Remainder Account.”

The Tax Increment Fund and the accounts therein shall be held by the Special Fund Trustee for the benefit of the IFD and shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement. The source of funds in the Tax Increment Fund shall be the Allocated Tax Increment collected by the Treasurer/Tax Collector and distributed to the IFD by the Controller.

Fund and Accounts Related to Bonds. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Bonds Fund” (the “Bonds Fund”). Within the Bonds Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts therein, among others:

- (i) the “Mello-Roos Bonds Account (Development Special Taxes),” which will be funded from Development Special Taxes, and
- (ii) the “Mello-Roos Bonds Account (Tax Increment),” which will be funded from Allocated Tax Increment

The Bonds Fund and the accounts therein shall be held by the Special Fund Trustee for the benefit of the CFD and IFD, as applicable, and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement.

The purpose of the Bonds Fund and the accounts therein is to allow an amount equal to the Debt Service that will be paid from the related funds to be set aside during the course of a Bond Year in a manner that meets any obligations under an Indenture or Pledge Agreement so that the remaining funds are available to pay for other costs authorized under the Financing Plan, RMA and Appendix I, as applicable.

Administrative Costs Fund. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund within the Special Fund Trust Account, designated as the “Administrative Costs Fund” (the “Administrative Costs Fund”). Within the Administrative Costs Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts therein:

- (i) the “CFD Administrative Costs Account,” and
- (ii) the “IFD Administrative Costs Account.”

The CFD Administrative Costs Account shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance the Special Fund Administration Agreement.

The IFD Administrative Costs Account shall be held by the Special Fund Trustee for the benefit of the IFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance the Special Fund Administration Agreement.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the DRP Fund.

**Deposits and Distributions of Development Special Taxes.**

Promptly upon receipt, the Port shall cause the Special Fund Trustee to deposit Development Special Taxes in the related accounts and subaccounts in the Special Tax Fund as directed by the Port in a written certificate executed by an Authorized Officer. The Parties acknowledge and agree that the Development Special Taxes may be deposited directly by the San Francisco Controller, at the times and in the amounts specified by the Port in a written certificate executed by an Authorized Officer and delivered to the Special Fund Trustee.

The Port shall direct the Special Fund Trustee in a written certificate to distribute any moneys in such subaccounts and accounts in accordance with the Special Fund Administration Agreement, the DDA, Financing Plan, CFD Resolution of Formation and Indentures.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Remainder Account.

**Deposits in and Distributions from the Tax Increment Fund.**

The Port shall cause the Special Fund Trustee to deposit Annual Allocated Tax Increment in the applicable accounts of the Tax Increment Fund, as directed by the Port in a written certificate executed by an Authorized Officer. The Parties acknowledge and agree that the Annual Allocated Tax Increment may be deposited directly by the San Francisco Controller, at the times and in the amounts specified by the Port in a written certificate executed by an Authorized Officer.

The Port shall direct the Special Fund Trustee in a written requisition of the Port executed by an Authorized Officer to distribute any moneys in the accounts in the Tax Increment Fund in accordance with the Special Fund Administration Agreement, the DDA, Financing Plan, IFD Financing Plan, Indenture and any Pledge Agreement.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Tax Increment Fund.

**Deposits in and Distributions from the Mello-Roos Bonds Account (Development Special Taxes).**

- (a) No later than the times and in the amounts required to comply with any applicable Indenture, the Port will direct the Special Fund Trustee to transfer Development Special Taxes from the Development Special Taxes Subaccount to the Mello-Roos Bonds Account (Development Special Taxes) in a written certificate executed by an Authorized Officer.
- (b) At the written direction of the Port, amounts in the Mello-Roos Bonds Account (Development Special Taxes) of the Bond Fund shall be transferred by the Special Fund Trustee from time to time, to pay debt service on Mello-Roos Bonds secured in whole or in part by a pledge of Development Special Taxes or as otherwise required under the Indenture relating to such Mello-Roos Bonds.
- (c) At any time during each Bond Year, the Port may, and in any event the Port shall on each July 15,
  - (i) calculate the Mello-Roos Bonds Debt Service Requirement with respect to Mello-Roos Bonds secured in whole or in part by a pledge of Development Special Taxes as of the immediately



preceding June 30, and (ii) deliver to the Special Fund Trustee a certificate of the Port (the “Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes)”) which:

- (i) states the amounts then on deposit in the debt service accounts established under the applicable Indenture that are available to pay the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds,
  - (ii) states the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds as of such date,
  - (iii) either (A) confirms that the amount on deposit in the Mello-Roos Bonds Account (Development Special Taxes) is equal to the amount described in the following clause (v) below or (B) directs the Special Fund Trustee to transfer from the Development Special Taxes Subaccount to the Mello-Roos Bonds Account (Development Special Taxes) any shortfall required for the amount on deposit in the Mello-Roos Bonds Account (Development Special Taxes) to be equal to the amount described in clause (v) below,
  - (iv) states the amounts as of such date, if any, to be transferred to such debt service accounts pursuant to the Year-End Mello-Roos Bond Debt Certificate (Tax Increment) for such Bond Year, the Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 1 Special Taxes) and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes),
  - (v) directs the Special Fund Trustee to transfer from the Mello-Roos Bonds Account (Development Special Taxes) to the appropriate debt service accounts established under the applicable Indenture an amount that, when added to any amounts to be transferred to such accounts pursuant to the Year-End Mello-Roos Bond Debt Certificate (Tax Increment) for such Bond Year, the Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 1 Special Taxes), and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes) as of such date, equals the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds, and
  - (vi) directs the Special Fund Trustee, after making all the transfers required to be made in accordance with the Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes), on the first business day following the end of each Bond Year, to transfer the remaining amounts in the Mello-Roos Bonds Account (Development Special Taxes) to the CFD Administrative Costs Account, the CFD Remainder Account or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed).
- (d) Upon compliance with the conditions stated in the preceding subsection (c), the Port may direct the Special Fund Trustee to transfer all remaining amounts in the Development Special Taxes Subaccount to the CFD Administrative Costs Account, the CFD Remainder Account, or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed), as set forth in a written requisition of the Port executed by an Authorized Officer.
- (e) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Mello-Roos Bonds Account (Development Special Taxes).

**Deposits in and Distributions from the Mello-Roos Bonds Account (Tax Increment).**

- (a) No later than the times and in the amounts required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds, the Port will direct the Special Fund Trustee to transfer Annual Allocated Tax Increment from the accounts in the Tax Increment Fund to the Mello-Roos Bonds Account (Tax Increment) in a written certificate executed by an Authorized Officer. For the avoidance of doubt, the Port intends for the amounts deposited in the Mello-Roos Bonds Account (Tax Increment) that are attributable to the levy of the 1% ad valorem tax rate during a City Fiscal Year to be used to pay the debt service on such Mello-Roos Bonds during the following Bond Year.
- (b) At the written direction of the Port, amounts in the Mello-Roos Bonds Account (Tax Increment) of the Bonds Fund shall be transferred by the Special Fund Trustee from time to time, to pay debt service on Mello-Roos Bonds secured in whole or in part by a pledge of Allocated Tax Increment, to replenish debt service reserve accounts for such Mello-Roos Bonds, or as otherwise required under the Indenture or the Pledge Agreement relating to such Mello-Roos Bonds.
- (c) At any time during each City Fiscal Year, the Port may, and in any event the Port shall on each July 15, (i) calculate the amounts to be paid from Allocated Tax Increment that is attributable to the levy of the 1% ad valorem tax rate during such City Fiscal Year required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds and (ii) deliver to the Special Fund Trustee a certificate of the Port (the “Year-End Mello-Roos Bonds Debt Certificate (Tax Increment)”) which:
  - (i) either (A) confirms that the amount on deposit in the Mello-Roos Bonds Account (Tax Increment) is equal to the amount to be paid from Allocated Tax Increment that is attributable to the levy of the 1% ad valorem tax rate during such City Fiscal Year required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds or (B) directs the Special Fund Trustee to transfer from the Tax Increment Fund to the Mello-Roos Bonds Account (Tax Increment) any shortfall required for the amount on deposit in the Mello-Roos Bonds Account (Tax Increment) to be equal to the amounts to be paid from Allocated Tax Increment required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds,
  - (ii) directs the Special Fund Trustee to transfer from the Mello-Roos Bonds Account (Tax Increment) the amounts to be paid from Allocated Tax Increment that is attributable to the levy of the 1% ad valorem tax rate during such City Fiscal Year required to comply with any applicable Indenture or Pledge Agreement related to Mello-Roos Bonds and specifying the appropriate fund or account into which it should be deposited, and
  - (iii) directs the Special Fund Trustee to transfer the remaining Allocated Tax Increment levied in such City Fiscal Year to the Tax Increment Bonds Account, the IFD Administrative Costs Account, the IFD Remainder Account or such other account identified by the Port.
- (d) Upon compliance with the conditions stated in the preceding subsection (c), Allocated Tax Increment levied in such City Fiscal Year shall be available for any purpose identified by the Port in a written certificate executed by an Authorized Officer.

- (e) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Mello-Roos Bonds Account (Tax Increment).

**Deposits in and Distributions from the CFD Administrative Costs Account.**

- (a) The Special Fund Trustee shall deposit funds from time to time in the CFD Administrative Costs Account as directed by the Port in a written certificate executed by an Authorized Officer.
- (b) The Special Fund Trustee shall withdraw and apply moneys in the CFD Administrative Costs Account in accordance with a written requisition of the Port executed by an Authorized Officer.
- (c) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Administrative Costs Account.

**Deposits in and Distributions from the IFD Administrative Costs Account.**

- (a) The Special Fund Trustee shall deposit funds from time to time in the IFD Administrative Costs Account as directed by the Port in a written certificate executed by an Authorized Officer.
- (b) The Special Fund Trustee shall withdraw and apply moneys in the IFD Administrative Costs Account in accordance with a written requisition of the Port executed by an Authorized Officer.
- (c) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the IFD Administrative Costs Account.

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## APPENDIX C-2

### SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE OFFICE SPECIAL TAX BONDS

*The following is a summary of certain provisions of the Fiscal Agent Agreement and the Special Fund Administration Agreement. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.*

#### FISCAL AGENT AGREEMENT

##### **Certain Definitions**

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

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

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

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

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

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

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

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

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

“Bond” or “Bonds” means the 2023B Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

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

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

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2024.

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

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

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

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

“Dated Date” means the dated date of the 2023B Bonds, which is the Closing Date.

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

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2023B Bonds under the Fiscal Agent Agreement and the scheduled amount of interest and amortization of principal (including any mandatory sinking fund payments) payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

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

“Development Special Tax Bonds” means bonds issued by the City for and on behalf of the Special Tax District that are payable from Development Special Taxes as defined in the Rate and Method.

“Development Special Tax Bonds Fiscal Agent Agreement” means that certain Fiscal Agent Agreement, dated as of May 1, 2021, by and between the City and Zions Bancorporation, National Association, as fiscal agent, as supplemented from time to time.

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

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

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

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

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

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

“Improvement Fund” means a fund established under the Fiscal Agent Agreement for the purpose of holding Bond proceeds to pay Project costs. The Improvement Fund for the 2023B Bonds will be the 2023B Improvement Fund.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Special Tax Financing Law or the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the Special Tax District, or any real property in the Special Tax District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Interest Payment Date” means each March 1 and September 1 of every calendar year, commencing with March 1, 2024.

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

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

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

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

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

“Office Special Tax Prepayments Account” means the account by that name established within the Bond Fund under the Fiscal Agent Agreement.

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

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

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



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

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

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

“Original Purchaser” means, collectively, with respect to the 2023B Bonds, Stifel, Nicolaus & Company, Incorporated and Piper Sandler & Co. the first purchasers of the 2023B Bonds from the City.

“Other Special Tax Bonds” means the following:

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

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

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

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

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

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under the Fiscal Agent Agreement.

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

(a) Federal Securities.

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

Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

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

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

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

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

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

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

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

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent

shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(k) the California Asset Management Program.

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

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

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

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

“Qualified Purchaser” means (a) a qualified institutional buyer, as that term is defined in Securities and Exchange Commission Rule 144A promulgated under the Securities Act of 1933, as amended and (b) an “institutional accredited investor,” which consists of accredited investors as defined in subsections (a)(1), (2), (3) and (7) of Securities and Exchange Commission Rule 501 promulgated under the Securities Act of 1933, as amended.

“Qualified Reserve Account Credit Instrument” means, with respect to the 2023B Reserve Fund, an irrevocable standby or direct pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct pay letter of credit is at least "A" from S&P or "A" from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2023B Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2023B Bonds and any 2023B Related Parity Bonds.

“Qualifying Taxable Parcel” has the meaning given that term in the Fiscal Agent Agreement.

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

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

“Refunding Bonds” means bonds issued by the City for the Special Tax District, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the

Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

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

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

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

“Resolution” has the meaning given that term in the recitals of the Fiscal Agent Agreement.

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

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

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

“Special Fund Administration Agreement” means that certain Special Fund Administration Agreement, dated as of May 1, 2021, by and between the City acting by and through the Port, as agent of the CFD and City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) and in its proprietary capacity, and the Special Fund Trustee, as amended from time to time.

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

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

“Special Tax District Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interests in all Taxable Parcels subject to the levy of the Office Special Taxes and not delinquent in the payment of any Office Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the Special Tax District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold

Interests in the Special Tax District. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

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

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

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

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

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

“2023B Bonds” means the Bonds so designated and authorized to be issued under the Agreement.

“2023B Costs of Issuance Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Office Special Tax Bonds, 2023B Costs of Issuance Fund” established and administered under the Fiscal Agent Agreement.

“2023B Improvement Fund” means the fund designated “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Special Tax Bonds, 2023B Improvement Fund,” established under the Fiscal Agent Agreement.

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

“2023B Reserve Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Office Special Tax Bonds, 2023B Reserve Fund” established and administered under the Agreement.

“2023B Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2023B Bonds and 2023B Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, (b) 125% of average Annual Debt Service on the 2023B Bonds and 2023B Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, and (c) 10% of the outstanding principal of the 2023B Bonds and 2023B Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2023B Bonds or any 2023B Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2023B Bonds or any 2023B Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2023B Bonds or any 2023B Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

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

(C) that in no event shall the amount required to be deposited into the 2023B Reserve Fund in connection with the issuance of a series of 2023B 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 Fiscal Agent may rely on calculations by and written directions from the City with respect to the determination of the 2023B Reserve Requirement.

#### **Certain Provisions Relating to the Bonds**

**Interest.** The 2023B Bonds shall bear interest at the rates set forth on the inside cover of the Official Statement payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**Method of Payment.** Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding

the Interest Payment Date, or by wire transfer to an account located in the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to the Fiscal Agent Agreement shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

### **Transfer or Exchange of Bonds**

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

Additional Transfer Restrictions Applicable to the 2023B Bonds. No transfer, sale or other disposition of any 2023B Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2023B Bond for its own account for investment purposes and not with a view to distributing such 2023B Bond. Each transferee of a 2023B Bond, or any beneficial interest therein, shall be deemed to have acknowledged, represented, warranted and agreed with and to the City, the Participating Underwriter and the Fiscal Agent that (i) such transferee is a Qualified Purchaser that is purchasing such 2023B Bond for its own account for investment purposes and not with a view to distributing such 2023B Bond in violation of the Securities Act of 1933 or other applicable securities laws, (ii) the 2023B Bonds are payable from Office Special Tax Revenues and such other funds described in the Fiscal Agent Agreement, (iii) the 2023B Bonds, or any beneficial interest therein, may only be transferred to a Qualified Purchaser and (iv) the City, the Participating Underwriter and the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements. Each 2023B Bond shall bear a legend describing or referencing the foregoing restrictions on transferability.

Neither the Participating Underwriter nor any Owner or Beneficial Owner of the 2023B Bonds shall deposit the 2023B Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Participating Underwriter nor any Owner or Beneficial Owner shall deposit the 2023B Bonds in any trust or account under its control the majority of the assets of which constitute the 2023B Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers.

Each entity that is or that becomes a Beneficial Owner of a 2023B Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the provisions

of the Fiscal Agent Agreement. The transferor of a 2023B Bond agrees to provide notice to any proposed assignee of a beneficial ownership interest in the purchased 2023B Bond of the restrictions on transfer described herein. Any transfer of a 2023B Bond to any entity that is not a Qualified Purchaser shall be deemed null and void.

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

### **Certain Provisions Relating to Security for the Bonds**

**Pledge of Office Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the Office Special Tax Revenues and all moneys deposited in the Bond Fund (including the Office Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the Office Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Office Special Taxes). The Office Special Tax 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.

The 2023B Bonds and all 2023B Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2023B Reserve Fund. The moneys in the 2023B Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2023B Bonds and all 2023B Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Special Tax Financing Law until all of the 2023B Bonds and all 2023B Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

Amounts in an Improvement Fund (and the accounts therein), the Administrative Expense Fund, the 2023B Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

**Limited Obligation.** All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Office Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit of the City, the Port Commission, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

**No Acceleration.** The principal of the Bonds is not subject to acceleration.



**Parity Bonds.** In addition to the 2023B Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement and shall be secured by a lien on the Office Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding thereunder. The City may issue such Parity Bonds subject to the following specific conditions precedent:

(A) Compliance. Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the indebtedness limit of the Special Tax District.

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

(C) Debt Service Reserve Fund. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2023B Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2023B 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 2023B Reserve Fund and that the Owners of the Bonds covered by the 2023B Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2023B 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 2023B Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) Special Tax District Value. As long as any Development Special Tax Bonds are Outstanding (as defined in the Development Special Tax Bonds Fiscal Agent Agreement), the City shall comply with the Special Tax District Value tests set forth in Section 3.06(D) of the Development Special Tax Bonds Fiscal Agent Agreement in connection with the issuance by the City of the Parity Bonds.

In addition, the Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the Special Tax District subject to the levy of Office Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds. For purposes of this Section (D), the applicable aggregate principal amount of Other Special Tax Bonds is equal to the aggregate outstanding principal amount of such Other Special Tax Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that could be levied for such Other Special Tax Bonds on Leasehold Interests in Taxable Parcels within the Special Tax District that are subject to the Office Special Tax, and the denominator of which is the total amount of special taxes that could be levied to pay such Other Special Tax Bonds on all

parcels of land against which the special taxes could be levied to pay such Other Special Tax Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on such bonds occurs), based upon information from the most recent available Fiscal Year.

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

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

(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 subsections (D) or (E) above, and, in connection therewith, the Officer's Certificate in subsection (F) above need not make reference to said subsections (D) and (E).

Nothing in the Fiscal Agent Agreement shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Office Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

Nothing in the Fiscal Agent Agreement shall affect the issuance of bonds or other debt that is payable from other special taxes than the Office Special Taxes that are levied under the Rate and Method, except as described in “Certain Covenants – Limitation on Other Special Tax Bonds.”

### **Certain Funds and Accounts**

#### **2023B Reserve Fund.**

Establishment of 2023B Fund. The 2023B Reserve Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement, which deposit, as of the Closing Date, is equal to the initial 2023B Reserve Requirement with respect to the 2023B Bonds, and deposits shall be made as provided in the Fiscal Agent Agreement. Moneys in the 2023B Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2023B Bonds and any 2023B Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2023B Bonds and any 2023B Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2023B Bonds and any 2023B Related Parity Bonds.

Use of 2023B Reserve Fund. Except as otherwise provided in the Agreement, all amounts deposited in the 2023B Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2023B Bonds and any 2023B Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2023B Bonds and any 2023B Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2023B Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2023B Bonds and any 2023B Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Transfer of Excess of 2023B Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2023B Reserve Fund exceeds the 2023B Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2023B Reserve Fund to (i) the Improvement Fund(s) for the 2023B Bonds and any Outstanding 2023B Related Parity Bonds on a pro rata basis as directed by the City, to be used to pay for Project costs and (ii) after such Improvement Funds are no longer open, the Bond Fund, to be used to pay interest on the 2023B Bonds and any 2023B Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2023B Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with the Fiscal Agent Agreement, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the 2023B Reserve Fund shall be used for rebate unless the amount in the 2023B Reserve Fund following such withdrawal equals the 2023B Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2023B Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2023B Bonds and all Outstanding 2023B Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2023B Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with the Agreement and the provisions of the Supplemental Agreement related to the 2023B Related Parity Bonds, as applicable, of all of the Outstanding 2023B Bonds and Outstanding 2023B Related Parity Bonds. In the event that the amount so

transferred from the 2023B Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2023B Bonds and Outstanding 2023B Related Parity Bonds, the balance in the 2023B Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

No amounts shall be transferred from the 2023B Reserve Fund under the Fiscal Agent Agreement until after: (i) the calculation of any amounts due to the federal government under the Fiscal Agent Agreement and withdrawal of any such amount under the Fiscal Agent Agreement for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Office Special Tax Prepayment. Whenever Office Special Taxes are prepaid and 2023B Bonds or any 2023B Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement or a similar provision in a Supplemental Agreement related to any 2023B Related Parity Bonds, any resulting reduction in the 2023B Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2023B Bonds pursuant to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2023B Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Investment. Moneys in the 2023B Reserve Fund shall be invested by the Fiscal Agent under the Fiscal Agent Agreement.

Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023B Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2023B Bonds or any 2023B Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2023B Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2023B Reserve Fund to the Improvement Funds for the 2023B Bonds and any 2023B Related Parity Bonds as directed by the City to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Fiscal Agent Agreement. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2023B Reserve Requirement, to be derived from the first available Office Special Tax Revenues. If the 2023B Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2023B Bonds and any 2023B Related Parity Bonds. If the 2023B Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2023B Bonds and any 2023B Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2023B Reserve Fund may be

established for such series, and the calculation of the 2023B Reserve Requirement with respect to any 2023B Related Parity Bonds shall exclude the debt service on such issue of 2023B Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2023B Reserve Fund with cash if, at any time that the 2023B Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

### **Bond Fund.**

Establishment of Bond Fund. The Bond Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by the Fiscal Agent Agreement and as otherwise set forth in the Fiscal Agent Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

There is also created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the “Office Special Tax Prepayments Account,” to the credit of which deposits shall be made as provided in the Fiscal Agent Agreement.

Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the 2023B 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 2023B Bonds and any 2023B Related Parity Bonds. Amounts so withdrawn from the 2023B Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve accounts, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2023B Related Parity Bonds, to the extent of any funds or Permitted

Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the 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 Office Special Tax Prepayments Account. Moneys in the Office Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement, and shall be used (together with any amounts transferred pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Moneys in the Office Special Tax Prepayments Account also shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under a Supplemental Agreement and notice to the Fiscal Agent can timely be given under a Supplemental Agreement and shall be used (together with any amounts transferred from the 2023B Reserve Fund or such other reserve account established under a Supplemental Agreement) to redeem Bonds on the redemption date selected in accordance with such Supplemental Agreement.

Investment. Moneys in the Bond Fund and the Office Special Tax Prepayments Account shall be invested under the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Office Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Special Tax Financing Law for the purpose of curing Bond Fund deficiencies.

Excess. Any excess moneys remaining in the Bond Fund following the payment of Debt Service on the Bonds on any September 1, shall be retained therein.

#### **Application of Proceeds of Office Special Taxes.**

Establishment of Office Special Taxes Subaccount. The City shall cause the Special Fund Trustee to establish and maintain an Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account under the Special Fund Administration Agreement. The City shall promptly remit, or cause to be promptly remitted, the proceeds of the Office Special Taxes received by the City to the Special Fund Trustee for deposit in the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account.

Application of Office Special Tax Proceeds in the Office Special Taxes Subaccount and the Mello-Roos Bonds Account (Office Special Taxes). In each Bond Year, the City shall cause the proceeds of the Office Special Taxes to be distributed in the following order of priority:

(i) promptly upon receipt, the City shall separately identify (or cause to be identified) the proceeds of the Office Special Taxes in an amount not to exceed the amount included in the Office Special Tax levy

for such Fiscal Year for Administrative Expenses that may be paid from the Office Special Tax and shall cause such proceeds to be transferred by the Special Fund Trustee from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement;

(ii) promptly upon receipt, the City shall identify (or cause to be identified) any Office Special Tax Revenues constituting the collection of delinquencies in payment of Office Special Taxes and shall cause such Office Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund to pay any past due Debt Service on the Bonds; (b) second, transferred by the Special Fund Trustee from the Office Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in (1) the 2023B Reserve Fund to the extent needed to increase the amount then on deposit in the 2023B Reserve Fund to the then 2023B Reserve Requirement and (2) the reserve account for any Parity Bonds that are not 2023B Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

(iii) promptly upon receipt, the City shall identify (or cause to be identified) any proceeds of Office Special Tax Prepayments and shall cause such Office Special Tax Prepayments to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Office Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement that portion of any Office Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds); and (b) second, transferred by the Special Trust Trustee from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit in the Office Special Tax Prepayments Account established pursuant to the Agreement;

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City shall cause proceeds of the Office Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund in an amount, taking into account any amounts then on deposit in the Bond Fund, the Improvement Fund(s) as directed by the City, the 2023B Reserve Fund Reserve Fund and any reserve account for Parity Bonds that are not 2023B Related Parity Bonds, a capitalized interest account for any Parity Bonds, and the Office Special Tax Prepayments Account of the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City shall cause proceeds of the Office Special Taxes to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2023B Reserve Fund an amount, taking into account amounts then on deposit in the 2023B Reserve Fund, such that the amount in the 2023B Reserve Fund is equal to the 2023B Reserve Requirement, and (b) to the Fiscal Agent for deposit in the reserve account for any Parity Bonds that are not 2023B Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Office Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts shall be applied to the 2023B Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

(vi) on each September 1, after the transfers described in preceding subparagraphs, the City shall cause the Special Fund Trustee to transfer from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account, any amount required to pay Administrative Expenses that may be paid from the Office Special Tax that cannot be paid from amounts then on deposit in the CFD Administrative Costs Account or the Administrative Expense Fund.

On each October 1, beginning on October 1, 2024, the City shall cause all of the moneys remaining in the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to be transferred to the Office Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee.

The City has caused to be established under the Special Fund Administration Agreement the Mello-Roos Bonds Account (Office Special Taxes) for the purpose of facilitating a more orderly transfer of Office of Special Taxes to the Fiscal Agent when required under the Fiscal Agent Agreement, and the City may provide in the Special Fund Administration Agreement for the transfer of Office Special Taxes from the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Mello-Roos Bonds Account (Office Special Taxes). Therefore, notwithstanding the foregoing, if at any time during any Bond Year the City has caused to be set aside Office Special Taxes in the Mello-Roos Bonds Account (Office Special Taxes) in an amount sufficient to satisfy the payments described in clauses (iv) and (v) above in such Bond Year, then it may apply Office Special Taxes in the Office Special Taxes Subaccount of the CFD Facilities Special Taxes Account for the purposes described in clauses (vi) and transfer any remaining Office Special Taxes to the Office Special Taxes Subaccount of the CFD Remainder Account.

#### **Administrative Expense Fund.**

Establishment of Administrative Expense Fund. The Administrative Expense Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as directed in an Officer's Certificate. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided in the Fiscal Agent Agreement.

Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, in substantially the form of Exhibit F thereto, stating the amount to be withdrawn and that such amount is to be used to pay an Administrative Expense, a Cost of Issuance or any other lawful expense.

#### **2023B Improvement Fund.**

Establishment of 2023B Improvement Fund. The 2023B Improvement Fund is established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by the Fiscal Agent Agreement.

Moneys in the 2023B Improvement Fund shall be disbursed, except as otherwise provided in the Fiscal Agent Agreement, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the 2023B Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached thereto which shall:

- (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse



expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

**Closing of Fund.** At such time as there are no moneys in the 2023B Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2023B Improvement Fund, such Fund may be closed as set forth below.

When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the 2023B Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the 2023B Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the 2023B Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2023B Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2023B Improvement Fund shall be closed. Moneys transferred from the 2023B Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

### **Certain Covenants**

**Collection of Office Special Tax Revenues.** The City shall comply with all requirements of the Special Tax Financing Law so as to assure the timely collection of Office Special Tax Revenues, including without limitation, the enforcement of delinquent Office Special Taxes as set forth in the Fiscal Agent Agreement.

**Processing.** On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2023B Reserve Fund and any reserve account for Parity Bonds that are not 2023B Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2023B Reserve Fund is less than the 2023B Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2023B Reserve Fund Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Office Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

**Levy.** The Finance Director shall effect the levy of the Office Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the

computation of the levy is complete before the final date on which Auditor will accept the transmission of the Office Special Tax amounts for the parcels within the Special Tax District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Office Special Taxes on the next secured real property tax roll.

The Board of Supervisors approved the levy of the Office 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 First Supplemental Office Special Tax Resolution to continue such levy on the secured roll as long as the Bonds are outstanding.

Computation. The Finance Director shall fix and levy the amount of Office Special Taxes within the Special Tax District required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and the Special Fund Administration Agreement: (i) the principal of and interest on any outstanding Bonds of the Special Tax District becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2023B Reserve Fund, and any other reserve account for Parity Bonds that are not 2023B Related Parity Bonds to the extent such replenishment has not been included in the computation of the Office Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses that may be paid from the Office Special Tax, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Office Special Taxes.

Nothing in the Fiscal Agent Agreement is intended to limit the amount of Office Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA or the RMA.

Collection. Except as set forth in the Ordinance, Office Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

**Covenant to Foreclose.** As authorized under the Special Tax Financing Law, the City covenants 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 the superior court to foreclose the lien of any Office Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Office Special Taxes theretofore levied in the Special Tax District to the amount of Office Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Office Special Tax in the Special Tax District is delinquent in the payment of one or more installments of Office Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the Special Tax District is then participating in the Alternative

Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2023B Reserve Fund is at least equal to the 2023B Reserve Requirement, and (3) the amount in the reserve account for any Parity Bonds that are not 2023B Related Parity is at least equal to the required amount.

The Finance Director and the City Attorney, as applicable, are authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

### **Books and Records.**

(A) City. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Office Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent under the Fiscal Agent Agreement. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

**Private Activity Bond Limitations.** The City shall assure that the proceeds of the 2023B Bonds are not so used as to cause the 2023B Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

**Federal Guarantee Prohibition.** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2023B Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

**Rebate Requirement.** The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2023B Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2023B Bonds, and shall take such actions as are necessary to ensure compliance with the Fiscal Agent Agreement, such as increasing the portion of the Office Special Tax levy for Administrative Expenses as appropriate to have funds available to satisfy any rebate liability under the Fiscal Agent Agreement. If necessary to satisfy its obligations under the Fiscal Agent Agreement, the City may use:

- (A) Amounts in the 2023B Reserve Fund if the amount on deposit in the 2023B Reserve Fund, following the proposed transfer, is at least equal to the 2023B Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2023B Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Office Special Taxes available for that purpose;

- (C) Amounts on deposit in the Administrative Expense Fund; and
- (D) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A), (B) and (C).

**No Arbitrage.** The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2023B Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2023B Bonds would have caused the 2023B Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

**Yield of the 2023B Bonds.** In determining the yield of the 2023B Bonds to comply with the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Office Special Taxes and use of prepayments for redemption of the 2023B Bonds, without regard to whether or not prepayments are received or 2023B Bonds redeemed.

**Maintenance of Tax-Exemption.** The City shall take all actions necessary to assure the exclusion of interest on the 2023B Bonds from the gross income of the Owners of the 2023B Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2023B Bonds.

**Limits on Office Special Tax Waivers and Bond Tenders.** The City covenants not to exercise its rights under the Special Tax Financing Law to waive delinquency and redemption penalties related to the Office Special Taxes or to declare an Office Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Office Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Office Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

**City Bid at Foreclosure Sale.** The City will not bid at a foreclosure sale of property in respect of delinquent Office Special Taxes, unless it expressly agrees to take the property subject to the lien for Office Special Taxes imposed by the City and that the Office Special Taxes levied on the property are payable while the City owns the property.

**Amendment of Rate and Method.** The City will not initiate proceedings under the Special Tax Financing Law to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Notwithstanding the above provision, the City may initiate proceedings to reduce the maximum Office Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, after the reduction is approved, on the basis of the parcels of land and improvements existing in the Special Tax District as of the July 1 preceding the reduction, the City will meet the coverage requirement set forth in subsection (E) of the Parity Bonds test, (ii) the reduction does not adversely affect the financing of the

Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

**Limitation on Principal Amount of Parity Bonds.** The Board of Supervisors established a limit on the principal amount of bonds and other debt that may be issued by the City for the Special Tax District. The City shall ensure that the issuance of Parity Bonds under a Supplemental Agreement shall not cause the Special Tax District to exceed such limit.

**Covenant Regarding Termination of Leasehold Interests in Taxable Parcels.** The City shall inhibit the San Francisco Port Commission from terminating any Leasehold Interest in a Taxable Parcel except by entering a Replacement Lease and, in connection with a Replacement Lease, the City shall cause the Port Commission to require either the tenant under the terminated lease or the tenant under the Replacement Lease to pay any scheduled Office Special Taxes then due together with interest to the payment date at the interest rate borne by the Bonds (the Port Commission may waive any interest in excess of the interest due on the Bonds and any penalties). It will not be a violation of the Fiscal Agent Agreement by either the City or the Port if the City initiates judicial foreclosure of a Leasehold Interest in a Taxable Parcel pursuant to the Fiscal Agent Agreement.

**Limitation on Other Special Tax Bonds.** In connection with the issuance by the City of any Other Special Tax Bonds, the City shall comply with the value to burden tests set forth in subsection (D) of the conditions for the issuance of Parity Bonds set forth in the Fiscal Agreement.

**Covenant Regarding Termination of the DDA.** If the Horizontal Improvements have not been completed and neither the Port nor the City has assumed the obligation to construct the Horizontal Improvements, the City shall inhibit the Port Commission from terminating the DDA solely as a result of a delinquency by the Developer in the payment of Office Special Taxes or other taxes or assessments levied or assessed on the Leasehold Interest conveyed under the Master Lease, unless the Port Commission will concurrently enter into a Replacement DDA and, if applicable, Replacement Lease.

**Special Fund Administration Agreement.** The City shall cause the Port, in its capacity as agent of the CFD, to maintain the Special Fund Administration Agreement, to comply with the terms thereof and to enforce the provisions thereof.

**Continuing Disclosure Covenant in Parcel Leases.** The City shall cause the Port to require lessees under Parcel Leases executed after the effective date hereof to provide continuing disclosure if and to the extent required by the underwriter of any Bonds.

### **Investment of Moneys in Funds**

**General.** Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds under the Fiscal Agent Agreement in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with the Fiscal Agent Agreement.

**Moneys in Funds.** Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior

to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

**Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2023B Reserve Fund (or any other reserve fund securing tax-exempt bonds) shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

**Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

**Sale of Investments.** The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

#### **Liability of City.**

**General.** The City shall not incur any responsibility or liability in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

**No General Liability.** No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Office of Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

### **Certain Provisions Relating to the Fiscal Agent.**

**Merger.** Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Fiscal Agent Agreement shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Fiscal Agent Agreement to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession under the Fiscal Agent Agreement.

**Removal.** Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Fiscal Agent Agreement, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

**Resignation.** The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

**No Successor.** If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of the Fiscal Agent Agreement within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

**Court Order.** If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds.

### **Liability of Fiscal Agent.**

**General.** The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct.

**No Expenditures.** No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners under the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

### **Amendments Permitted.**

**With Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Office Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Special Tax Financing Law, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment hereof.

**Without Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City in the Fiscal Agent Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

**Fiscal Agent's Consent.** Any amendment of the Fiscal Agent Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of the Fiscal Agent Agreement and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.



**Procedure for Amendment with Written Consent of Owners.** The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City, to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Fiscal Agent Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner provided in the Fiscal Agent Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Fiscal Agent Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Fiscal Agent Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise specifically provided in the Fiscal Agent Agreement) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

### **Discharge of Agreement.**

The City may pay and discharge the entire indebtedness on all or a portion of the Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund, the 2023B Reserve Fund, or any reserve account for any Parity Bonds are that not 2023B Related Parity Bonds, as applicable, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund, the 2023B Reserve Fund or the reserve account for any Parity Bonds that are not 2023B Related Parity Bonds (to the extent held in cash or invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Office Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all such Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Office Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Special Tax Financing Law and the Resolution of Formation.

## **SPECIAL FUND ADMINISTRATION AGREEMENT**

### **Certain Definitions**

Unless the context otherwise clearly requires, the capitalized terms used in the Special Fund Administration Agreement have the meanings given them in the Special Fund Administration Agreement or if not defined in the Special Fund Administration Agreement, the meanings given such terms in Part B to the Appendix of Transaction Documents for the Mission Rock Project (the “Appendix”).

“Authorized Officer” means the Executive Director of the Port, the Deputy Director of Finance and Administration of the Port, and/or the Finance Director.

“Bond Year” means the period beginning on September 2 of any year and ending on the following September 1.

“CFD Administrative Costs” means Facilities CFD Administrative Costs and Services CFD Administrative Costs.

“Debt Service” means “debt service” as defined in the Appendix.

“**Finance Director**” means the Director of the Controller’s Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

**Effective Date; Termination of Agreement.**

- (a) The Special Fund Administration Agreement shall become effective on May 1, 2021, and shall terminate on the date determined in accordance with the Special Fund Administration Agreement.
- (b) The Special Fund Administration Agreement shall terminate on the date of the latest of the following to occur:
  - i. When all of the Allocated Tax Increment and Mello-Roos Taxes have been disbursed in accordance with the CFD Law, IFD Law, and Appendix I of the Special Fund Administration Agreement.
  - ii. The date specified in the CFD Resolution of Formation as the last date on which Shoreline Special Taxes may be levied within the CFD.
  - iii. The date specified in the CFD Resolution of Formation as the last date on which Contingent Services Special Taxes may be levied in the CFD.
  - iv. When all Tax Increment Bonds and Mello-Roos Bonds and other Debt of the IFD with respect to the Sub-Project Areas have been paid in full or defeased and the proceeds thereof have been expended.
  - v. Upon receipt of written direction of the Port to the Special Fund Trustee to close the funds and accounts described in the Special Fund Administration Agreement and to distribute any remaining funds therein to the Port to be used for any lawful purpose of the Port consistent with applicable law and the DDA.

**Conflicts with Indentures or Pledge Agreements.** In the event of any conflict between the Special Fund Administration Agreement and the provisions of any Indenture or Pledge Agreement, the provisions of the Indenture or Pledge Agreement shall govern.

**Establishment of Special Funds and Accounts.** The Special Fund Trustee shall, establish, maintain and hold in trust a separate account designated as the “Special Fund Trust Account” (the “Special Fund Trust Account”).

**Funds and Accounts Related to Special Taxes.** The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Special Tax Fund” (the “Special Tax Fund”). Within the Special Tax Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts and subaccounts therein, among others:

- (a) the “Facilities Special Taxes Account,”
  - i. the “Office Special Taxes Subaccount,”
- (b) the “CFD Remainder Account,”

i. the “Office Special Taxes Subaccount.”

The Special Tax Fund, and the accounts and subaccounts therein, shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement. The source of funds in Special Tax Fund accounts shall be the Special Taxes collected by the Treasurer/Tax Collector and distributed to the CFD by the Controller.

Fund and Accounts Related to Bonds. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Bonds Fund” (the “Bonds Fund”). Within the Bonds Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts therein, among others, the “Mello-Roos Bonds Account (Office Special Taxes),” which will be funded from Office Special Taxes.

The Bonds Fund and the accounts therein shall be held by the Special Fund Trustee for the benefit of the CFD, and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement.

The purpose of the Bonds Fund and the accounts therein is to allow an amount equal to the Debt Service that will be paid from the related funds to be set aside during the course of a Bond Year in a manner that meets any obligations under an so that the remaining funds are available to pay for other costs authorized under the Financing Plan, RMA and Appendix I, as applicable.

Administrative Costs Fund. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund within the Special Fund Trust Account, designated as the “Administrative Costs Fund” (the “Administrative Costs Fund”). Within the Administrative Costs Fund, the Special Fund Trustee shall establish, maintain and hold the “CFD Administrative Costs Account.”

The CFD Administrative Costs Account shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance the Special Fund Administration Agreement.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the DRP Fund.

**Deposits and Distributions of Office Special Taxes.**

Promptly upon receipt, the Port shall cause the Special Fund Trustee to deposit Office Special Taxes in the related accounts and subaccounts in the Special Tax Fund as directed by the Port in a written certificate executed by an Authorized Officer. The Parties acknowledge and agree that the Office Special Taxes may be deposited directly by the San Francisco Controller, at the times and in the amounts specified by the Port in a written certificate executed by an Authorized Officer and delivered to the Special Fund Trustee.

The Port shall direct the Special Fund Trustee in a written certificate to distribute any moneys in such subaccounts and accounts in accordance with the Special Fund Administration Agreement, the DDA, Financing Plan, CFD Resolution of Formation and Indentures.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Remainder Account.

**Deposits in and Distributions from the Mello-Roos Bonds Account (Office Special Taxes).**

- (a) No later than the times and in the amounts required to comply with any applicable Indenture, the Port will direct the Special Fund Trustee to transfer Office Special Taxes from the Office Special Taxes Subaccount to the Mello-Roos Bonds Account (Office Special Taxes) in a written certificate executed by an Authorized Officer.
- (b) At the written direction of the Port, amounts in the Mello-Roos Bonds Account (Office Special Taxes) of the Bond Fund shall be transferred by the Special Fund Trustee from time to time, to pay debt service on Mello-Roos Bonds secured in whole or in part by a pledge of Office Special Taxes or as otherwise required under the Indenture relating to such Mello-Roos Bonds.
- (c) At any time during each Bond Year, the Port may, and in any event the Port shall on each July 15, (i) calculate the Mello-Roos Bonds Debt Service Requirement with respect to Mello-Roos Bonds secured in whole or in part by a pledge of Office Special Taxes as of the immediately preceding June 30, and (ii) deliver to the Special Fund Trustee a certificate of the Port (the “Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes)”) which:
  - i) states the amounts then on deposit in the debt service accounts established under the applicable Indenture that are available to pay the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds,
  - ii) states the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds as of such date,
  - iii) either (A) confirms that the amount on deposit in the Mello-Roos Bonds Account (Office Special Taxes) is equal to the amount described in the following clause (v) below or (B) directs the Special Fund Trustee to transfer from the Office Special Taxes Subaccount to the Mello-Roos Bonds Account (Office Special Taxes) any shortfall required for the amount on deposit in the Mello-Roos Bonds Account (Office Special Taxes) to be equal to the amount described in clause (v) below,
  - iv) states the amounts as of such date, if any, to be transferred to such debt service accounts pursuant to the the Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 1 Special Taxes) and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes),
  - v) directs the Special Fund Trustee to transfer from the Mello-Roos Bonds Account (Office Special Taxes) to the appropriate debt service accounts established under the applicable Indenture an amount that, when added to any amounts to be transferred to such accounts pursuant to the Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 1 Special Taxes), and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes) as of such date, equals the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds, and
  - vi) directs the Special Fund Trustee, after making all the transfers required to be made in accordance with the Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes), on the first business day following the end of each Bond Year, to

transfer the remaining amounts in the Mello-Roos Bonds Account (Office Special Taxes) to the CFD Administrative Costs Account, the CFD Remainder Account or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed).

- (d) Upon compliance with the conditions stated in the preceding subsection (c), the Port may direct the Special Fund Trustee to transfer all remaining amounts in the Office Special Taxes Subaccount to the CFD Administrative Costs Account, the CFD Remainder Account, or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed), as set forth in a written requisition of the Port executed by an Authorized Officer.
- (e) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Mello-Roos Bonds Account (Office Special Taxes).

**Deposits in and Distributions from the CFD Administrative Costs Account.**

- (a) The Special Fund Trustee shall deposit funds from time to time in the CFD Administrative Costs Account as directed by the Port in a written certificate executed by an Authorized Officer.
- (b) The Special Fund Trustee shall withdraw and apply moneys in the CFD Administrative Costs Account in accordance with a written requisition of the Port executed by an Authorized Officer.
- (c) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Administrative Costs Account.

## APPENDIX C-3

### SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS RELATING TO THE SHORELINE (TAX ZONE 1) SPECIAL TAX BONDS

*The following is a summary of certain provisions of the Fiscal Agent Agreement and the Special Fund Administration Agreement. Such summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.*

#### FISCAL AGENT AGREEMENT

##### **Certain Definitions**

“Acquisition Agreement” means that certain Acquisition and Reimbursement Agreement, dated for reference August 15, 2018, by and among City, acting by and through the San Francisco Port Commission, and the Developer.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being section 53311 *et seq.* of the California Government Code.

“Administrative Expenses” means costs directly related to the administration of the Special Tax District consisting of: the actual costs of computing the Shoreline (Tax Zone 1) Special Taxes and preparing the annual Shoreline (Tax Zone 1) Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Shoreline (Tax Zone 1) Special Taxes (whether by the City or otherwise); the actual costs of remitting the Shoreline (Tax Zone 1) Special Taxes to the Fiscal Agent; actual costs of the Special Fund Trustee related to the Shoreline (Tax Zone 1) Special Taxes and the Bonds; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under the Fiscal Agent Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Special Tax Financing Law and the Fiscal Agent Agreement, including those related to public inquiries regarding the Shoreline (Tax Zone 1) Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; the actual costs of the City or its designee related to an appeal of the Shoreline (Tax Zone 1) Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto; and costs related to credit enhancement and liquidity support for any Bonds. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the Special Tax District, including costs related to prepayments of Shoreline (Tax Zone 1) Special Taxes, recordings related to such prepayments and satisfaction of Shoreline (Tax Zone 1) Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Shoreline (Tax Zone 1) Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Fund” means the fund designated the “City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Administrative Expense Fund” established and administered under the Fiscal Agent Agreement.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“Auditor” means the tax collector of the City, or such other official at the City who is responsible for preparing property tax bills.

“Authorized Officer” means the Mayor, the Controller, the Director of the Office of Public Finance, the Clerk of the Board of Supervisors, or any other officer or employee authorized by the Board of Supervisors of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

“Board of Supervisors” means the Board of Supervisors of the City, in its capacity as the legislative body of the Special Tax District.

“Bond” or “Bonds” means the 2023C Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Shoreline (Tax Zone 1) Special Tax Bonds, Bond Fund” established and administered under the Fiscal Agent Agreement.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the Closing Date and shall end on September 1, 2024.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“City” means the City and County of San Francisco, and any successor thereto.

“City Attorney” means any attorney or firm of attorneys employed by the City in the capacity of general counsel.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant’s fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Dated Date” means the dated date of the 2023C Bonds, which is the Closing Date.



“DDA” means the Disposition and Development Agreement, dated August 15, 2018, including a Financing Plan, between the City and County of San Francisco, acting by and through the Port Commission, and the Developer, as amended from time to time.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2023C Bonds under the Fiscal Agent Agreement and the scheduled amount of interest and amortization of principal (including any mandatory sinking fund payments) payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Developer” means Seawall Lot 337 Associates, LLC, a Delaware limited liability company, and its successors and assigns.

“Development Special Tax Bonds” means bonds issued by the City for and on behalf of the Special Tax District that are payable from Development Special Taxes as defined in the Rate and Method.

“Development Special Tax Bonds Fiscal Agent Agreement” means that certain Fiscal Agent Agreement, dated as of May 1, 2021, by and between the City and Zions Bancorporation, National Association, as fiscal agent, as supplemented from time to time.

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the Director of the Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

“Fiscal Agent” means Zions Bancorporation, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Horizontal Improvements” has the meaning given that term in the DDA, and generally consisting of public capital facilities and infrastructure built or installed at or near the Mission Rock Site.

“Improvement Fund” means a fund established under the Fiscal Agent Agreement for the purpose of holding Bond proceeds to pay Project costs. The Improvement Fund for the 2023C Bonds will be the 2023C Improvement Fund.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Special Tax Financing Law or the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the Special Tax District, or any real property in the Special Tax District; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Interest Payment Date” means each March 1 and September 1 of every calendar year, commencing with March 1, 2024.

“Leasehold Interest” has the meaning given that term in the Rate and Method.

“Master Lease” means the interim lease for a portion of the Mission Rock Site that allows Developer to take possession of the Mission Rock Site and construct Horizontal Improvements approved under the DDA and to conduct other uses as provided therein.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the Board of Supervisors of the City levying the Shoreline (Tax Zone 1) Special Taxes, including but not limited to Ordinance No. 79-20 introduced by the Board of Supervisors on May 5, 2020, and adopted by the Board of Supervisors on May 12, 2020, and signed by the Mayor on May 22, 2020.

“Original Purchaser” means, collectively, with respect to the 2023C Bonds, Stifel, Nicolaus & Company, Incorporated and Piper Sandler & Co. the first purchasers of the 2023C Bonds from the City.

“Other Special Tax Bonds” means the following:

(a) bonds issued by or for a community facilities district or special tax district other than the Special Tax District that are outstanding and payable at least partially from special taxes to be levied on parcels of land within the Special Tax District, and

(b) bonds issued by or for the Special Tax District that are payable from special taxes levied under the Rate and Method other than the Shoreline (Tax Zone 1) Special Tax and that do not constitute Bonds under the Fiscal Agent Agreement.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the Fiscal Agent Agreement; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under the Fiscal Agent Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parcel Lease” has the meaning given that term in the Rate and Method.

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under the Fiscal Agent Agreement.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities.

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including the Fiscal Agent, its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market mutual funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory, transfer agency, custodial or other management services for which it receives and retains a fee for such services to the fund) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A.

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(k) the California Asset Management Program.

“Port” or “Port Commission” means the San Francisco Port Commission.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in the Fiscal Agent Agreement, or such other office designated by the Fiscal Agent from time to time.

“Proceeds” when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter’s discount.

“Project” means those items described as the “Facilities” in the Resolution of Formation.

“Qualified Purchaser” means (a) a qualified institutional buyer, as that term is defined in Securities and Exchange Commission Rule 144A promulgated under the Securities Act of 1933, as amended and (b) an “institutional accredited investor,” which consists of accredited investors as defined in subsections (a)(1),

(2), (3) and (7) of Securities and Exchange Commission Rule 501 promulgated under the Securities Act of 1933, as amended.

"Qualified Reserve Account Credit Instrument" means, with respect to the 2023C Reserve Fund, an irrevocable standby or direct pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct pay letter of credit is at least "A" from S&P or "A" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P, or "A" from Moody's or, if not rated by S&P or Moody's but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2023C Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2023C Bonds and any 2023C Related Parity Bonds.

"Qualifying Taxable Parcel" has the meaning given that term in the Fiscal Agent Agreement.

"Rate and Method" means the Rate and Method of Apportionment of Special Tax for the Special Tax District set forth in the Resolution of Formation.

"Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

"Refunding Bonds" means bonds issued by the City for the Special Tax District, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

"Regulations" means temporary and permanent regulations promulgated under the Tax Code.

"Replacement DDA" means a disposition and development agreement executed by the Port Commission to replace the DDA (or a successor to the DDA) that covers substantially the same real property and improvements as the DDA and establishes substantially the same rights and responsibilities as the DDA (or successor to the DDA).

"Replacement Lease" means a lease agreement obtained by the City in replacement of a lease that is subject to the Shoreline (Tax Zone 1) Special Taxes, which establishes a Leasehold Interest with a term that ends on or after the final maturity date of the Bonds and that covers substantially the same real property and improvements as the existing lease.

"Resolution" has the meaning given that term in the recitals of the Fiscal Agent Agreement.

"Resolution of Formation" means Resolution No. 160-20, adopted by the Board of Supervisors on April 14, 2020, forming the Special Tax District, and signed by Mayor London Breed on April 24, 2020.

Resolution of Necessity” means Resolution No. 161-20 adopted by the Board of Supervisors on April 14, 2020, and signed by the Mayor on April 24, 2020.

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Shoreline (Tax Zone 1) Special Tax Prepayments” means the proceeds of any Shoreline (Tax Zone 1) Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method or the Act, less any administrative fees or penalties collected as part of any such prepayment.

“Shoreline (Tax Zone 1) Special Tax Prepayments Account” means the account by that name established within the Bond Fund under the Fiscal Agent Agreement.

“Shoreline (Tax Zone 1) Special Tax Revenues” means the proceeds of the Shoreline (Tax Zone 1) Special Taxes received by the City, including any scheduled payments thereof and any Shoreline (Tax Zone 1) Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Shoreline (Tax Zone 1) Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“Shoreline (Tax Zone 1) Special Tax” means the Shoreline (Tax Zone 1) Special Tax levied by the Board of Supervisors within the Special Tax District under the Special Tax Financing Law, the Rate and Method, the Ordinance and the Fiscal Agent Agreement.

“Shoreline Zone 1 Special Taxes Subaccount of the CFD Remainder Account” means the account of that name established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

“Shoreline Zone 1 Special Taxes Subaccount of the Facilities Special Tax Account” means the account of that name established and held by the Special Fund Trustee under the Special Fund Administration Agreement.

“Special Fund Administration Agreement” means that certain Special Fund Administration Agreement by and between the City acting by and through the Port, as agent of the CFD and City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) and in its proprietary capacity, and the Special Fund Trustee, as amended from time to time.

“Special Fund Trustee” means Zions Bancorporation, National Association, in its capacity under the Special Fund Administration Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place pursuant to the Special Fund Administration Agreement.

“Special Tax District” means the "City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)" formed under the Resolution of Formation.

“Special Tax District Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interests in all Taxable Parcels subject to the levy of the Shoreline (Tax Zone 1) Special Taxes and not delinquent in the payment of any Shoreline (Tax Zone 1) Special Taxes then due and owing, including with respect to such nondelinquent Leasehold Interests the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of

parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Leasehold Interests as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Special Tax District Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in the Special Tax District and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in the Special Tax District. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Special Tax Financing Law and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Shoreline (Tax Zone 1) Special Taxes.

“Taxable Parcel” has the meaning given that term in the Rate and Method.

“Taxable Parcel Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of the Leasehold Interest in a Taxable Parcel, including with respect to such Leasehold Interest the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in an Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an Appraiser selected by the City, or (ii) in the alternative, the assessed value as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of some or all of the Leasehold Interests in Zone 1 and/or the most recent City real property tax roll as to the value of some or all of the Leasehold Interests in Zone 1. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“2023C Bonds” means the Bonds so designated and authorized to be issued under the Agreement.

“2023C Costs of Issuance Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Shoreline (Tax Zone 1) Special Tax Bonds, 2023C Costs of Issuance Fund” established and administered under the Fiscal Agent Agreement.

“2023C Improvement Fund” means the fund designated “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Special Tax Bonds, 2023C Improvement Fund,” established under the Fiscal Agent Agreement.

“2023C Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the 2023C Reserve Fund so that the balance therein is equal to the 2023C Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2023C Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

“2023C Reserve Fund” means the fund designated the “City and County of San Francisco, Special Tax District No. 2020-1 (Mission Rock Facilities and Services), Shoreline (Tax Zone 1) Special Tax Bonds, 2023C Reserve Fund” established and administered under the Agreement.

“2023C Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2023C Bonds and 2023C Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, (b) 125% of average Annual Debt Service on the 2023C Bonds and 2023C Related Parity Bonds, if any, between the date of such calculation and the final maturity of such Bonds, and (c) 10% of the outstanding principal of the 2023C Bonds and 2023C Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2023C Bonds or any 2023C Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2023C Bonds or any 2023C Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2023C Bonds or any 2023C Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated under the Fiscal Agent Agreement exceed the amount on deposit in the 2023C Reserve Fund on the date of issuance of the 2023C Bonds (if they are the only Bonds covered by the 2023C Reserve Fund) or the most recently issued series of 2023C Related Parity Bonds (if any 2023C Related Parity Bonds are covered by the 2023C Reserve Fund) except in connection with any increase associated with the issuance of 2023C Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2023C Reserve Fund in connection with the issuance of a series of 2023C Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested at an unrestricted yield.

The Fiscal Agent may rely on calculations by and written directions from the City with respect to the determination of the 2023C Reserve Requirement.

### **Certain Provisions Relating to the Bonds**

**Interest.** The 2023C Bonds shall bear interest at the rates set forth on the inside cover of the Official Statement payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond,



interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**Method of Payment.** Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant to the Fiscal Agent Agreement shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

### **Transfer or Exchange of Bonds**

General. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of the Fiscal Agent Agreement by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Additional Transfer Restrictions Applicable to the 2023C Bonds. No transfer, sale or other disposition of any 2023C Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2023C Bond for its own account for investment purposes and not with a view to distributing such 2023C Bond. Each transferee of a 2023C Bond, or any beneficial interest therein, shall be deemed to have acknowledged, represented, warranted and agreed with and to the City, the Participating Underwriter and the Fiscal Agent that (i) such transferee is a Qualified Purchaser that is purchasing such 2023C Bond for its own account for investment purposes and not with a view to distributing such 2023C Bond in violation of the Securities Act of 1933 or other applicable securities laws, (ii) the 2023C Bonds are payable from Shoreline (Tax Zone 1) Special Tax Revenues and such other funds described in the Fiscal Agent Agreement, (iii) the 2023C Bonds, or any beneficial interest therein, may only be transferred to a Qualified Purchaser and (iv) the City, the Participating Underwriter and the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements. Each 2023C Bond shall bear a legend describing or referencing the foregoing restrictions on transferability.

Neither the Participating Underwriter nor any Owner or Beneficial Owner of the 2023C Bonds shall deposit the 2023C Bonds in any trust or account under its control and sell any shares, participatory

interest or certificates in such trust and account, and neither the Participating Underwriter nor any Owner or Beneficial Owner shall deposit the 2023C Bonds in any trust or account under its control the majority of the assets of which constitute the 2023C Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers.

Each entity that is or that becomes a Beneficial Owner of a 2023C Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the provisions of the Fiscal Agent Agreement. The transferor of a 2023C Bond agrees to provide notice to any proposed assignee of a beneficial ownership interest in the purchased 2023C Bond of the restrictions on transfer described herein. Any transfer of a 2023C Bond to any entity that is not a Qualified Purchaser shall be deemed null and void.

**Bond Register.** The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as provided in the Fiscal Agent Agreement. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

#### **Certain Provisions Relating to Security for the Bonds**

**Pledge of Shoreline (Tax Zone 1) Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the Shoreline (Tax Zone 1) Special Tax Revenues and all moneys deposited in the Bond Fund (including the Shoreline (Tax Zone 1) Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the Shoreline Zone 1 Special Taxes Subaccount of the Facilities Special Tax Account and the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes). The Shoreline (Tax Zone 1) Special Tax 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.

The 2023C Bonds and all 2023C Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all moneys deposited in the 2023C Reserve Fund. The moneys in the 2023C Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2023C Bonds and all 2023C Related Parity Bonds as provided in the Fiscal Agent Agreement and in the Special Tax Financing Law until all of the 2023C Bonds and all 2023C Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

Amounts in an Improvement Fund (and the accounts therein), the Administrative Expense Fund, the 2023C Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

**Limited Obligation.** All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Shoreline (Tax Zone 1) Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Neither the faith and credit of the City, the Port Commission, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

**No Acceleration.** The principal of the Bonds is not subject to acceleration.

**Parity Bonds.** In addition to the 2023C Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement and shall be secured by a lien on the Shoreline (Tax Zone 1) Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding thereunder. The City may issue such Parity Bonds subject to the following specific conditions precedent:

(A) Compliance. Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the indebtedness limit of the Special Tax District.

(B) Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on the Interest Payment Dates, and principal thereof shall be payable on September 1 (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) Debt Service Reserve Fund. The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2023C Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2023C 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 2023C Reserve Fund and that the Owners of the Bonds covered by the 2023C Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2023C Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2023C Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) Special Tax District Value. As long as any Development Special Tax Bonds are Outstanding (as defined in the Development Special Tax Bonds Fiscal Agent Agreement), the City shall comply with the Special Tax District Value tests set forth in Section 3.06(D) of the Development Special Tax Bonds Fiscal Agent Agreement in connection with the issuance by the City of the Parity Bonds.

In addition, the Special Tax District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the Special Tax District subject to the levy of Shoreline (Tax Zone 1) Special Taxes, plus (iv) the applicable aggregate principal amount of any and all Other Special Tax Bonds. For purposes of this Section (D), the applicable aggregate principal amount of Other Special Tax Bonds is equal to the aggregate outstanding principal amount of such Other Special Tax Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that could be levied for such Other Special Tax Bonds on Leasehold Interests in Taxable Parcels within the Special Tax District that are subject to the Shoreline (Tax Zone 1) Special Tax, and the denominator of which is the total amount of special taxes that could be levied to pay such Other Special Tax Bonds on all parcels of land against which the special taxes could be levied to pay such Other Special Tax Bonds (such fraction to be determined based upon the maximum special taxes that could be levied in the year in which maximum annual debt service on such bonds occurs), based upon information from the most recent available Fiscal Year.

(E) Coverage. An Independent Financial Consultant shall certify that for each Fiscal Year after issuance of the Parity Bonds, beginning in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of the Officer's Certificate required by subsection (F) are expected to first collectively constitute Developed Property under the Rate and Method, the maximum amount of the Shoreline (Tax Zone 1) Special Taxes that could be levied on the Leasehold Interests in all of the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses that may be paid from the Shoreline (Tax Zone 1) Special Tax for each respective Fiscal Year, will be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For purposes of this subsection (E), "Qualifying Taxable Parcel" means, as of the date of the Officer's Certificate required by subsection (F), a Taxable Parcel that (i) is subject to a Parcel Lease, (ii) the Leasehold Interest in which is subject to the Shoreline (Tax Zone 1) Special Tax and not delinquent in the payment of Shoreline (Tax Zone 1) Special Taxes and (iii) the Leasehold Interest in which has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Bonds then Outstanding that is allocable to such Leasehold Interest, plus (x) the portion of the aggregate principal amount of the series of Parity Bonds proposed to be issued that is allocable to such Leasehold Interest, plus (y) the aggregate principal amount of any fixed assessment liens on such Leasehold Interest, plus (z) the portion of the applicable principal amount of any and all Other Special Tax Bonds that is allocable to such Leasehold Interest. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Bonds, Parity Bonds or Other Special Tax Bonds allocable to each Leasehold Interest in a Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Bonds, proposed Parity Bonds or Other Special Tax Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied to pay for the Bonds, proposed Parity Bonds or Other Special Tax Bonds on such Leasehold Interest in the fiscal year in which all of the Qualifying Taxable Parcels that are subject to a Parcel Lease as of the date of issuance of the proposed Parity Bonds are expected to first collectively constitute Developed Property under the Rate and Method, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all parcels of land (or the Leasehold Interests therein, as applicable) in the Special Tax District or other district to pay for the Bonds, Parity Bonds or Other Special Tax Bonds in such fiscal year.

(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 subsections (D) or (E) above, and, in connection therewith, the Officer's Certificate in subsection (F) above need not make reference to said subsections (D) and (E).

Nothing in the Fiscal Agent Agreement shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Shoreline (Tax Zone 1) Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

Nothing in the Fiscal Agent Agreement shall affect the issuance of bonds or other debt that is payable from other special taxes than the Shoreline (Tax Zone 1) Special Taxes that are levied under the Rate and Method, except as described in "Certain Covenants – Limitation on Other Special Tax Bonds."

### **Certain Funds and Accounts**

#### **2023C Reserve Fund.**

Establishment of 2023C Fund. The 2023C Reserve Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement, which deposit, as of the Closing Date, is equal to the initial 2023C Reserve Requirement with respect to the 2023C Bonds, and deposits shall be made as provided in the Fiscal Agent Agreement. Moneys in the 2023C Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2023C Bonds and any 2023C Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2023C Bonds and any 2023C Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2021A Bonds and any 2023C Related Parity Bonds.

Use of 2023C Reserve Fund. Except as otherwise provided in the Agreement, all amounts deposited in the 2023C Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2023C Bonds and any 2023C Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement, for the purpose of redeeming 2023C Bonds and any 2023C Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2023C Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2023C Bonds and any 2023C Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Transfer of Excess of 2023C Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2023C Reserve Fund exceeds the 2023C Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the 2023C Reserve Fund to (i) the Improvement Fund(s) for the 2023C Bonds and any Outstanding 2023C Related Parity Bonds on a pro rata basis as directed by the City, to be used to pay for Project costs and (ii) after such Improvement Funds are no longer open, the Bond Fund, to be used to pay interest on the 2023C Bonds and any 2023C Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2021A Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with the Fiscal Agent Agreement, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the

effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the 2021A Reserve Fund shall be used for rebate unless the amount in the 2021A Reserve Fund following such withdrawal equals the 2021A Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2023C Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2023C Bonds and all Outstanding 2023C Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2023C Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with the Agreement and the provisions of the Supplemental Agreement related to the 2023C Related Parity Bonds, as applicable, of all of the Outstanding 2023C Bonds and Outstanding 2023C Related Parity Bonds. In the event that the amount so transferred from the 2023C Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2023C Bonds and Outstanding 2023C Related Parity Bonds, the balance in the 2023C Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

No amounts shall be transferred from the 2023C Reserve Fund under the Fiscal Agent Agreement until after: (i) the calculation of any amounts due to the federal government under the Fiscal Agent Agreement and withdrawal of any such amount under the Fiscal Agent Agreement for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Shoreline (Tax Zone 1) Special Tax Prepayment. Whenever Shoreline (Tax Zone 1) Special Taxes are prepaid and 2023C Bonds or any 2023C Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement or a similar provision in a Supplemental Agreement related to any 2023C Related Parity Bonds, any resulting reduction in the 2023C Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2023C Bonds pursuant to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2023C Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Investment. Moneys in the 2023C Reserve Fund shall be invested by the Fiscal Agent under the Fiscal Agent Agreement.

Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2023C Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2021A Bonds or any 2021A Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the 2023C Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2023C Reserve Fund to the Improvement Funds for the 2023C Bonds and any 2023C Related Parity Bonds as directed by the City to be used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Fiscal Agent Agreement. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit

Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2023C Reserve Requirement, to be derived from the first available Shoreline (Tax Zone 1) Special Tax Revenues. If the 2023C Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2023C Bonds and any 2023C Related Parity Bonds. If the 2023C Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2023C Bonds and any 2023C Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2023C Reserve Fund may be established for such series, and the calculation of the 2023C Reserve Requirement with respect to any 2023C Related Parity Bonds shall exclude the debt service on such issue of 2023C Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2023C Reserve Fund with cash if, at any time that the 2023C Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn upon under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon.

The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

### **Bond Fund.**

Establishment of Bond Fund. The Bond Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by the Fiscal Agent Agreement and as otherwise set forth in the Fiscal Agent Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

There is also created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the “Shoreline (Tax Zone 1) Special Tax Prepayments Account,” to the credit of which deposits shall be made as provided in the Fiscal Agent Agreement.

Disbursements. At least 10 Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose,

the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the 2023C 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 2023C Bonds and any 2023C Related Parity Bonds. Amounts so withdrawn from the 2023C Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve accounts, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2023C Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the 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 Shoreline (Tax Zone 1) Special Tax Prepayments Account. Moneys in the Shoreline (Tax Zone 1) Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement, and shall be used (together with any amounts transferred pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Moneys in the Shoreline (Tax Zone 1) Special Tax Prepayments Account also shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under a Supplemental Agreement and notice to the Fiscal Agent can timely be given under a Supplemental Agreement and shall be used (together with any amounts transferred from the 2023C Reserve Fund or such other reserve account established under a Supplemental Agreement) to redeem Bonds on the redemption date selected in accordance with such Supplemental Agreement.

Investment. Moneys in the Bond Fund and the Shoreline (Tax Zone 1) Special Tax Prepayments Account shall be invested under the Fiscal Agent Agreement. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Shoreline (Tax Zone 1) Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Special Tax Financing Law for the purpose of curing Bond Fund deficiencies.

Excess. Any excess moneys remaining in the Bond Fund following the payment of Debt Service on the Bonds on any September 1, shall be retained therein.



### **Application of Proceeds of Shoreline (Tax Zone 1) Special Taxes.**

Establishment of Shoreline Zone 1 Special Taxes Subaccount. The City shall cause the Special Fund Trustee to establish and maintain an Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account under the Special Fund Administration Agreement. The City shall promptly remit, or cause to be promptly remitted, the proceeds of the Shoreline (Tax Zone 1) Special Taxes received by the City to the Special Fund Trustee for deposit in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account.

Application of Shoreline (Tax Zone 1) Special Tax Proceeds in the Shoreline Zone 1 Special Taxes Subaccount and the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes). In each Bond Year, the City shall cause the proceeds of the Shoreline (Tax Zone 1) Special Taxes to be distributed in the following order of priority:

(i) promptly upon receipt, the City shall separately identify (or cause to be identified) the proceeds of the Shoreline (Tax Zone 1) Special Taxes in an amount not to exceed the amount included in the Shoreline (Tax Zone 1) Special Tax levy for such Fiscal Year for Administrative Expenses that may be paid from the Shoreline (Tax Zone 1) Special Tax and shall cause such proceeds to be transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement;

(ii) promptly upon receipt, the City shall identify (or cause to be identified) any Shoreline (Tax Zone 1) Special Tax Revenues constituting the collection of delinquencies in payment of Shoreline (Tax Zone 1) Special Taxes and shall cause such Shoreline (Tax Zone 1) Special Tax Revenues to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit into the Bond Fund to pay any past due Debt Service on the Bonds; (b) second, transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount to the Fiscal Agent for deposit, without preference or priority, in (1) the 2023C Reserve Fund to the extent needed to increase the amount then on deposit in the 2023C Reserve Fund to the then 2023C Reserve Requirement and (2) the reserve account for any Parity Bonds that are not 2023C Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; and (c) third, held by the Special Fund Trustee in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account for application as described in the following subparagraphs;

(iii) promptly upon receipt, the City shall identify (or cause to be identified) any proceeds of Shoreline (Tax Zone 1) Special Tax Prepayments and shall cause such Shoreline (Tax Zone 1) Special Tax Prepayments to be applied in the following order of priority: (a) first, transferred by the Special Fund Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Shoreline Zone 1 Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee under the Special Fund Administration Agreement that portion of any Shoreline (Tax Zone 1) Special Tax Prepayment constituting a prepayment of construction costs (which otherwise could have been included in the proceeds of Parity Bonds); and (b) second, transferred by the Special Trust Trustee from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Fiscal Agent for deposit in the Shoreline (Tax Zone 1) Special Tax Prepayments Account established pursuant to the Agreement;

(iv) no later than seven (7) Business Days prior to each Interest Payment Date, the City shall cause proceeds of the Shoreline (Tax Zone 1) Special Taxes to be transferred by the Special Fund Trustee to the Fiscal Agent for deposit in the Bond Fund in an amount, taking into account any amounts then on

deposit in the Bond Fund, the Improvement Fund(s) as directed by the City, the 2023C Reserve Fund Reserve Fund and any reserve account for Parity Bonds that are not 2023C Related Parity Bonds, a capitalized interest account for any Parity Bonds, and the Shoreline (Tax Zone 1) Special Tax Prepayments Account of the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in subparagraph (ii) above;

(v) no later than seven (7) Business Days prior to each Interest Payment Date, without preference or priority, the City shall cause proceeds of the Shoreline (Tax Zone 1) Special Taxes to be transferred by the Special Fund Trustee (a) to the Fiscal Agent for deposit in the 2023C Reserve Fund an amount, taking into account amounts then on deposit in the 2023C Reserve Fund, such that the amount in the 2023C Reserve Fund is equal to the 2023C Reserve Requirement, and (b) to the Fiscal Agent for deposit in the reserve account for any Parity Bonds that are not 2023C Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Shoreline Zone 1 Special Taxes Subaccount are not sufficient for the purposes of this subparagraph, such amounts shall be applied to the 2023C Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

(vi) on each September 1, after the transfers described in preceding subparagraphs, the City shall cause the Special Fund Trustee to transfer from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the CFD Administrative Costs Account, any amount required to pay Administrative Expenses that may be paid from the Shoreline (Tax Zone 1) Special Tax that cannot be paid from amounts then on deposit in the CFD Administrative Costs Account or the Administrative Expense Fund.

On each October 1, beginning on October 1, 2024, the City shall cause all of the moneys remaining in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to be transferred to the Shoreline Zone 1 Special Taxes Subaccount of the CFD Remainder Account established and held by the Special Fund Trustee.

The City has caused to be established under the Special Fund Administration Agreement the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) for the purpose of facilitating a more orderly transfer of Office of Special Taxes to the Fiscal Agent when required under the Fiscal Agent Agreement, and the City may provide in the Special Fund Administration Agreement for the transfer of Shoreline (Tax Zone 1) Special Taxes from the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account to the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes). Therefore, notwithstanding the foregoing, if at any time during any Bond Year the City has caused to be set aside Shoreline (Tax Zone 1) Special Taxes in the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) in an amount sufficient to satisfy the payments described in clauses (iv) and (v) above in such Bond Year, then it may apply Shoreline (Tax Zone 1) Special Taxes in the Shoreline Zone 1 Special Taxes Subaccount of the CFD Facilities Special Taxes Account for the purposes described in clauses (vi) and transfer any remaining Shoreline (Tax Zone 1) Special Taxes to the Shoreline Zone 1 Special Taxes Subaccount of the CFD Remainder Account.

#### **Administrative Expense Fund.**

Establishment of Administrative Expense Fund. The Administrative Expense Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as directed

in an Officer's Certificate. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided in the Fiscal Agent Agreement.

Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, in substantially the form of Exhibit F thereto, stating the amount to be withdrawn and that such amount is to be used to pay an Administrative Expense, a Cost of Issuance or any other lawful expense.

### **2023C Improvement Fund.**

Establishment of 2023C Improvement Fund. The 2023C Improvement Fund is established as a separate fund to be held by the Fiscal Agent and to the credit of which fund deposits shall be made as required by the Fiscal Agent Agreement.

Moneys in the 2023C Improvement Fund shall be disbursed, except as otherwise provided in the Fiscal Agent Agreement, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the 2023C Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached thereto which shall:

- (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid; and
- (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Closing of Fund. At such time as there are no moneys in the 2023C Improvement Fund, the Fiscal Agent shall close such Fund without any further direction from the City. As long as there are moneys in the 2023C Improvement Fund, such Fund may be closed as set forth below.

When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the 2023C Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the 2023C Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the 2023C Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the 2023C Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the 2023C Improvement Fund shall be closed. Moneys transferred from the 2023C Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

## **Certain Covenants**

**Collection of Shoreline (Tax Zone 1) Special Tax Revenues.** The City shall comply with all requirements of the Special Tax Financing Law so as to assure the timely collection of Shoreline (Tax Zone 1) Special Tax Revenues, including without limitation, the enforcement of delinquent Shoreline (Tax Zone 1) Special Taxes as set forth in the Fiscal Agent Agreement.

**Processing.** On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the 2023C Reserve Fund and any reserve account for Parity Bonds that are not 2023C Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the 2023C Reserve Fund is less than the 2023C Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2023C Reserve Fund Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Shoreline (Tax Zone 1) Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

**Levy.** The Finance Director shall effect the levy of the Shoreline (Tax Zone 1) Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Shoreline (Tax Zone 1) Special Tax amounts for the parcels within the Special Tax District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Shoreline (Tax Zone 1) Special Taxes on the next secured real property tax roll.

The Board of Supervisors approved the levy of the Shoreline (Tax Zone 1) Special Taxes on the secured roll pursuant to Resolution No. 200-20, which was adopted by the Board of Supervisors on May 5, 2020, and approved by the Mayor on May 15, 2020, and the Board of Supervisors further agreed in the First Supplemental Shoreline (Tax Zone 1) Special Tax Resolution to continue such levy on the secured roll as long as the Bonds are outstanding.

**Computation.** The Finance Director shall fix and levy the amount of Shoreline (Tax Zone 1) Special Taxes within the Special Tax District required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement and the Special Fund Administration Agreement: (i) the principal of and interest on any outstanding Bonds of the Special Tax District becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment or expenditure of the 2023C Reserve Fund, and any other reserve account for Parity Bonds that are not 2023C Related Parity Bonds to the extent such replenishment has not been included in the computation of the Shoreline (Tax Zone 1) Special Taxes in a previous Fiscal Year, (iii) the Administrative Expenses that may be paid from the Shoreline (Tax Zone 1) Special Tax, including amounts necessary to discharge any rebate obligation, during such year, (iv) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (v) any Project costs to be paid from Shoreline (Tax Zone 1) Special Taxes.

Nothing in the Fiscal Agent Agreement is intended to limit the amount of Shoreline (Tax Zone 1) Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA or the RMA.

**Collection.** Except as set forth in the Ordinance, Shoreline (Tax Zone 1) Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

**Covenant to Foreclose.** As authorized under the Special Tax Financing Law, the City covenants 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 the superior court to foreclose the lien of any Shoreline (Tax Zone 1) Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about May 1 of each Fiscal Year, the Finance Director shall compare the amount of Shoreline (Tax Zone 1) Special Taxes theretofore levied in the Special Tax District to the amount of Shoreline (Tax Zone 1) Special Tax Revenues theretofore received by the City, and if the Finance Director determines that any single Leasehold Interest in a Taxable Parcel subject to the Shoreline (Tax Zone 1) Special Tax in the Special Tax District is delinquent in the payment of one or more installments of Shoreline (Tax Zone 1) Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the owner of the Leasehold Interest in the Taxable Parcel within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent Leasehold Interest in a Taxable Parcel if (1) the Special Tax District is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2023C Reserve Fund is at least equal to the 2023C Reserve Requirement, and (3) the amount in the reserve account for any Parity Bonds that are not 2023C Related Parity is at least equal to the required amount.

The Finance Director and the City Attorney, as applicable, are authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

#### **Books and Records.**

(A) **City.** The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Shoreline (Tax Zone 1) Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) **Fiscal Agent.** The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct

entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent under the Fiscal Agent Agreement. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

**Private Activity Bond Limitations.** The City shall assure that the proceeds of the 2023C Bonds are not so used as to cause the 2023C Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Code.

**Federal Guarantee Prohibition.** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2023C Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

**Rebate Requirement.** The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2023C Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2023C Bonds, and shall take such actions as are necessary to ensure compliance with the Fiscal Agent Agreement, such as increasing the portion of the Shoreline (Tax Zone 1) Special Tax levy for Administrative Expenses as appropriate to have funds available to satisfy any rebate liability under the Fiscal Agent Agreement. If necessary to satisfy its obligations under the Fiscal Agent Agreement, the City may use:

- (A) Amounts in the 2023C Reserve Fund if the amount on deposit in the 2023C Reserve Fund, following the proposed transfer, is at least equal to the 2023C Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2023C Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Shoreline (Tax Zone 1) Special Taxes available for that purpose;
- (C) Amounts on deposit in the Administrative Expense Fund; and
- (D) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A), (B) and (C).

**No Arbitrage.** The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2023C Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2023C Bonds would have caused the 2023C Bonds to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

**Yield of the 2023C Bonds.** In determining the yield of the 2023C Bonds to comply with the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Shoreline (Tax Zone 1) Special Taxes and use of prepayments for redemption of the 2023C Bonds, without regard to whether or not prepayments are received or 2023C Bonds redeemed.

**Maintenance of Tax-Exemption.** The City shall take all actions necessary to assure the exclusion of interest on the 2023C Bonds from the gross income of the Owners of the 2023C Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2023C Bonds.

**Limits on Shoreline (Tax Zone 1) Special Tax Waivers and Bond Tenders.** The City covenants not to exercise its rights under the Special Tax Financing Law to waive delinquency and redemption penalties related to the Shoreline (Tax Zone 1) Special Taxes or to declare an Shoreline (Tax Zone 1) Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Shoreline (Tax Zone 1) Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Shoreline (Tax Zone 1) Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

**City Bid at Foreclosure Sale.** The City will not bid at a foreclosure sale of property in respect of delinquent Shoreline (Tax Zone 1) Special Taxes, unless it expressly agrees to take the property subject to the lien for Shoreline (Tax Zone 1) Special Taxes imposed by the City and that the Shoreline (Tax Zone 1) Special Taxes levied on the property are payable while the City owns the property.

**Amendment of Rate and Method.** The City will not initiate proceedings under the Special Tax Financing Law to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Notwithstanding the above provision, the City may initiate proceedings to reduce the maximum Shoreline (Tax Zone 1) Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, after the reduction is approved, on the basis of the parcels of land and improvements existing in the Special Tax District as of the July 1 preceding the reduction, the City will meet the coverage requirement set forth in subsection (E) of the Parity Bonds test, (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds.

**Limitation on Principal Amount of Parity Bonds.** The Board of Supervisors established a limit on the principal amount of bonds and other debt that may be issued by the City for the Special Tax District. The City shall ensure that the issuance of Parity Bonds under a Supplemental Agreement shall not cause the Special Tax District to exceed such limit.

**Covenant Regarding Termination of Leasehold Interests in Taxable Parcels.** The City shall inhibit the San Francisco Port Commission from terminating any Leasehold Interest in a Taxable Parcel except by entering a Replacement Lease and, in connection with a Replacement Lease, the City shall cause the Port Commission to require either the tenant under the terminated lease or the tenant under the Replacement Lease to pay any scheduled Shoreline (Tax Zone 1) Special Taxes then due together with interest to the payment date at the interest rate borne by the Bonds (the Port Commission may waive any interest in excess of the interest due on the Bonds and any penalties). It will not be a violation of the Fiscal Agent Agreement by either the City or the Port if the City initiates judicial foreclosure of a Leasehold Interest in a Taxable Parcel pursuant to the Fiscal Agent Agreement.

**Limitation on Other Special Tax Bonds.** In connection with the issuance by the City of any Other Special Tax Bonds, the City shall comply with the value to burden tests set forth in subsection (D) of the conditions for the issuance of Parity Bonds set forth in the Fiscal Agreement.

**Covenant Regarding Termination of the DDA.** If the Horizontal Improvements have not been completed and neither the Port nor the City has assumed the obligation to construct the Horizontal Improvements, the City shall inhibit the Port Commission from terminating the DDA solely as a result of a delinquency by the Developer in the payment of Shoreline (Tax Zone 1) Special Taxes or other taxes or assessments levied or assessed on the Leasehold Interest conveyed under the Master Lease, unless the Port Commission will concurrently enter into a Replacement DDA and, if applicable, Replacement Lease.

**Special Fund Administration Agreement.** The City shall cause the Port, in its capacity as agent of the CFD, to maintain the Special Fund Administration Agreement, to comply with the terms thereof and to enforce the provisions thereof.

**Continuing Disclosure Covenant in Parcel Leases.** The City shall cause the Port to require lessees under Parcel Leases executed after the effective date hereof to provide continuing disclosure if and to the extent required by the underwriter of any Bonds.

### **Investment of Moneys in Funds**

**General.** Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds under the Fiscal Agent Agreement in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with the Fiscal Agent Agreement.

**Moneys in Funds.** Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

**Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2023C Reserve Fund (or any other reserve fund securing tax-exempt bonds) shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of



such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

**Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

**Sale of Investments.** The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

#### **Liability of City.**

**General.** The City shall not incur any responsibility or liability in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

**No General Liability.** No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Office of Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

#### **Certain Provisions Relating to the Fiscal Agent.**

**Merger.** Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Fiscal Agent Agreement shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Fiscal Agent Agreement to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession under the Fiscal Agent Agreement.

**Removal.** Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at

least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Fiscal Agent Agreement, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

**Resignation.** The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

**No Successor.** If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of the Fiscal Agent Agreement within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

**Court Order.** If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds.

#### **Liability of Fiscal Agent.**

General. The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct.

No Expenditures. No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners under the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

#### **Amendments Permitted.**

**With Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the

express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Shoreline (Tax Zone 1) Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Special Tax Financing Law, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment hereof.

**Without Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the City in the Fiscal Agent Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;
- (ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;
- (iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;
- (iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;
- (v) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

**Fiscal Agent's Consent.** Any amendment of the Fiscal Agent Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of the Fiscal Agent Agreement and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

**Procedure for Amendment with Written Consent of Owners.** The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City, to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in the Fiscal Agent Agreement provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed as provided in the Fiscal Agent Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Fiscal Agent Agreement. Any such consent shall be binding upon the Owner of

the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner provided in the Fiscal Agent Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Fiscal Agent Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Fiscal Agent Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise specifically provided in the Fiscal Agent Agreement) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

#### **Discharge of Agreement.**

The City may pay and discharge the entire indebtedness on all or a portion of the Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund, the 2023C Reserve Fund, or any reserve account for any Parity Bonds are that not 2023C Related Parity Bonds, as applicable, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund, the 2023C Reserve Fund or the reserve account for any Parity Bonds that are not 2023C Related Parity Bonds (to the extent held in cash or invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Shoreline (Tax Zone 1) Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent

Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all such Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Shoreline (Tax Zone 1) Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Special Tax Financing Law and the Resolution of Formation.

## **SPECIAL FUND ADMINISTRATION AGREEMENT**

### **Certain Definitions**

Unless the context otherwise clearly requires, the capitalized terms used in the Special Fund Administration Agreement have the meanings given them in the Special Fund Administration Agreement or if not defined in the Special Fund Administration Agreement, the meanings given such terms in Part B to the Appendix of Transaction Documents for the Mission Rock Project (the “Appendix”).

“Authorized Officer” means the Executive Director of the Port, the Deputy Director of Finance and Administration of the Port, and/or the Finance Director.

“Bond Year” means the period beginning on September 2 of any year and ending on the following September 1.

“CFD Administrative Costs” means Facilities CFD Administrative Costs and Services CFD Administrative Costs.

“Debt Service” means “debt service” as defined in the Appendix.

“Finance Director” means the Director of the Controller’s Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

### **Effective Date; Termination of Agreement.**

- (a) The Special Fund Administration Agreement shall become effective on May 1, 2021, and shall terminate on the date determined in accordance with the Special Fund Administration Agreement.
- (b) The Special Fund Administration Agreement shall terminate on the date of the latest of the following to occur:

- i. When all of the Allocated Tax Increment and Mello-Roos Taxes have been disbursed in accordance with the CFD Law, IFD Law, and Appendix I of the Special Fund Administration Agreement.
- ii. The date specified in the CFD Resolution of Formation as the last date on which Shoreline Special Taxes may be levied within the CFD.
- iii. The date specified in the CFD Resolution of Formation as the last date on which Contingent Services Special Taxes may be levied in the CFD.
- iv. When all Tax Increment Bonds and Mello-Roos Bonds and other Debt of the IFD with respect to the Sub-Project Areas have been paid in full or defeased and the proceeds thereof have been expended.
- v. Upon receipt of written direction of the Port to the Special Fund Trustee to close the funds and accounts described in the Special Fund Administration Agreement and to distribute any remaining funds therein to the Port to be used for any lawful purpose of the Port consistent with applicable law and the DDA.

**Conflicts with Indentures or Pledge Agreements.** In the event of any conflict between the Special Fund Administration Agreement and the provisions of any Indenture or Pledge Agreement, the provisions of the Indenture or Pledge Agreement shall govern.

**Establishment of Special Funds and Accounts.** The Special Fund Trustee shall, establish, maintain and hold in trust a separate account designated as the “Special Fund Trust Account” (the “Special Fund Trust Account”).

**Funds and Accounts Related to Special Taxes.** The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Special Tax Fund” (the “Special Tax Fund”). Within the Special Tax Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts and subaccounts therein, among others:

- (a) the “Facilities Special Taxes Account,”
  - i. the “Shoreline Zone 1 Special Taxes Subaccount,”
- (b) the “CFD Remainder Account,”
  - i. the “Shoreline Zone 1 Special Taxes Subaccount.”

The Special Tax Fund, and the accounts and subaccounts therein, shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement. The source of funds in Special Tax Fund accounts shall be the Special Taxes collected by the Treasurer/Tax Collector and distributed to the CFD by the Controller.

**Fund and Accounts Related to Bonds.** The Special Fund Trustee shall establish, maintain and hold in trust a separate fund, within the Special Fund Trust Account, designated as the “Bonds Fund” (the “Bonds Fund”). Within the Bonds Fund, the Special Fund Trustee shall establish, maintain and hold the following accounts therein, among others, the “Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes),” which will be funded from Shoreline (Tax Zone 1) Special Taxes.

The Bonds Fund and the accounts therein shall be held by the Special Fund Trustee for the benefit of the CFD, and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance with the Special Fund Administration Agreement.

The purpose of the Bonds Fund and the accounts therein is to allow an amount equal to the Debt Service that will be paid from the related funds to be set aside during the course of a Bond Year in a manner that meets any obligations under an so that the remaining funds are available to pay for other costs authorized under the Financing Plan, RMA and Appendix I, as applicable.

Administrative Costs Fund. The Special Fund Trustee shall establish, maintain and hold in trust a separate fund within the Special Fund Trust Account, designated as the “Administrative Costs Fund” (the “Administrative Costs Fund”). Within the Administrative Costs Fund, the Special Fund Trustee shall establish, maintain and hold the “CFD Administrative Costs Account.”

The CFD Administrative Costs Account shall be held by the Special Fund Trustee for the benefit of the CFD and the funds on deposit therein from time to time shall be applied by the Special Fund Trustee in accordance the Special Fund Administration Agreement.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the DRP Fund.

#### **Deposits and Distributions of Shoreline (Tax Zone 1) Special Taxes.**

Promptly upon receipt, the Port shall cause the Special Fund Trustee to deposit Shoreline (Tax Zone 1) Special Taxes in the related accounts and subaccounts in the Special Tax Fund as directed by the Port in a written certificate executed by an Authorized Officer. The Parties acknowledge and agree that the Shoreline (Tax Zone 1) Special Taxes may be deposited directly by the San Francisco Controller, at the times and in the amounts specified by the Port in a written certificate executed by an Authorized Officer and delivered to the Special Fund Trustee.

The Port shall direct the Special Fund Trustee in a written certificate to distribute any moneys in such subaccounts and accounts in accordance with the Special Fund Administration Agreement, the DDA, Financing Plan, CFD Resolution of Formation and Indentures.

The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Remainder Account.

#### **Deposits in and Distributions from the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes).**

- (a) No later than the times and in the amounts required to comply with any applicable Indenture, the Port will direct the Special Fund Trustee to transfer Shoreline (Tax Zone 1) Special Taxes from the Shoreline Zone 1 Special Taxes Subaccount to the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) in a written certificate executed by an Authorized Officer.
- (b) At the written direction of the Port, amounts in the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) of the Bond Fund shall be transferred by the Special Fund Trustee from time to time, to pay debt service on Mello-Roos Bonds secured in whole or in part by a pledge of Shoreline (Tax Zone 1) Special Taxes or as otherwise required under the Indenture relating to such Mello-Roos Bonds.

- (c) At any time during each Bond Year, the Port may, and in any event the Port shall on each July 15, (i) calculate the Mello-Roos Bonds Debt Service Requirement with respect to Mello-Roos Bonds secured in whole or in part by a pledge of Shoreline (Tax Zone 1) Special Taxes as of the immediately preceding June 30, and (ii) deliver to the Special Fund Trustee a certificate of the Port (the “Year-End Mello-Roos Bond Debt Certificate (Shoreline (Tax Zone 1) Special Taxes)”) which:
- i) states the amounts then on deposit in the debt service accounts established under the applicable Indenture that are available to pay the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds,
  - ii) states the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds as of such date,
  - iii) either (A) confirms that the amount on deposit in the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) is equal to the amount described in the following clause (v) below or (B) directs the Special Fund Trustee to transfer from the Shoreline Zone 1 Special Taxes Subaccount to the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) any shortfall required for the amount on deposit in the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) to be equal to the amount described in clause (v) below,
  - iv) states the amounts as of such date, if any, to be transferred to such debt service accounts pursuant to the the Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes) and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes),
  - v) directs the Special Fund Trustee to transfer from the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) to the appropriate debt service accounts established under the applicable Indenture an amount that, when added to any amounts to be transferred to such accounts pursuant to the Year-End Mello-Roos Bond Debt Certificate (Development Special Taxes), the Year-End Mello-Roos Bond Debt Certificate (Office Special Taxes), and the Year-End Mello-Roos Bond Debt Certificate (Shoreline Zone 2 Special Taxes) as of such date, equals the Mello-Roos Bonds Debt Service Requirement for such Mello-Roos Bonds, and
  - vi) directs the Special Fund Trustee, after making all the transfers required to be made in accordance with the Year-End Mello-Roos Bond Debt Certificate (Shoreline (Tax Zone 1) Special Taxes), on the first business day following the end of each Bond Year, to transfer the remaining amounts in the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes) to the CFD Administrative Costs Account, the CFD Remainder Account or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed).
- (d) Upon compliance with the conditions stated in the preceding subsection (c), the Port may direct the Special Fund Trustee to transfer all remaining amounts in the Shoreline Zone 1 Special Taxes Subaccount to the CFD Administrative Costs Account, the CFD Remainder Account, or such other account identified by the Port (including any debt service reserve account for such Mello-Roos Bonds, if needed), as set forth in a written requisition of the Port executed by an Authorized Officer.



- (e) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the accounts in the Mello-Roos Bonds Account (Shoreline Zone 1 Special Taxes).

**Deposits in and Distributions from the CFD Administrative Costs Account.**

- (a) The Special Fund Trustee shall deposit funds from time to time in the CFD Administrative Costs Account as directed by the Port in a written certificate executed by an Authorized Officer.
- (b) The Special Fund Trustee shall withdraw and apply moneys in the CFD Administrative Costs Account in accordance with a written requisition of the Port executed by an Authorized Officer.
- (c) The Special Fund Trustee shall maintain records as to the date of each deposit to and distribution from the CFD Administrative Costs Account.

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## APPENDIX D

### FORMS OF BOND COUNSEL OPINION

#### 2023A Development Special Tax Bonds

\_\_\_\_\_, 2023

Board of Supervisors  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**OPINION:** \$8,795,000 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2023A

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City, for and on behalf of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”), of the captioned bonds (the “Bonds”), dated as of the date hereof. In such capacity, we have examined such law and such certified proceedings, opinions, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 et seq. of the California Government Code) (the “Act”); (ii) a resolution of the Board of Supervisors of the City (the “Board of Supervisors”) adopted on May 5, 2020, as supplemented, including by Resolution No. 505-23 of the Board of Supervisors adopted on October 31, 2023 and signed by the Mayor on November 2, 2023 (together, the “CFD Resolution”); and (iii) a Fiscal Agent Agreement dated as of May 1, 2021 (the “Master Fiscal Agent Agreement”), between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”) as supplemented, including by a Second Supplement to Fiscal Agent Agreement, dated as of December 1, 2023 (the “Second Supplement,” and together with the Master Fiscal Agent Agreement, as previously supplemented, the “Fiscal Agent Agreement”). Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Under the Fiscal Agent Agreement, as security for the payment of principal, premium (if any) and interest on the Bonds when due, the City has pledged Revenues, consisting primarily of Development Special Tax Revenues and the IFD Payment Amount. The IFD Payment Amount is payable to the Fiscal Agent by City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) pursuant to a Pledge Agreement, dated as of May 1, 2021 (the “Pledge Agreement”), by and among the Fiscal Agent, the City on behalf of the District, and the IFD. The Board of Supervisors, as the legislative body of the IFD, approved the execution and delivery of the Pledge Agreement pursuant to resolutions of the Board of Supervisors, as legislative body of the IFD, adopted on February 13, 2018 and December 8, 2020 (together, the “IFD Resolution”).

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, representations of the IFD contained in the Pledge Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the CFD Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.
2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.
3. The Fiscal Agent Agreement creates a valid lien on the Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Fiscal Agent Agreement.
4. The Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City, payable solely from the Revenues and other funds provided therefor in the Fiscal Agent Agreement.
5. The IFD is an infrastructure financing district and a legally constituted governmental entity established, duly organized and existing under the laws of the State of California, with the power to adopt the IFD Resolution, enter into the Pledge Agreement and perform the agreements on its part contained therein.
6. The Pledge Agreement has been duly authorized, executed and delivered by the City, on behalf of the District, and the IFD, and the Pledge Agreement constitutes a valid and binding obligation of the IFD, enforceable against the IFD.
7. The Pledge Agreement creates a valid lien on the Pledged Tax Increment for the security of the IFD's payment obligation under the Pledge Agreement.
8. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 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 Bonds.
9. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Fiscal Agent Agreement and the Pledge Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, covenants and opinions referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

## 2023B Office Special Tax Bonds

\_\_\_\_\_, 2023

Board of Supervisors  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**OPINION:** \$19,090,000 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Office Special Tax Bonds, Series 2023B

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City, for and on behalf of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”), of the \$19,090,000 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Office Special Tax Bonds, Series 2023B (the “Bonds”), dated as of the date first written above. In such capacity, we have examined such law and such certified proceedings, opinions, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 et seq. of the California Government Code) (the “Act”); (ii) resolutions of the Board of Supervisors of the City (the “Board of Supervisors”) adopted on May 5, 2020 and October 31, 2023 (together, the “CFD Resolution”); and (iii) a Fiscal Agent Agreement dated as of December 1, 2023 (the “Fiscal Agent Agreement”), between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”). Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Under the Fiscal Agent Agreement, as security for the payment of principal, premium (if any) and interest on the Bonds when due, the City has pledged Office Special Tax Revenues.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the CFD Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Office Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City, payable solely from the Office Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 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 Bonds.

6. The City does not intend for the interest on the Bonds to be excluded from gross income for federal income tax purposes.

7. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, covenants and opinions referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

## 2023C Shoreline (Tax Zone 1) Special Tax Bonds

\_\_\_\_\_, 2023

Board of Supervisors  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**OPINION:** \$18,010,000 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City, for and on behalf of City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”), of the \$18,010,000 City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C (the “Bonds”), dated as of the date first written above. In such capacity, we have examined such law and such certified proceedings, opinions, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to (i) the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 et seq. of the California Government Code) (the “Act”); (ii) resolutions of the Board of Supervisors of the City (the “Board of Supervisors”) adopted on May 5, 2020 and October 31, 2023 (together, the “CFD Resolution”); and (iii) a Fiscal Agent Agreement dated as of December 1, 2023 (the “Fiscal Agent Agreement”), between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”). Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Under the Fiscal Agent Agreement, as security for the payment of principal, premium (if any) and interest on the Bonds when due, the City has pledged Shoreline (Tax Zone 1) Special Tax Revenues.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the CFD Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Shoreline (Tax Zone 1) Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds (if any) issued or to be issued in accordance with the Fiscal Agent Agreement.



4. The Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City, payable solely from the Office Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The interest on the 2023C Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the 2023C Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the 2023C 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 2023C Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations, covenants and opinions referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

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## 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)

**\$8,795,000**  
**DEVELOPMENT**  
**SPECIAL TAX BONDS, SERIES 2023A**

**\$19,090,000**  
**OFFICE**  
**SPECIAL TAX BONDS,**  
**SERIES 2023B**

**\$18,010,000**  
**SHORELINE (TAX ZONE 1) SPECIAL**  
**TAX BONDS,**  
**SERIES 2023C**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “District”) in connection with the issuance of the above-captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 196-20, which was adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on May 5, 2020 and approved by the Mayor on May 18, 2020, as supplemented by Resolution No. 565-20, which was adopted by the Board of Supervisors on December 8, 2020 and approved by the Mayor on December 18, 2020, as further supplemented by Resolution No. 224-21, which was adopted by the Board of Supervisors on May 11, 2021, and approved by the Mayor on May 21, 2021, and as further supplemented by Resolution No. 505-23, which was adopted by the Board of Supervisors on October 31, 2023 and approved by the Mayor on November 2, 2023 approving the issuance and sale of up to \$58,335,000 (collectively, the “Resolution”) and pursuant to the San Francisco Special Tax Financing Law (Admin. Code ch. 43, art. X), as amended from time to time (the “Special Tax Financing Law”), which incorporates the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California). The above-referenced Development Special Tax Bonds, Series 2023A (the “2023A Development Special Tax Bonds”) are being issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2021, as previously supplemented and as supplemented by a Second Supplement to Fiscal Agent Agreement, dated as of December 1, 2023 (as so supplemented, the “Development Special Tax Bonds Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”). The above-referenced Office Special Tax Bonds, Series 2023B (the “2023B Office Special Tax Bonds”) are being issued pursuant to a Fiscal Agent Agreement, dated as of December 1, 2023 (the “Office Special Tax Bonds Fiscal Agent Agreement”), by and between the City and the Fiscal Agent. The above-referenced Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C (the “2023C Shoreline (Tax Zone 1) Special Tax Bonds”) are being issued pursuant to a Fiscal Agent Agreement, dated as of December 1, 2023 (the “Shoreline (Tax Zone 1) Tax Bonds Fiscal Agent Agreement” and collectively with the Development Special Tax Bonds Fiscal Agent Agreement and the Office Special Tax Bonds Fiscal Agent Agreement, the “Fiscal Agent Agreements”), by and between the City and the Fiscal Agent. The City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriters” shall mean the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreements.

**SECTION 3. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which date shall be June 30 of each year), commencing with the report for the 2022-23 Fiscal Year (which is due not later than March 31, 2024), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall

submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB as required by Section 5(c).

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

**SECTION 4. Content of Annual Reports.** The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

The City's annual financial statement is provided solely to comply with the Securities Exchange Commission staff's interpretation of Rule 15c2-12. The Bonds of each series are limited obligations of the City, secured by and payable solely from the Development Special Tax Revenues, Office Special Tax Revenues and Shoreline (Tax Zone 1) Special Tax Revenues, respectively, and the funds pledged therefor under the related Fiscal Agent Agreement. The Bonds of each series are not payable from any other source of funds other than Development Special Tax Revenues, Office Special Tax Revenues and Shoreline (Tax Zone 1) Special Tax Revenues, respectively, and the funds pledged therefor under the related Fiscal Agent Agreement. Neither the General Fund of the City nor the enterprise funds of the Port are liable for the payment of the principal of or interest on the Bonds, and neither the faith and credit of the City, the Port, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement for each series of Bonds), the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

(b) (1) the principal amount of the outstanding Bonds of each series as of September 2 preceding the date of the Annual Report and total debt service of the outstanding Bonds of each series that was due in the Bond Year preceding the date of the Annual Report, and (2) for all outstanding bonds under each Fiscal Agent Agreement, the debt service of such outstanding bonds by series and in total that was due or is scheduled to be due in the then-current Bond Year, and in each Bond Year thereafter through the final maturity date of the outstanding bonds.

(c) the balance in the Improvement Fund under each Fiscal Agent Agreement as of June 30 preceding the date of the Annual Report (until such fund has been closed).

(d) (1) the balance in the 2021A Reserve Fund and the then-current reserve requirement amount for the 2021A Development Special Tax Bonds and any 2021A Related Parity Bonds as of June 30 preceding the date of the Annual Report, (2) the balance in the 2021B Reserve Fund and the then-current reserve requirement amount for the 2021B Development Special Tax Bonds and any 2021B Related Parity Bonds as of June 30 preceding the date of the Annual Report, (3) the balance in the 2023A Reserve Fund and the then-current reserve requirement amount for the 2023A Development Special Tax Bonds and any 2023A Related Parity Bonds as of June 30 preceding the date of the Annual Report, (4) the balance in the 2023B Reserve Fund and the then-

current reserve requirement amount for the 2023B Office Special Tax Bonds and any 2023B Related Parity Bonds as of June 30 preceding the date of the Annual Report, and (5) the balance in the 2023C Reserve Fund and the then-current reserve requirement amount for the 2023C Shoreline (Tax Zone 1) Special Tax Bonds and any 2023C Related Parity Bonds as of June 30 preceding the date of the Annual Report.

(e) the balance in the IFD Payment Account Fund as of June 30 preceding the date of the Annual Report.

(f) for the fiscal year for which the Annual Report is being issued, identify planning parcels for which a Parcel Lease was fully executed and will be subject to special taxes.

(g) completed table for the then current fiscal year, generally as follows, and footnote any parcel which has met the definition of “Assessed Parcel” under the Rate and Method:

Planning Parcel	Market Rate Residential Square Footage	Office Square Footage	Assessed Value	Current FY Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax Total Levy	Tax Increment Applied to Reduce Development Special Tax Levy <sup>(1)</sup>	Current FY Maximum Development Special Tax, Office Special Tax and Shoreline (Tax Zone 1) Special Tax Revenue	Allocated Bond Debt	Average VTL
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<sup>(1)</sup> Application of Parcel Increment, as such term is defined in the Rate and Method.

(h) for the most recently concluded fiscal year, provide:

- the Development Special Tax levied,
- the Development Special Tax collections,
- the number of parcels delinquent in payment of the Development Special Tax, and
- the amount of total delinquency and delinquency as a percentage of total Development Special Tax
  
- the Office Special Tax levied,
- the Office Special Tax collections,
- the number of parcels delinquent in payment of the Office Special Tax, and
- the amount of total delinquency and delinquency as a percentage of total Office Special Tax
  
- the Shoreline (Tax Zone 1) Special Tax levied,
- the Shoreline (Tax Zone 1) Special Tax collections,
- the number of parcels delinquent in payment of the Shoreline (Tax Zone 1) Special Tax, and

- the amount of total delinquency and delinquency as a percentage of total Shoreline (Tax Zone 1) Special Tax.
- (i) for any delinquent parcels, provide the status of the City's actions to pursue foreclosure proceedings upon delinquent properties pursuant to the related Fiscal Agent Agreement,
  - (j) any changes to the Rate and Method since the filing of the prior Annual Report.
  - (k) to the extent not otherwise provided pursuant to the preceding items (a)-(j), annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

Item listed above relating to the Development Special Tax Bonds Fiscal Agent Agreement, the bonds issued thereunder, reserve funds thereunder and the Development Special Tax need not be included in the annual report if no 2023A Development Special Tax Bonds remain outstanding. Item listed above relating to the Office Special Tax Bonds Fiscal Agent Agreement, the bonds issued thereunder, reserve funds thereunder and the Office Special Tax need not be included in the annual report if no 2023B Office Special Tax Bonds remain outstanding. Item listed above relating to the Shoreline (Tax Zone 1) Special Tax Bonds Fiscal Agent Agreement, the bonds issued thereunder, reserve funds thereunder and the Shoreline (Tax Zone 1) Special Tax need not be included in the annual report if no 2023A Development Special Tax Bonds remain outstanding.

## **SECTION 5. Reporting of Significant Events.**

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the City; or

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 11-18 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bond holders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee; or
18. Incurrence of a Financial Obligation of the City or agreement to covenants, events of default, remedies, priority rights or similar terms of Financial Obligation of the City, any of which affect security holders.

(c) The City shall give, or cause to be given, in a timely manner, notice (substantially in the form of Exhibit A) of a failure to provide the annual financial information on or before the date specified in Section 3.

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed



Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

**SECTION 6. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

**SECTION 7. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Remedies.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriters, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

[Remainder of page intentionally left blank.]

**SECTION 11. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December 6, 2023

CITY AND COUNTY OF SAN FRANCISCO

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Anna Van Degna  
Director of the Office of Public Finance

Approved as to form:

DAVID CHIU  
CITY ATTORNEY

By: \_\_\_\_\_  
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A**

**FORM OF NOTICE TO THE  
MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Development Special Tax Bonds, Series 2023A

City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Office Special Tax Bonds, Series 2023B

City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities And Services) Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C

Date of Issuance: December 6, 2023

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated December 6, 2023. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, 20\_\_

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_ [to be signed only if filed]

Title: \_\_\_\_\_

## APPENDIX E-2

### FORM OF DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

#### DEVELOPER CONTINUING DISCLOSURE CERTIFICATE

##### CITY AND COUNTY OF SAN FRANCISCO SPECIAL TAX DISTRICT NO. 2020-1 (MISSION ROCK FACILITIES AND SERVICES)

**\$8,795,000**  
**DEVELOPMENT**  
**SPECIAL TAX BONDS, SERIES 2023A**

**\$19,090,000**  
**OFFICE**  
**SPECIAL TAX BONDS,**  
**SERIES 2023B**

**\$18,010,000**  
**SHORELINE (TAX ZONE 1) SPECIAL**  
**TAX BONDS,**  
**SERIES 2023C**

This Developer Continuing Disclosure Certificate (the “**Disclosure Certificate**”) dated as of December 6, 2023, is executed and delivered by Seawall Lot 337 Associates, LLC, a Delaware limited liability company (the “**Developer**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) (the “**District**”), with respect to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2023A, Office Special Tax Bonds, Series 2023B, and Shoreline (Tax Zone 1) Special Tax Bonds, Series 2023C (collectively, the “**Bonds**”).

The Bonds are being issued pursuant to various Fiscal Agent Agreements (the “**Fiscal Agent Agreements**”), by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from Development Special Taxes, Office Special Taxes and Shoreline (Tax Zone 1) Special Taxes, as applicable, levied on Leasehold Interests in the District, and the Developer is the master developer of property in the District.

The Developer covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the owners and the beneficial owners of the Bonds.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“Affiliate” means with respect to the Developer (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with the Developer, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to an evaluation of the Bonds For purposes hereof, “control” means the power to exercise a controlling

influence over the management or policies of the Developer, unless such power is solely the result of an official position with the Developer. For purposes of this Disclosure Certificate, the following entities shall be considered Affiliates of the Developer: (i) Mission Rock Horizontal Sub (Phase I), L.L.C.; (ii) Mission Rock Parcel A Owner L.L.C.; (iii) Mission Rock Parcel B Owner L.L.C.; (iv) Mission Rock Parcel F Owner L.L.C.; and (v) if the Developer exercises its option to vertically develop a Parcel, the entity created by the Developer to lease the Parcel.<sup>1</sup>

“Affordable Unit” shall mean a residential housing unit in a residential or mixed-use building for which a deed restriction has been recorded that (i) limits the rental rates on the residential housing unit or (ii) in any other way is intended to restrict the current or future value of the residential housing unit, as determined by the Port.

“Assumption Agreement” shall mean, in connection with the transfer of a Parcel to a transferee, a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Sections 4 and 5 of this Disclosure Certificate with respect to the Parcel transferred.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bondowners” shall mean the owner of any of the Bonds.

“Dissemination Agent” shall mean the Developer or any successor Dissemination Agent designated in writing by the Developer and which has filed with the Developer and the City a written acceptance of such designation.

“District” shall mean the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Market-Rate Unit” shall mean an individual residential housing unit in a residential or mixed-use building that is not an Affordable Unit.

“MSRB” means the Municipal Securities Rulemaking Board.

“Office Square Footage” shall mean, within any building on a Parcel, the gross square footage used for office space. For purposes of this definition, any square footage used for any of the following shall not be considered Office Square Footage: (i) square

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<sup>1</sup> The Mission Rock Parcel G Owner is not included as an Affiliate because continuing disclosure is not being provided as to Parcel G since 100% of the Office Property in Parcel G has been leased to Visa, Inc.

footage that is or is expected to be part of a hotel operation, including square footage of hotel rooms, restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses; and (ii) any square footage in the building used for retail or residential uses (including both Market-Rate Units and Affordable Units).

“Official Statement” shall mean the Official Statement, dated November 16, 2023, relating to the Bonds.

“Parcel” shall mean Blocks A, B, C, D1, E, F, H, I, J, and K within the District.<sup>1</sup>

“Participating Underwriters” shall mean the original underwriters of the Bonds, being Stifel, Nicolaus & Company, Incorporated, and Piper Sandler & Co.

“Person” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“Property” means the real property within the boundaries of the District that is under lease to the Developer or any Affiliate; provided that the term “Property” shall not include any Parcel for which the Developer has terminated its obligations under this Disclosure Certificate with respect to such Parcel pursuant to Section 6 herein.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to May 1 and November 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Site Permit” shall mean the first permit or addendum to a permit obtained from the City that allows for vertical construction on a Parcel.

“State” shall mean the State of California.

### **SECTION 3. Provision of Annual Reports.**

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing May 1, 2024, 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

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<sup>1</sup> Parcel G is not included in the definition of Property because continuing disclosure is not being provided as to Parcel G since 100% of the Office Property in Parcel G has been leased to Visa, Inc.

separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) Not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Developer shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Semiannual Report the name and address of the Repository; and

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Developer (if the Dissemination Agent is other than the Developer), the City, and the Participating Underwriters certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

#### **SECTION 4. Content of the Semiannual Reports.**

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Property, including updates to the information regarding the Property in the Official Statement under the caption "THE MISSION ROCK PROJECT" (other than under the captions "--Expected Land Use and Expected Maximum Special Tax Revenues," "--Property Values," "--Projected Development Special Tax Levy, Assessed Values and Value-to-Lien Ratios," "--Delinquency History," and "--Direct and Overlapping Debt" for which no updates are required).



2. An update to the following table with respect to the Property since the Official Statement or the most recent Semiannual Report.

Block	Date Final Map Recorded	Date of Execution of Vertical Lease	Date Site Permit Received	Date TCO Received	Percentage of Leased Office Space	Occupancy Rate for Market Rate Residential Units
A B F C D1 E H I J K						

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Developer that materially adversely affects the horizontal development of the Property or the time for construction of any public or private horizontal improvements to the property to be made by the Developer (the “**Developer Horizontal Improvements**”).

4. Any vertical lease of a development parcel in the District to a Person that is unaffiliated with the Developer as a result of the Developer declining the option in the DDA to develop that development parcel, including a description of the property leased and the identity of the Person that so leased the Property.

5. Status of Special Tax payments with respect to the Property.

(b) In addition to any of the information expressly required to be provided under paragraph (a) above, the Developer shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

## **SECTION 5. Reporting of Significant Events.**

(a) Until the Developer’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events, if material under clauses (b) and (c), within 10 business days after obtaining knowledge of the occurrence of any of the following events:

1. Failure to pay any Special Taxes levied on the Property.
2. Damage to or destruction of any of the Developer Horizontal Improvements which has a material adverse effect on the development of the Property.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Horizontal Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by all or any portion of the Property.

5. Payment default by the Developer on any loan or guaranty of the Developer (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan or guaranty that, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or the development of the Developer Horizontal Improvements.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

7. The filing of any lawsuit against the Developer or any Affiliate which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Horizontal Improvements, or litigation which if decided against the Developer or any Affiliate, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Developer) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriters, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriters, and the Dissemination Agent (if other than the Developer).

**SECTION 6. Termination of Reporting Obligation.** The Developer's obligations under this Disclosure Certificate shall terminate upon the following events:

(a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

(b) as to a Parcel with a building that does not have any Market-Rate Units but is developed primarily with Office Square Footage, the date that the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage; or

(c) as to a Parcel with a building that does not have any Office Square Footage but is developed primarily with Market-Rate Units, the date that the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(d) as to a Parcel with a building that has both Office Square Footage and Market-Rate Units, the date that both (i) the building on the Parcel first achieves executed leases on 85% of the total Office Square Footage and (ii) the building on the Parcel first achieves an occupancy rate of 85% of the Market-Rate Units; or

(e) as to a Parcel for which the Developer declines to exercise its option to vertically develop that Parcel under the DDA, the date that the Developer declines the option to vertically develop that Parcel under the DDA; or

(f) for the Disclosure Certificate as a whole, the date that the Developer has terminated its continuing disclosure requirements with respect to all of the Parcels.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

**SECTION 7. Dissemination.** The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Developer, the City and the Participating Underwriters, and (ii) upon appointment of a new Dissemination Agent hereunder. The Developer is serving as the initial Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Developer, or the type of business conducted;

(b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriters, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(c) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Semiannual Report or notice of occurrence of a Listed

Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Semiannual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Semiannual Report or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

**SECTION 10. Default.** In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance. No person shall have any right to commence any action against the Developer seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriters, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Developer as constituting the Semiannual Report required of the Developer in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

**SECTION 12. Reporting Obligation of Developer's Transferees.** For any Parcel that has an executed Vertical Lease with an Affiliate of the Developer, if the Developer transfers the Parcel to another Person that is not an Affiliate of the Developer, then the Developer shall, in connection with the transfer of such a Parcel to another Person that is not an Affiliate of the Developer, cause such transferee to enter into an Assumption Agreement with respect to the Parcel leased; provided that such transferee's obligations under such Assumption Agreement shall terminate upon the same conditions as set forth in Section 6 herein but with respect to the Parcel leased. In clarification of the foregoing, the Developer shall not have any obligation to require a transferee execute an Assumption Agreement (i) for any Parcel that is leased by an Affiliate, (ii) any Parcel for which the reporting obligation was terminated pursuant to Section 6 herein, and (iii) for any Parcel that does not have an executed Vertical Lease with an Affiliate of the Developer, when that Parcel is leased to a Person that is not an Affiliate of the Developer (because the Developer will have the right to terminate its obligations with respect to any Parcel for which it declines the option to vertically develop the Parcel).

**SECTION 13. Identifying Information for Filings with EMMA.** All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

**SECTION 14. Developer as Independent Contractor.** In performing under this Disclosure Certificate, it is understood that the Developer is an independent contractor and not an agent of the City or the District.

**SECTION 15. Notices.** Notices should be sent in writing to the following addresses by regular, overnight, or electronic mail. The following information may be conclusively relied upon until changed in writing.

Developer:	Seawall Lot 337 Associates, LLC c/o Tishman Speyer Development, L.L.C. One Bush Street, Suite 500 San Francisco, California 94104 Attn: Regional Director Email: cshannon@tishmanspeyer.com
With copy to	San Francisco Giants 24 Willie Mays Plaza San Francisco, CA 94107 Attn: General Counsel Email: jbair@sfgiants
Participating Underwriters:	Stifel, Nicolaus & Company, Incorporated One Montgomery Street, 35 <sup>th</sup> Floor San Francisco, CA 94104 Attention: Municipal Bond Division Email: egallagher@stifel.com

Piper Sandler & Co.  
3626 Fair Oaks Blvd, Suite 100  
Sacramento, CA 95864  
Attention: Dennis McGuire  
Email: dennis.mcguire@psc.com

City or District:

City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94201  
Attention: Bridget Katz  
Email: anna.vandegna@sfgov.org  
bridget.katz@sfgov.org  
grant.carson@sfgov.org  
nate.cruz@sfport.com

**SECTION 16. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Developer, the City, the Dissemination Agent, the Participating Underwriters and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**SECTION 17. Assignability.** The Developer shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

Seawall Lot 337 Associates, LLC,  
a Delaware limited liability company

By: Mission Rock Partners, LLC,  
a Delaware limited liability company,  
its sole member

By: TSCE 2007 Mission Rock, L.L.C.,  
a Delaware limited liability company,  
its administrative member

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC; and DTC's book-entry system has been obtained from sources that City believes to be reliable, but City takes no responsibility for the accuracy thereof.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2023 Bonds. The 2023 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each of the 2023 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). *Information on such website is not incorporated by reference herein.*

Purchases of 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2023 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2023 Bonds, except in the event that use of the book-entry system for the 2023 Bonds is discontinued.

To facilitate subsequent transfers, all 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC

has no knowledge of the actual Beneficial Owners of the 2023 Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2023 Bond documents. For example, Beneficial Owners of 2023 Bonds may wish to ascertain that the nominee holding the 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2023 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Fiscal Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2023 Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.



**APPENDIX G**  
**APPRAISAL REPORT**

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**Appraisal of Real Property**

**City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)**

Development Site

Terry A. Francois Blvd.

San Francisco, San Francisco County, California 94158

**Prepared For:**

City and County of San Francisco

**Effective Date of the Appraisal:**

September 15, 2023

**Report Format:**

Appraisal Report – Standard Format

**IRR - San Francisco**

File Number: 192-2023-0172





**City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)**  
Terry A. Francois Blvd.  
San Francisco, California



October 20, 2023

Ms. Anna Van Degna  
Public Finance Director, Controller's Office  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Pl.  
San Francisco, CA 94102

SUBJECT:       Market Value Appraisal  
                  City and County of San Francisco Special Tax District No. 2020-1 (Mission  
                  Rock Facilities and Services)  
                  Terry A. Francois Blvd.  
                  San Francisco, San Francisco County, California 94158  
                  IRR - San Francisco File No. 192-2023-0172

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the leasehold interest in the properties within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), subject to the lien of the special taxes securing the Special Tax Bonds, under the assumptions and conditions set forth in the attached report. The client for the assignment is the City and County of San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City and County of San Francisco and Special Tax District No. 2020-1 in the marketing of the Special Tax Bonds of the Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline (Tax Zone 1) Special Tax Bonds (collectively, "Bonds"), and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject comprises 11 of the 12 Blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, and being developed as Mission

Rock. The Mission Rock project is entitled for the development of 1,400,000 square feet of office space, 245,000 square feet of retail space, and 1,000 to 1,600 for-rent multifamily residential units; 40% of the residential units will be affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

Please note, the twelfth Block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. However, the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds; therefore, Block D2 is excluded from this appraisal.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of the City and County of San Francisco. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

As a result of the analyses herein, the market value, by ownership, of the appraised properties, subject to a hypothetical condition, as of September 15, 2023, is presented in the table below.

<b>Value Conclusions</b>				
<b>Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership</b>				
<b>Ownership</b>	<b>Tax Zone / Phase</b>	<b>Interest Appraised</b>	<b>Date of Value</b>	<b>Value Conclusion</b>
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$229,190,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$144,480,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$87,740,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$238,860,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	September 15, 2023	\$1,000,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$701,270,000</b>



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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

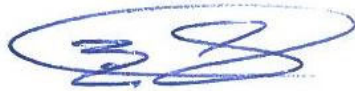
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Ms. Anna Van Degna  
City and County of San Francisco  
October 20, 2023  
Page 4

Our valuation is based on the best information available as of the effective date of value.

Respectfully submitted,

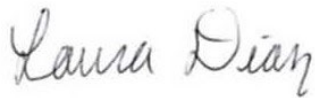
**INTEGRA REALTY RESOURCES - SAN FRANCISCO**

A blue ink signature of Eric Segal, consisting of stylized, overlapping loops.

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## Summary of Salient Facts and Conclusions

Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Address	Terry A. Francois Blvd. San Francisco, San Francisco County, California 94158
Property Type	Development Site - Proposed Mixed Use Project
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)
Tax ID	8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001
Land Area	7.91 acres; 344,560 SF
Zoning Designation	MR-MU, Mission Rock Mixed Use
Highest and Best Use	Mixed use
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	September 15, 2023
Date of the Report	October 20, 2023
Property Interest Appraised	Leasehold

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than the City and County of San Francisco and its associated finance team may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

### Value Conclusions

#### Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership

Ownership	Tax Zone / Phase	Interest Appraised	Date of Value	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$229,190,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$144,480,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$87,740,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$238,860,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	September 15, 2023	\$1,000,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$701,270,000</b>

---

**Extraordinary Assumptions and Hypothetical Conditions**

---

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

---

## General Information

### Identification of Appraised Property

The subject property represents the taxable land areas within the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The subject comprises 11 of the 12 Blocks of land owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission, and is located within the Mission Bay neighborhood at Seawall Lot 337 and Pier 48, which is entitled for the development of 1,400,000 square feet of office space, 245,000 square feet of retail space, and 1,000 to 1,600 for-rent multifamily residential units; 40% of the residential units will be affordable. The project will be developed over four phases. A more detailed description of the subject property is described in the attached report.

The twelfth Block (Block D2) within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) will include a parking garage with up to 3,000 parking spaces and 10,327 square feet of retail space. Because the developable uses on this parcel are not subject to the Lien of the Special Tax securing the Bonds, Block D2 is excluded from this appraisal.

Property Identification	
Property Name	City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services)
Address	Terry A. Francois Blvd. San Francisco, California 94158
Tax ID	8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001
Owner of Record	Seawall Lot 337 Associates, L.L.C., a Delaware limited liability company (master developer, ground Lessee, leasehold); Mission Rock Parcel A Owner L.L.C. (Block A vertical developer, leasehold); Mission Rock Parcel B Owner L.L.C. (Block B vertical developer, leasehold); Mission Rock Parcel F Owner L.L.C. (Block F vertical developer, leasehold); Mission Rock Parcel G Owner L.L.C. (Block G vertical developer, leasehold)

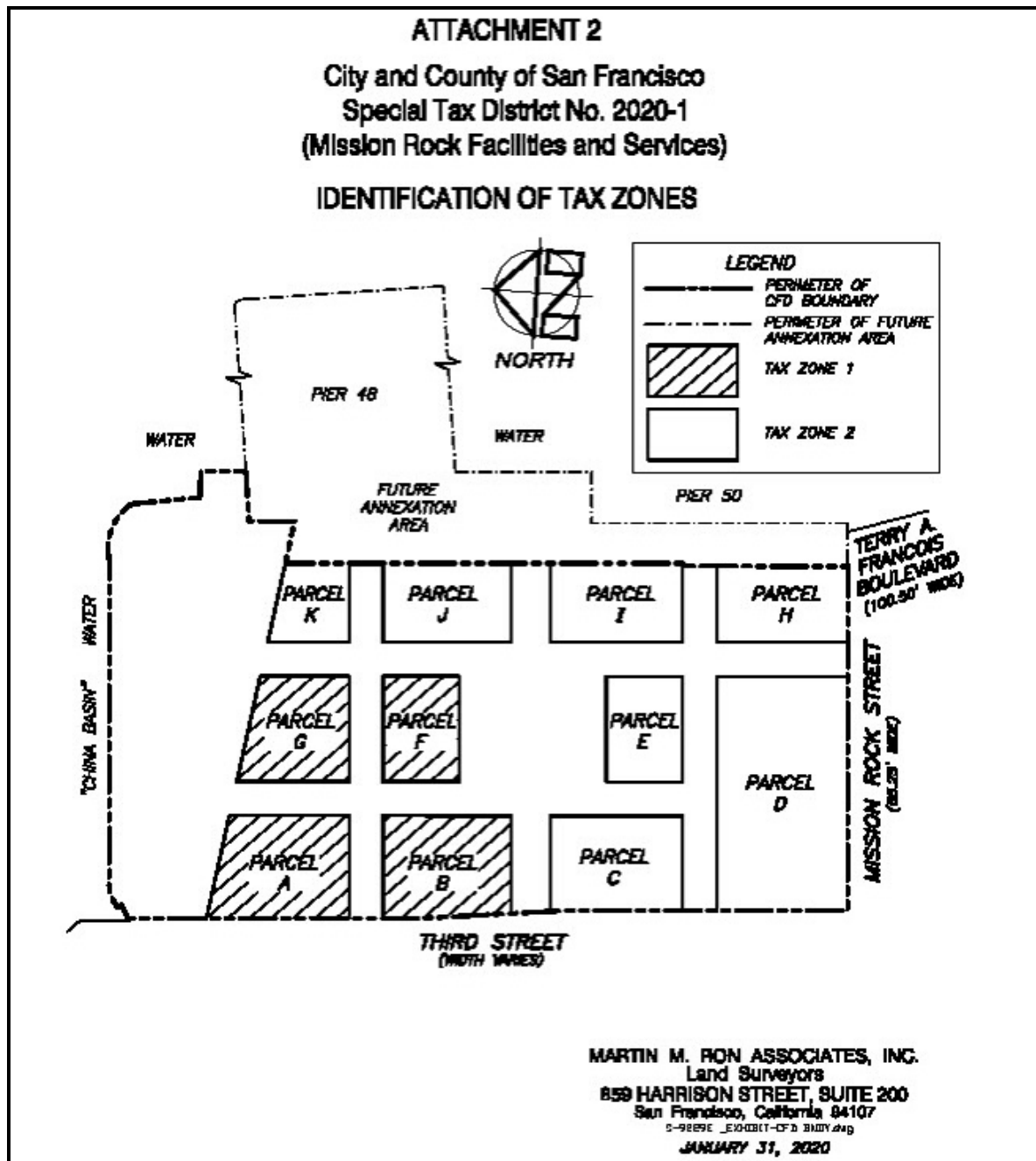
A summary of the subject Blocks and associated acreage/square feet of land area is provided on the following page. The project is divided into two tax zones and will be developed over four phases, with Phase 1a coinciding with Tax Zone 1 (Phase 1b comprises China Basin Park, which is not taxable) and Phases 2, 3, and 4 comprising Tax Zone 2. The subject Blocks are part of a larger 28-acre site, which includes Pier 48 as well as various proposed parks and open spaces.

**Block Overview**

Block	Phase	Tax Zone	Acreage	Square Feet	Use^
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Office/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
<b>Total Taxable Land Area</b>			<b>7.91</b>	<b>344,560</b>	
D2*	2	2	1.62	70,567	Parking

*\*Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.*

*^Retail land uses are not subject to the lien of the special tax securing the Bonds .*



## Sale History

The underlying land supporting the subject property, and the larger 28-acre site of which the subject is a part, is owned by the City and County of San Francisco, operating by and through the San Francisco Port Commission ("Port"). The Port entered into a 30-year ground lease agreement in 2018 with the master developer, known as Seawall Lot 337 Associates, LLC, which is the leasehold owner in the subject property. The ground lease permits the master developer to construct horizontal improvements within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The ground lease is terminated when the Port has issued the final certificate of occupancy for the project and accepted the final audit.

The ground leasehold interests in the four developable Blocks comprising Phase 1a of the Mission Rock Project, Block A, Block B, Block F and Block G, have each been conveyed from the Port and the master developer, Seawall Lot 337 Associates, LLC, under the Disposition and Development Agreement (DDA) pertaining to the (master) ground lease to the vertical developers pursuant to the Vertical Disposition and Development Agreement (VDDA). Under such agreement, each vertical developer is obligated to prepay the proportionate share of the (master) ground lease. Blocks A, B and F executed the parcel lease for vertical development in October 2020; whereas, Block G executed the parcel lease for vertical development in June 2020. The prepaid ground lease cost for Block A was \$11,300,000, Block B was \$4,000,000, Block F was \$23,700,000 and Block G was \$4,000,000. The determination of transfer price was through an independent appraisal of each Block, with a negotiation between the master developer, Seawall Lot 337 Associates, LLC, and buyer (vertical developers). Given the unique nature of each Block's determined transfer price (at the time of sale), coupled with the significant development costs incurred and impact fees paid to date, prior transfers of the Block 1a parcels are not considered applicable to the estimates of current market value, subject to the hypothetical condition cited herein.

## Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date, beyond that described herein as part of the Disposition and Development Agreement and Vertical Disposition and Development Agreement referenced above.

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value, subject to a hypothetical condition, by ownership, of the leasehold interest in the taxable properties subject to the lien of the respective special taxes securing the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline (Tax Zone 1) Special Tax Bonds as of the effective date of the appraisal, September 15, 2023. The date of the report is October 20, 2023. The appraisal is valid only as of the stated effective date.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of Property Rights Appraised

Leasehold interest is defined as, “The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.”

Lease is defined as: “A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.”

*(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015))*

## Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client and intended user are the City and County of San Francisco and the associated Finance Team. The appraisal is not intended for any other use or user. No party or parties other than the City and County of San Francisco and the associated finance team may use or rely on the information, opinions, and conclusions contained in this report; however, this appraisal report may be included in the offering document provided in connection with the issuance and sale of the Bonds.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);



- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010.

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have prepared two previous appraisals of the subject property for the current client. We have provided no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records. Numerous documents were provided for the appraisal, including: developer’s budget, tentative map, project renderings, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Francisco County Assessor’s office online resource.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the

neighborhood and market area, newspaper articles, and interviews with various market participants, including property owners, property managers, brokers, developers and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining entitlements, completion of spinal infrastructure and/or recordation of final subdivision maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), subject to the Lien of the Special Tax securing the Bonds, the market value by ownership of the taxable components comprising Special Tax District No. 2020-1 was estimated using multiple approaches to value.

The valuation begins with direct capitalization analyses to determine the market value of the proposed vertical (leasehold) improvements as if stabilized. Then extraction analyses are employed to estimate of the market value of each of the subject Blocks in their as is condition (substantially improved for Phase 1a and land for Phases 2 through 4). This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each Block and deducts these costs from the market value as if stabilized to arrive at the value of the property.

As the four Blocks comprising Phase 1a (Tax Zone 1) are all under vertical construction and held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks is considered on a proportionate share per Block.

Finally, the subdivision development method is employed to estimate the market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2) of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Office Special Tax Bonds, and Shoreline (Tax Zone 1) Special Tax Bonds. The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses, and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered.

## **Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

**Inspection**

Laura Diaz, MAI conducted an on-site of the subject property on August 4, 2023. Eric Segal, MAI and Kevin Ziegenmeyer, MAI have also inspected the subject property.

## Economic Analysis

### Area Analysis - San Francisco

#### Introduction

San Francisco is one of nine counties that comprise the greater San Francisco Bay Area. Spanning 47 square miles of peninsula land between the Pacific Ocean and San Francisco Bay, San Francisco County is unique in that it also defines the boundaries of the city of San Francisco. San Mateo County lies directly to the south, Marin County lies to the north, across the Golden Gate Bridge, and Alameda County lies to the east, across the Bay Bridge. San Francisco is the geographic and economic center of the Bay Area.

The peninsula that San Francisco County rests on is surrounded by three bodies of water – the Pacific Ocean, the Golden Gate strait, and the San Francisco Bay. The area has a mild climate, with a relatively comfortable temperature range year-round. Earthquakes are a common occurrence in the Bay Area due to the proximity to the San Andreas and Hayward Faults. The last major earthquake occurred in 1989 and measured 7.1 on the Richter scale.

#### Population

The nine-county Bay Area is home to 7.5 million residents and has shown an average decline in population of 0.5% per year over the past five years. San Francisco County has had an average decline of 1.2% per year. The following table shows recent population trends for San Francisco County, as well as the other counties that make up the Bay Area.

Population Trends							
County	2018	2019	2020	2021	2022	2023	%/Yr
Alameda	1,651,760	1,659,608	1,682,353	1,663,371	1,644,248	1,636,194	-0.2%
Contra Costa	1,143,188	1,147,623	1,165,927	1,161,238	1,151,798	1,147,653	0.1%
Marin	262,179	261,478	262,321	259,087	255,470	252,959	-0.7%
Napa	140,340	139,608	138,019	137,484	135,941	134,637	-0.8%
<b>San Francisco</b>	<b>885,716</b>	<b>886,885</b>	<b>873,965</b>	<b>853,414</b>	<b>837,036</b>	<b>831,703</b>	<b>-1.2%</b>
San Mateo	770,927	771,160	764,442	754,439	740,821	737,644	-0.9%
Santa Clara	1,943,579	1,944,733	1,936,259	1,910,551	1,890,967	1,886,079	-0.6%
Solano	436,813	438,205	453,491	449,116	445,881	443,749	0.3%
Sonoma	500,485	495,919	488,863	484,055	480,623	478,174	-0.9%
<b>Total</b>	<b>7,734,987</b>	<b>7,745,219</b>	<b>7,765,640</b>	<b>7,672,755</b>	<b>7,582,785</b>	<b>7,548,792</b>	<b>-0.5%</b>

Source: California Department of Finance

#### Employment & Economy

The California Employment Development Department has reported the following employment data for the City/County of San Francisco over the past five years.

**Employment Trends**

	2017	2018	2019	2020	2021	2022
Labor Force	563,000	568,700	580,900	560,100	548,600	572,600
Employment	546,400	555,100	568,000	515,600	520,800	558,000
Annual Employment Change	9,400	8,700	12,900	(52,400)	5,200	37,200
Unemployment Rate	2.9%	2.4%	2.2%	7.9%	5.1%	2.5%

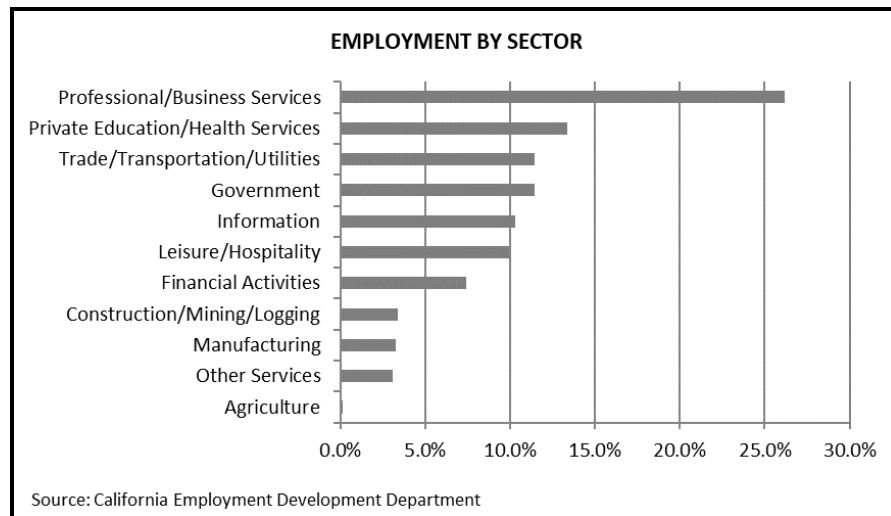
Source: California Employment Development Department

Most areas within the state and nation, including San Francisco County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, declines between 2011 and 2019, a significant increase in 2020 and improvement in 2021 and 2022.

The California Employment Development Department reported an unemployment rate of 3.2% in San Francisco County in June 2023, up from 2.5% a year prior and compared to 4.9% for California and 3.8% for the nation.

As of June 2023, it was reported the San Francisco Metro (San Francisco and San Mateo Counties) gained 30,600 jobs (2.6% increase) year-over-year as many of the jobs lost during the pandemic continue to be restored. The greatest job gain was in the Leisure and Hospitality sector with 12,800 jobs added, followed by the Private Education and Health Services sector with 12,100 jobs gained.

The following chart indicates the percentage of total employment for each sector within the city/county as of June 2023.



San Francisco's largest employment sector is Professional and Business Services, accounting for roughly 26.2% of all employment, having outpaced all other major industries in terms of job growth prior to the pandemic. The remainder of employment is divided among all other industry sectors, with Private Education and Health Services, Trade/Transportation/Utilities (which includes wholesale and retail trade) and Government each accounting for roughly 11% - 13% of the total. The following table shows the largest employers in the city/county.

<b>Largest Employers</b>			
	Employer	Industry	Employees
1	City and County of San Francisco	Government	35,802
2	University of California San Francisco	Education	29,500
3	Salesforce	Technology	10,603
4	San Francisco Unified School District	Education	10,322
5	Sutter Health	Healthcare	6,100
6	Wells Fargo & Co.	Financial Activities	5,899
7	Uber Technologies, Inc.	Transportation	5,500
8	Allied Universal	Other Services	4,095
9	Kaiser Permanente	Healthcare	3,921
10	First Republic Bank	Financial Activities	3,042

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2022

Since the publication date of the rankings above, JPMorgan Chase & Co. acquired the substantial majority of assets and assumed the deposits and certain other liabilities of First Republic Bank from the Federal Deposit Insurance Corporation.

## Transportation

Access to and through San Francisco is provided by Interstate 280, U.S. Highway 101 and State Highway 1. Interstate 280 runs northeast to Interstate 80, which traverses the Bay Bridge, connecting to Oakland (Alameda County) in the East Bay and heading north through Solano County and the city of Sacramento before continuing on through the Sierra Nevada Mountains and Reno, Nevada. Interstate 280 and U.S. Highway 101 run relatively parallel south of San Francisco, along the peninsula through San Mateo County and Silicon Valley to San Jose (Santa Clara County). U.S. Highway 101 runs north along the eastern side of San Francisco and connects to Interstate 80 at the Bay Bridge. U.S. Highway 101 also leads from the northern edge of the county over the Golden Gate Bridge into Marin County and beyond. State Highway 1 travels along the Pacific coast of California from southern California to northern California where it merges with U.S. Highway 101 in Mendocino County.

As noted above, vehicular access to the city/county of San Francisco is provided by the Golden Gate Bridge from the north, the Bay Bridge from the east, and the southern peninsula (San Mateo and Santa Clara Counties) to the south. Public transportation is provided by Amtrak trains, bus service and the Bay Area Rapid Transit (BART), which links Pittsburg/Bay Point and Richmond (Contra Costa County), Dublin/Pleasanton and Fremont (Alameda County) and Millbrae and the San Francisco International Airport (San Mateo County) to the city/county of San Francisco. Cable-car, Muni and BART service provide public transportation within the city. BART and County Connection buses shuttle commuters to and from outlying areas. The aforementioned San Francisco International Airport lies about 12 miles south of the city.

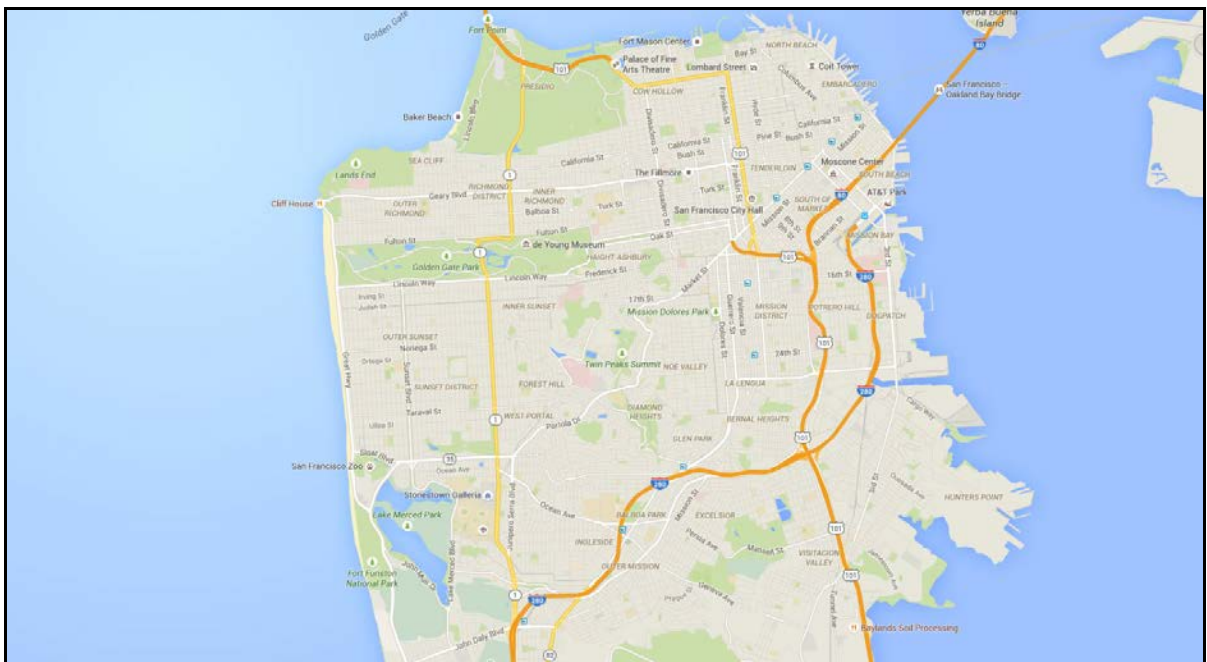
## Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of

households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. According to Claritas Spotlight data reporting service, the median household income estimated for San Francisco County in 2023 is \$140,697. This is significantly higher than the state of California's median income of \$89,113. The county's income is the fourth highest among California counties, trailing Santa Clara, San Mateo and Marin counties.

## Neighborhoods

San Francisco is identified by many smaller submarkets or neighborhoods. The main neighborhoods are described in the following paragraphs based on information from [onlyinsanfrancisco.com](http://onlyinsanfrancisco.com) and Urban Bay Properties.



**Castro/Upper Market:** San Francisco's historic F-Line streetcars are one of the best ways to reach the Castro and Upper Market areas. The Castro, and nearby Noe Valley, offer village-like amenities including pedestrian-friendly streets, Victorian homes in historic Eureka Valley, an array of trendy stores and outdoor cafes for the "see and scene" crowd. The upper stretch of Market Street coils around the lower reaches of Twin Peaks. Noted for their sweeping vistas of the Bay Area, these crests are popular with sightseers. Glen Park on the lower slopes of Diamond Heights has a canyon park and is near a BART station.

**Chinatown:** The entrance to Chinatown at Grant Avenue and Bush Street is called the "Dragon's Gate." Inside are 24 blocks of hustle and bustle, most of it taking place along Grant, the oldest street in San Francisco. This city within a city is best explored on foot; exotic shops, food markets, temples and small museums are comprised within its boundaries. The former central telephone exchange of the Pacific Telephone and Telegraph Company stands at 743 Washington Street. Now a bank, it is the



first Chinese-style building constructed in San Francisco, and the exact site where California's first newspaper was printed.

**Civic Center:** San Francisco's widest street, Van Ness Avenue, runs down the middle of Civic Center. A short distance from Civic Center is Hayes Valley, which boasts galleries, antique shops, restaurants, and book stores. A stretch of Larkin Street, starting just beyond the Asian Art Museum's front door at Larkin and McAllister up to O'Farrell, has been designated Little Saigon. Some 250 Vietnamese-owned businesses are concentrated in this and the nearby Tenderloin areas. The Polk Street district parallels Van Ness Avenue and extends all the way to Fisherman's Wharf, where it terminates in front of the historic Maritime Museum. Catering to a diverse population, Polk Street is one of the oldest shopping districts in San Francisco.

**Embarcadero/Financial District:** Lined with deep-water piers, The Embarcadero is literally where one embarks. At the foot of Market Street is the Ferry Building, which houses a food hall, restaurants and a farmer's market. The Ferry Building is also the terminal for ferries to Marin County, Vallejo, Oakland and Alameda. Across the bay is Treasure Island, a man-made island that was the site of the 1939 Golden Gate International Exposition. Much of Jackson Square, one of 11 historic districts, has many buildings dating from the mid-1800s.

**Fisherman's Wharf:** Fisherman's Wharf is home to fishing boats, seafood stalls, steaming crab cauldrons, seafood restaurants and sourdough French bread bakeries, as well as souvenir shops and museums. The historic F-Line streetcar and two cable car lines terminate in the area and sightseeing boats and boat charters link to Alcatraz, Angel Island and other points around San Francisco Bay.

**Haight-Ashbury:** One of the most photographed scenes in San Francisco, Alamo Square's famous "postcard row" at Hayes and Steiner Streets is a tight formation of Victorian houses back-dropped by downtown skyscrapers. The corner of Haight and Ashbury Streets still has its tie-dyed roots; vintage clothing, books and records are abundant here and along lower Haight Street. Locals will point out Buena Vista Park, with its city views, and, for architectural highlights, Masonic, Piedmont and Delmar Streets. Parnassus Heights is home to the University of California, San Francisco.

**Japantown/Fillmore:** Founded in 1906, Japantown is the oldest Japanese district in the United States and one of only three remaining. This small slice of Japanese life is near the Fillmore, the "Harlem of the West," which is the setting for an annual open-air jazz festival.

**Marina/Presidio:** The Golden Gate Bridge is one of the world's most famous landmarks. Its southern approach via State Highway 1/U.S. Highway 101 traverses some of the city's most scenic and historic areas including the Presidio of San Francisco and the Marina, site of the 1915 Panama-Pacific International Exposition. The outdoor cafes of Union Street in Cow Hollow, former dairy land, are ideal spots for people watching and gazing up at the mansions of Pacific Heights. Outer Sacramento Street and Laurel Heights contain a variety of shopping areas.

**Mission District:** Boasting some of the best weather in the city, the Mission District, Bernal Heights and Potrero Hill take advantage of an abundance of fog-free days. New restaurants and night spots are a draw while Mission Dolores, 16th and Dolores Streets, is the oldest structure in San Francisco. Many of the city's pioneers are buried in an adjacent cemetery. The largest concentration of murals in the



city adorns buildings, fences and walls throughout the District. Potrero Hill's Dogpatch neighborhood is one of 11 historic Districts in the city.

**Nob Hill:** Once the home of the silver kings and railroad barons, the "nabobs," Nob Hill's noble tenants include Grace Cathedral, a replica of Notre Dame in Paris; Huntington Park, site of many art shows and graced by a replica of a 16th century Roman fountain; Nob Hill Masonic Center, an architectural dazzler hosting various musical events; the Cable Car Barn, where the cable cars are stored when not in service, and grand hotels, including the Mark Hopkins (Intercontinental Hotel) and the famous Top Of The Mark restaurant/bar and the Fairmont. Russian Hill, named for burial sites of Russian hunters who were active in California waters in the early 1800s, is most famous for the winding curves of Lombard Street.

**North Beach:** North Beach is transformed into one of San Francisco's most electric playgrounds with live music and dancing. Many local residents practice tai chi in Washington Square. Coit Tower atop Telegraph Hill offers marvelous views of the city. Thirty local artists painted murals on its ground floor walls in 1933.

**Richmond District:** Laid out in a grid of multifamily houses all the way to the Great Highway and Ocean Beach, the area is bordered by Golden Gate Park, Lincoln Park/Presidio and Lone Mountain. Shopping is concentrated along major thoroughfares, including Geary Boulevard and Clement Street. The Richmond District sprouted a second Chinatown along Clement Street in the early 1970s thanks to the numerous Asian restaurants and retail stores.

**Soma/Yerba Buena:** Yerba Buena Gardens, "the largest concentration of art west of the Hudson River," is an oasis in the heart of the city. Moscone Center and more than a dozen museums are located here as well as a memorial to Dr. Martin Luther King, Jr. The South Beach area, recently transformed into a mixed-use waterfront neighborhood, includes the restored warehouses in the South End Historic District and several marinas.

**Union Square:** Pre-pandemic, Union Square was an international shopping destination; though, the neighborhood has suffered the loss of several major retailers in recent years. Union Square is a landmark park in the heart of the downtown shopping and hotel district. Granite plazas, a stage, a café and four grand entrance corner plazas bordered by the park's signature palms, pay tribute to the Square's distinctive history and offer a forum for civic celebrations. The cable cars head up Powell Street from here and flower stands populate every corner. Thousands originally from Laos, Cambodia and Vietnam have given the Tenderloin, a 20-square-block district west of Union Square, new life. A landmark church, an experimental theatre house, jazz and blues clubs, restaurants and cafes point to a neighborhood renaissance.

**Mission Bay:** Established as a redevelopment area by the City and County of San Francisco in 1998, this neighborhood was primarily undeveloped for several years, with warehouses, shipping yards and factories the primary land uses in the area. Now, since the construction of Oracle Park, home to the San Francisco Giants baseball team, the Mission Bay and Central Waterfront area of San Francisco is developing as a biotech research hub for the Bay Area. California's Stem Cell Research headquarters is located in Mission Bay, as is University of California San Francisco (UCSF) Mission Bay campus. Newly constructed and proposed residential lofts and condos are also part of the neighborhood resurgence.

**Bayview/Candlestick Point/Hunters Point:** This area is primarily south of Interstate 280 and is home to the former Hunters Point shipyard. The Point, located within the former shipyard, is hyped as “America’s largest art colony,” and hosts several open art events and exhibitions during the year. The Bayview Opera House is the city’s first opera house. Candlestick Point was the former home of Candlestick Park stadium.

**Treasure Island/Yerba Buena Island:** Treasure Island and Yerba Buena Island are located in the San Francisco Bay west of Interstate 80/The Bay Bridge. Treasure Island was artificially created with bay sand and became a U.S. Naval Station in 1941. After World War II, the island was utilized as a naval training and administrative center. Yerba Buena Island is a natural island which has historically been utilized by the U.S. Army, which established a post on the northeast portion of the island in 1867. In 1997, the Treasure Island Development Agency (TIDA) was created to oversee the reuse and redevelopment of the Treasure Island Naval Station, which had been closed by the Base Realignment and Closure Commission in 1993. Currently, the Treasure Island Development Project is underway which is planned to eventually result in 461-acres of land across both islands being redeveloped for residential, office, retail, and hotel use with substantial infrastructure upgrades.

## Recreation & Culture

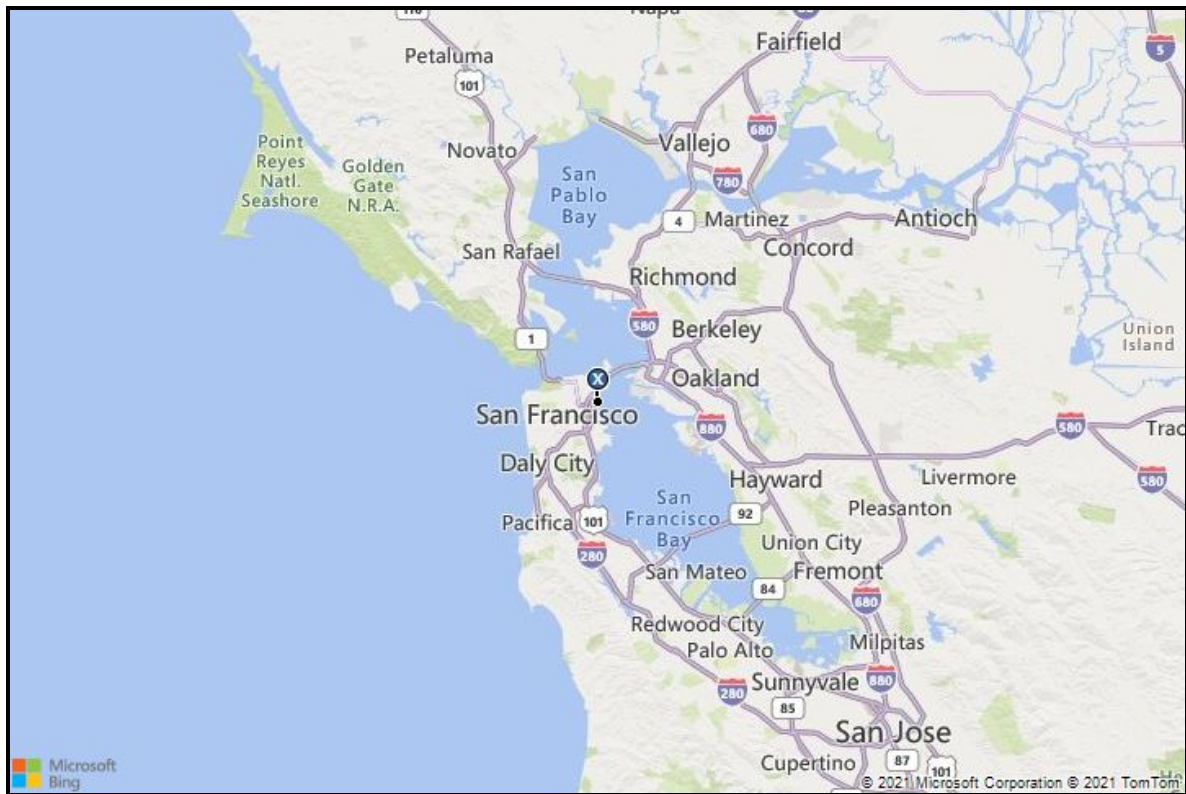
San Francisco is a city rich with cultural and recreational opportunities that attract residents and visitors alike. The city is home to live theater, symphony, ballet, opera, many diverse restaurants, professional sports teams, numerous public parks, a national recreation area, museums, beaches and a wide variety of residential neighborhoods. Professional sports teams in the Bay Area include the San Francisco Giants (baseball), Golden State Warriors (basketball), San Francisco 49ers (football), San Jose Sharks (hockey) and San Jose Earthquakes (soccer).

San Francisco is known for drawing tourists from around the globe with its wide array of attractions. Major points of interest include Alcatraz Island, Angel Island, Fisherman’s Wharf, the Embarcadero, the Aquarium of the Bay, and a city zoo. The 1,000-acre Golden Gate Park is San Francisco’s largest park and offers a treasure trove of attractions, including Strybing Arboretum and Botanical Gardens, a biodiversity hub with 6,000 plant species and a towering display of California redwoods; the Japanese Tea Garden; a children’s playground; the Asian Art Museum; MH de Young Memorial Museum; and the California Academy of Sciences.

## Conclusion

San Francisco is one of the largest metropolitan areas in the U.S. and serves as a hub for international commerce, financial services, and tourism. The city is densely built-out with a limited supply of developable land. In recent years, the region experienced strong employment and economic conditions, and favorable conditions in most real estate sectors. However, employment conditions declined sharply after the onset of the pandemic, with gradual improvement as the economy has recovered. Market and economic conditions have likewise improved as jobs and residents have returned to the metro, but most commercial real estate markets remain at conditions below their pre-pandemic levels. Additionally, current macroeconomic factors, particularly high inflation, and rising interest rates, have reintroduced uncertainty in the market.

## Area Map



## Surrounding Area Analysis

### Boundaries

The subject is located in the Mission Bay neighborhood of San Francisco. The approximate boundaries of the Mission Bay district are described as follows:

<b>North</b>	Townsend Street
<b>South</b>	Mariposa Street
<b>East</b>	San Francisco Bay
<b>West</b>	Interstate 280

A map identifying the location of the property follows this section. The subject property specifically is located within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). The boundaries of the district are provided below.

<b>North</b>	McCovey Cove
<b>South</b>	Mission Rock Street
<b>East</b>	Terry A. Francois Boulevard
<b>West</b>	3 <sup>rd</sup> Street

### Access and Linkages

The subject's neighborhood has adequate street and freeway access. 3<sup>rd</sup> and 4<sup>th</sup> Streets are north/south arterials connecting the subject's neighborhood to Market Street, the Civic Center, and Union Square. Brannan and Bryant Streets function as major northeast/southwest thoroughfares running through the South of Market (SoMa) area, south of I-80. Folsom and Harrison Streets run in a similar direction north of the subject neighborhood, but north of I-80. Just north of Mission Bay, San Francisco's Embarcadero provides north/south access along the San Francisco Bay waterfront.

Interstate 80 (the Oakland-San Francisco Bay Bridge), which provides access to Oakland and the East Bay, is accessible from Bryant Street at 2<sup>nd</sup> Street, 4<sup>th</sup>/5<sup>th</sup> Streets, and 7<sup>th</sup> Street, just outside the subject neighborhood. Primary interstate access to the subject's immediate neighborhood is provided by I-280/ U.S. Highway 101 from Mariposa Street, several blocks south of the subject. Highway 101 runs north/south through the city, before connecting San Francisco to Marin County to the north and San Mateo and Santa Clara counties to the south. Interstate 280 forms the southern boundary of Bernal Heights before intersecting with Highway 101 and continuing northward to Interstate 80.

The subject is located approximately two miles east of the Civic Center Station and just under two miles south of the Montgomery Street Station, where both Bay Area Rapid Transit (BART) and MUNI are available. MUNI, which provides bus, light rail, cable car, and electric street car services throughout San Francisco, also offers multiple bus stops within a quarter mile of the subject property. In addition, the Caltrain station at 4<sup>th</sup> Street is approximately half a mile north of the subject property, along King Street. Caltrain provides commuter rail service between San Francisco and Gilroy in the South Bay. The subject is approximately one and a half miles southeast from the new Salesforce

Transit Center, a \$6 billion project intended to serve as the primary bus terminal (completed in Phase 1) and future rail terminal for the Bay area.

The local market perceives public transportation as average to good compared to other areas in the region. While automobile use is prevalent, the primary mode of transportation in San Francisco is bus and train service. In fact, the City's current development policy discourages excess parking at new developments in an effort to promote public transportation and bicycle use.

The San Francisco International Airport is located approximately 12 miles south of the subject property; travel time is about 20-40 minutes, depending on traffic conditions and mode of transportation. The Oakland International Airport is located approximately 18 miles east of the subject property. The San Francisco Financial District, the economic and cultural center of the region, is approximately two miles from the property.

The following map depicts public transit options in the subject neighborhood, including planned transit improvements.





## Demographics

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

<b>Surrounding Area Demographics</b>					
2023 Estimates	5-Minute Drive Time	10-Minute Drive Time	15-Minute Drive Time	San Francisco City & County	San Francisco-Oakland MSA
Population 2020	27,103	201,099	774,784	873,965	4,749,008
Population 2023	27,207	196,508	742,913	831,958	4,672,808
Population 2028	28,727	201,599	742,247	829,076	4,708,625
Compound % Change 2020-2023	0.1%	-0.8%	-1.4%	-1.6%	-0.5%
Compound % Change 2023-2028	1.1%	0.5%	0.0%	-0.1%	0.2%
Households 2020	13,134	90,578	317,360	371,851	1,744,100
Households 2023	13,064	89,221	307,104	358,729	1,712,517
Households 2028	13,730	92,590	310,501	362,944	1,725,723
Compound % Change 2020-2023	-0.2%	-0.5%	-1.1%	-1.2%	-0.6%
Compound % Change 2023-2028	1.0%	0.7%	0.2%	0.2%	0.2%
Median Household Income 2023	\$199,386	\$133,770	\$130,328	\$140,697	\$127,870
Average Household Size	1.9	2.0	2.3	2.2	2.7
College Graduate %	75%	56%	53%	59%	51%
Median Age	36	40	40	40	40
Owner Occupied %	33%	30%	38%	38%	55%
Renter Occupied %	67%	70%	62%	62%	45%
Median Owner Occupied Housing Value	\$1,873,540	\$1,448,779	\$1,356,734	\$1,845,484	\$1,202,706
Median Year Structure Built	2005	1969	1954	1942	1967
Average Travel Time to Work in Minutes	38	35	36	37	38

Source: Claritas

As shown above, the current population within a 10-minute drive time of the subject is 196,508, and the average household size is 2.0. Population in the area has declined since the 2020 census, but the trend is projected to change to growth over the next five years. This is in contrast to the population of San Francisco County, which is projected to decline, as discussed previously.

Median household income within a ten-minute drive time is \$133,770, which is lower than the household income for San Francisco County. However, residents within a five-minute drive have a median household income of \$199,386, which is higher than the County of San Francisco and the San Francisco-Oakland Metropolitan Statistical Area (MSA). Residents within a ten-minute drive time have a lower level of educational attainment than those of San Francisco County, while median owner occupied home values are considerably lower. Conversely, residents within a five-minute drive time have a higher level of education attainment and higher median owner occupied home values when compared to San Francisco County.

## Land Use

The area is urban in character and in the redevelopment phase of its life cycle. Land uses immediately surrounding the subject reflect a mix of residential and commercial properties, along with some public open spaces. Typical ages of building improvements range from new to greater than 50 years. As noted in the previous demographics table, the median year built for structures within a five-minute

drive time is 2007, significantly newer than the median age for structures in San Francisco overall. New development in the past five years has included multiple multifamily residential and mixed-use projects, as well as construction of new hospital and research/development improvements at and around the 43-acre UC San Francisco medical and research campus (located just southwest of the subject along 3<sup>rd</sup> Street.

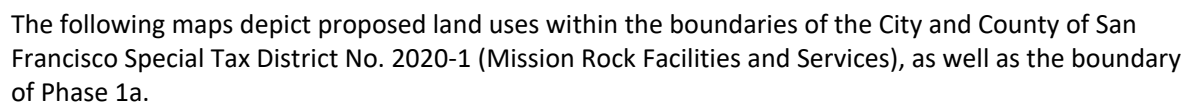
Other land use characteristics are summarized as follows:

<b>Surrounding Area Land Uses</b>	
Character of Area	Urban
Predominant Housing Age (Both Ownership and Rental)	New to 15 years
Predominant Quality and Condition	Average to above average
Approximate Percent Developed	80%
Percent Developed by Land use	50% Multifamily; 0% Single Family; 50% Commercial
Infrastructure/Planning	Average
Prospective Change in Land Use	On-going; redevelopment of subject
Prevailing Direction of Growth	Infill

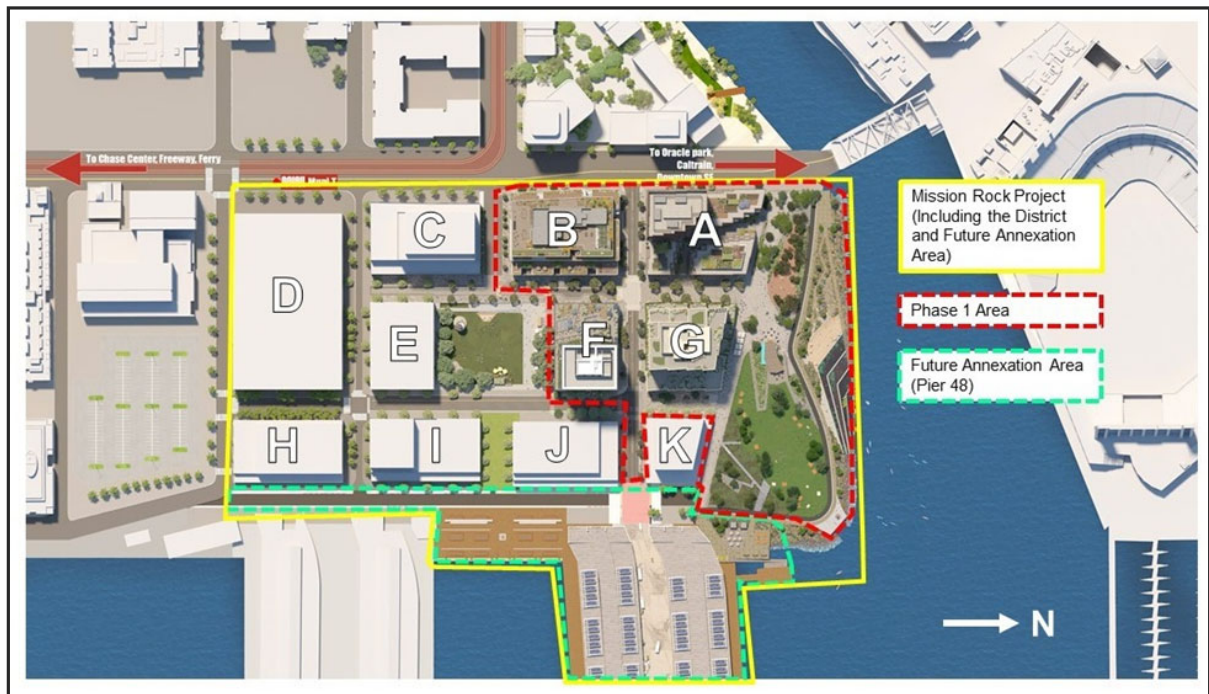
In addition, Oracle Park is located just north of McCovey Cove from the subject property, within walking distance. The subject property enjoys views of the baseball stadium and the San Francisco Bay. The new Chase Center, completed in 2019 and home to the Golden State Warriors, is located approximately half a mile south of the subject property between 3<sup>rd</sup> Street and Terry A. Francois Boulevard.

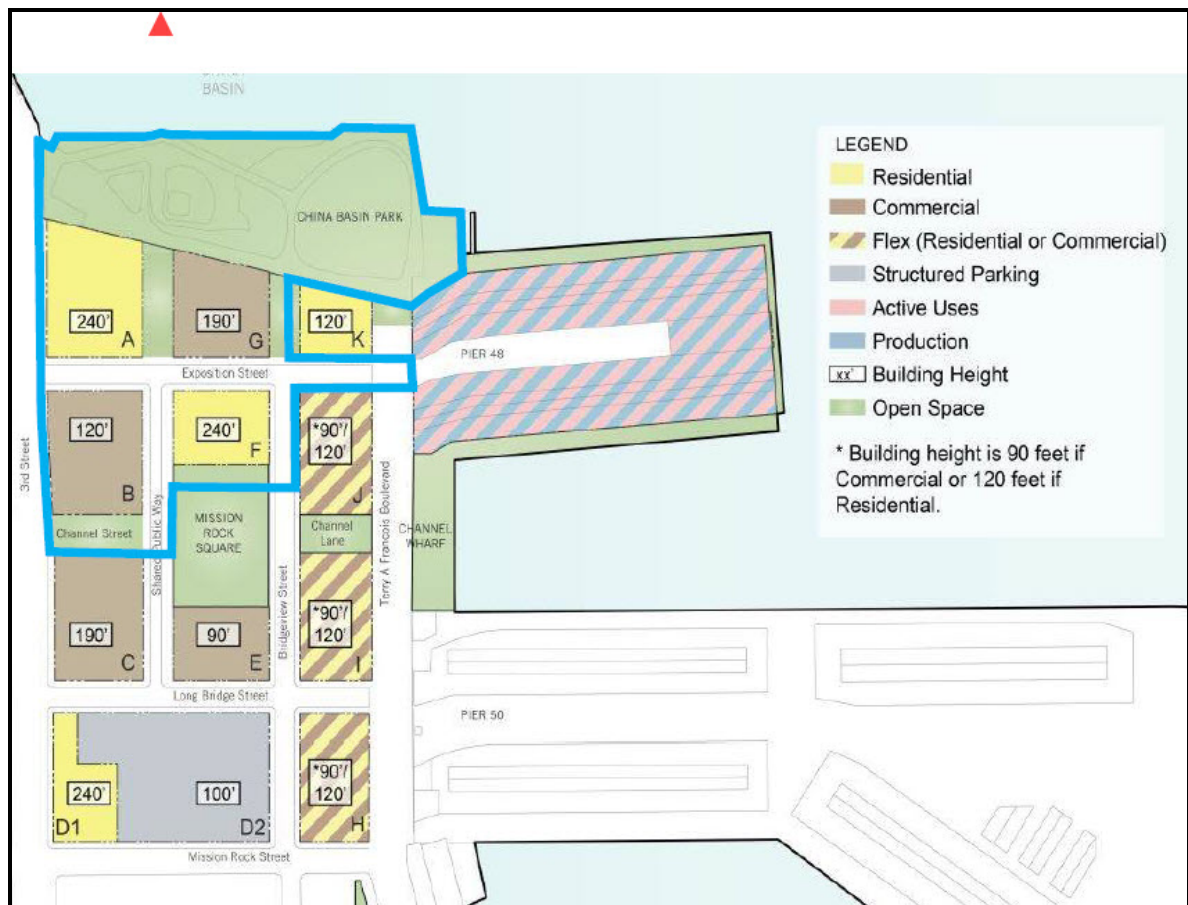
<b>Subject's Immediate Surroundings</b>	
North	McCovey Cove and Oracle Park
South	Multifamily residential, retail/office use, police station
East	Pier 48, Pier 50, San Francisco Bay
West	Multifamily residential, retail/office use

The following map from a marketing brochure Mission Rock highlights notable land uses in the area.









Phase 1a (and 1b, comprises China Basin Park) of the project is outlined in blue in the above table and in red in the previous table. Blocks H, I, and J, which are designated as flex in the rendering above, will include residential/office use on Block H and office use on Blocks I and J. Block D2 will include a parking garage which is intended to serve the entire project with up to 3,000 parking spaces available for rent. Though the parking garage will also be used for San Francisco Giants games/events, the parking allocation for the subject's residential buildings will be at least 0.50 spaces per market rate unit, in compliance with the subject's Covenants, Conditions, and Restrictions. The project will also include several parks, open spaces, and paseos. A summary of parks and open space within the Special Tax District boundary is provided in the following table.

#### Parks & Open Space

Name	Acreage	Square Feet
China Basin Park	4.27	186,001
Channel Street	0.27	11,761
Channel Lane	0.22	9,583
Mission Rock Square	1.11	48,352
	5.87	255,697

\*Excludes Channel Wharf (0.48 acres) & Pier 48 (8.02 acres), which will be annexed later.



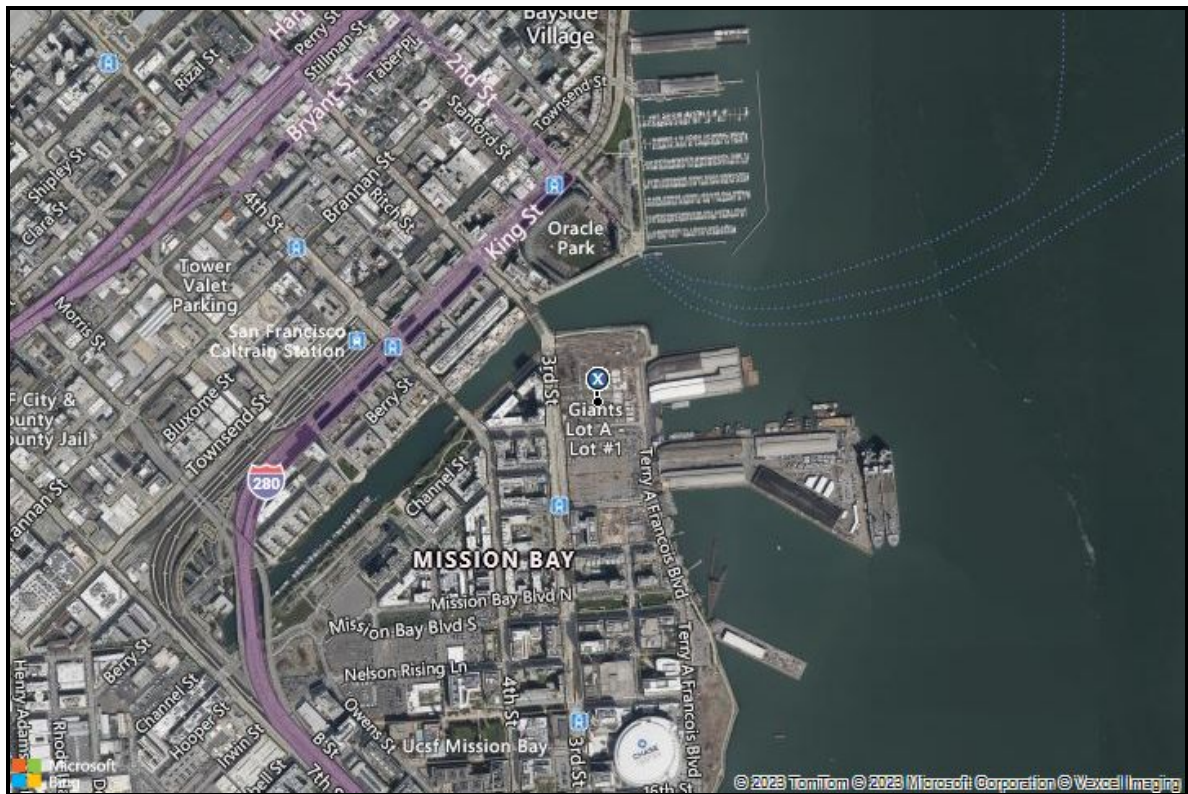
The following graphics are conceptual plans for the China Basin Park adjacent to McCovey Cove.



**Outlook and Conclusions**

The area is in the redevelopment stage of its life cycle. In addition to the subject proposal, the neighborhood has seen significant development in the past five to ten years, including multifamily (for rent and for sale) projects, new office, biomedical, and research and development improvements, hospital development, and sports arena construction. Prior to the COVID-19 pandemic, property values were increasing in the area. While the effects of the pandemic continue to have a negative impact on commercial property values, based on interviews with multiple commercial and market participants, it is anticipated property values will stabilize and begin to recover over the next several years.

## Surrounding Area Map





## Multifamily Market Analysis

The subject is located within the San Francisco apartment market area, defined as the city/county limits, as highlighted in the map below.



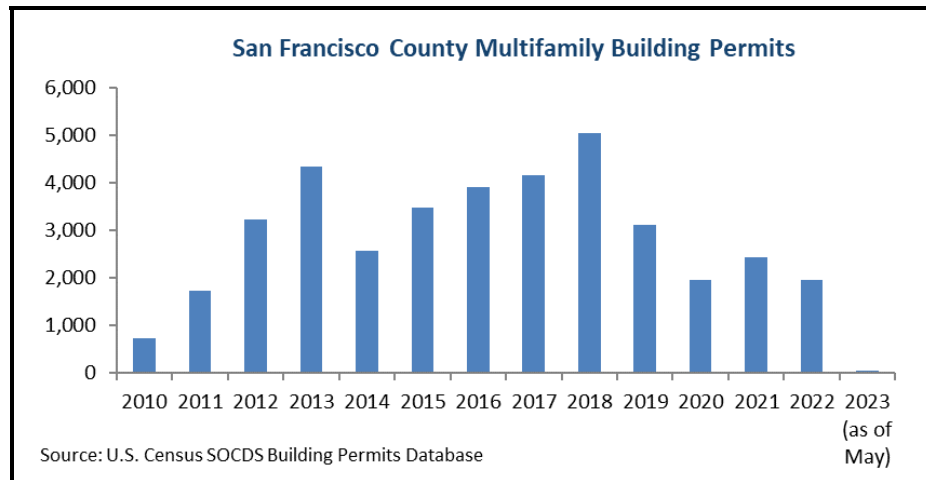
The San Francisco Bay Area multifamily market experienced strong demand during the last expansion cycle as tech companies expanded rapidly in the region. Multifamily construction activity surged, with demand keeping pace with development prior to the pandemic, resulting in vacancy rates throughout most of the areas in or below the 5% range. Market conditions declined significantly after the onset of the pandemic but have been slowly improving as renter demand has returned. Nonetheless, conditions remain below their pre-pandemic levels.

The following excerpt published by Costar summarizes the state of the market.

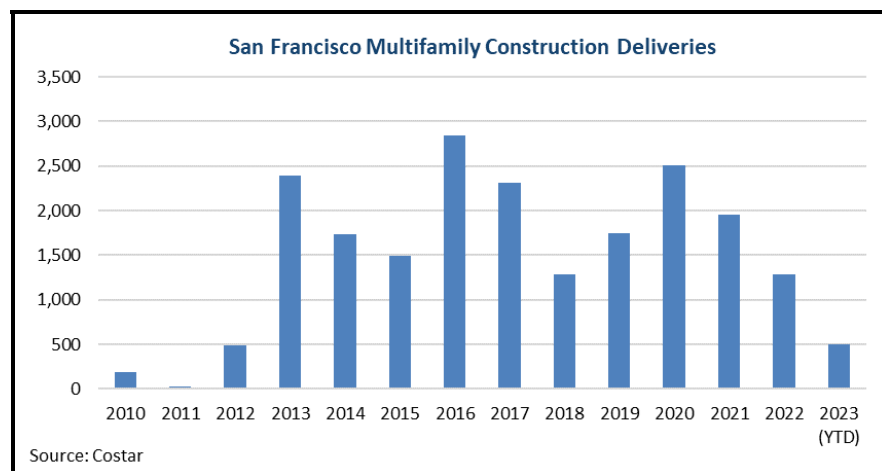
*“As of the third quarter of 2023, the San Francisco apartment market is showing signs of stability after the volatility of recent years. Vacancy has levelled-off, albeit at a higher level than before the pandemic. Rent growth is generally flat, and construction activity has shifted from the city of San Francisco to the peninsula. Investment activity is muted, reflecting broader economic headwinds. In 2020, when the pandemic hit and San Francisco went into an extended lockdown, many renters, who were already overwhelmed by the high cost of housing, took the opportunity to leave the city in search of less expensive alternatives. Almost 10,000 units were vacated, as the vacancy rate increased to 11.3%, while market rents fell by 11%. Moving into the second half of 2023, this loss of workforce and population has only partially recovered. Unlike most other markets in the Bay area, apartment demand in San Francisco is still below pre-pandemic levels. Vacancy in the second quarter is 6.9%, and rents are lower than they were in 2019... Looking ahead, positive absorption is projected for the metro market, but the rate of improvement in areas close to downtown San Francisco will depend upon both a return to in-office working and improvements to safety and security. Social problems associated with homelessness, drug activity and crime are a significant disincentive to residents...There is additional uncertainty around employment, as tech companies implement hiring freezes and layoffs.”*

## New Construction

The following chart indicates the number of multifamily building permits issued since 2010 in San Francisco County according to US Census Bureau data. It is noted these figures include for-rent apartments and for-sale condominiums within projects with five or more units.



Permit activity for multifamily projects was low during the 2008-2010 recession years, with increases beginning in 2011/2012 as developers began responding to improving market conditions. In recent years, the majority of new developments have been concentrated in the South of Market (SoMa), Mission Bay/China Basin/Potrero Hill and Haight-Ashbury/Castro/Noe Valley/Mission District submarkets. The following summarizes new construction deliveries since 2010.



Though it has slowed considerably, construction remains active as high-rise projects typically require several years to complete. However, as construction costs have steadily increased in recent years, developers have been re-evaluating the feasibility of new development and there have been fewer

new projects breaking ground since mid-2018. Some of the significant apartment projects recently delivered or under construction are summarized as follows:

#### San Francisco Multifamily New Construction

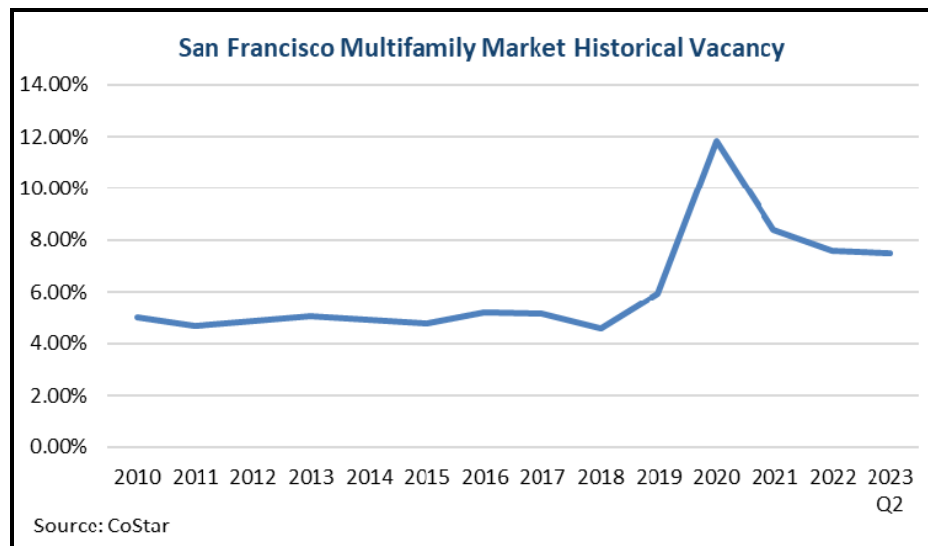
Project	Number of Units	Submarket	Completion
HQ / 1532 Harrison Street	136	Mission District	Completed Q2 2021
Trinity Place / 1177 Market Street	502	South of Market	Completed Q3 2021
Hanover Soma West Apts / 1140	372	South of Market	Completed Q3 2021
Astella / 955 Bryant Street	185	Mission Bay	Completed Q3 2021
Chorus / 30 Otis Street	416	Haight-Ashbury	Completed Q3 2021
Vance / 830 Eddy Street	137	Richmond/Western Addition	Completed Q4 2021
Prism Apartments / 1028 Market Street	186	Mid-Market	Completed Q1 2022
The George / 434 Minna Street	302	South of Market	Completed Q1 2022
TL 361 / 361 Turk Street	240	Civic Center	Completed Q4 2022
The Brady / 1 Brady St, 1629 Market St	444	South of Market	Completed Q3 2022
Ventana Residences / 99 Ocean Ave	193	Bayview / Visitacion Valley	Completed Q2 2023
The Canyon / 1023 3rd Street	283	Mission Bay	Completed Q2 2023
4840 Mission Street	137	Bayview / Visitacion Valley	Q3 2023
Hawkins / 55 Bruton Street	178	Treasure Island	Q3 2024
Mission Rock - Building F	255	Mission Bay	Q4 2024
Tidal House / 39 Bruton Street	250	Treasure Island	Q1 2025
988 Harrison St	90	South of Market	Q1 2025
1 Avenue of the Palms	117	Treasure Island	Q2 2025
401 Avenue A	160	Treasure Island	Q2 2026
360 5th Street	127	South of Market	Q2 2026

Source: Costar

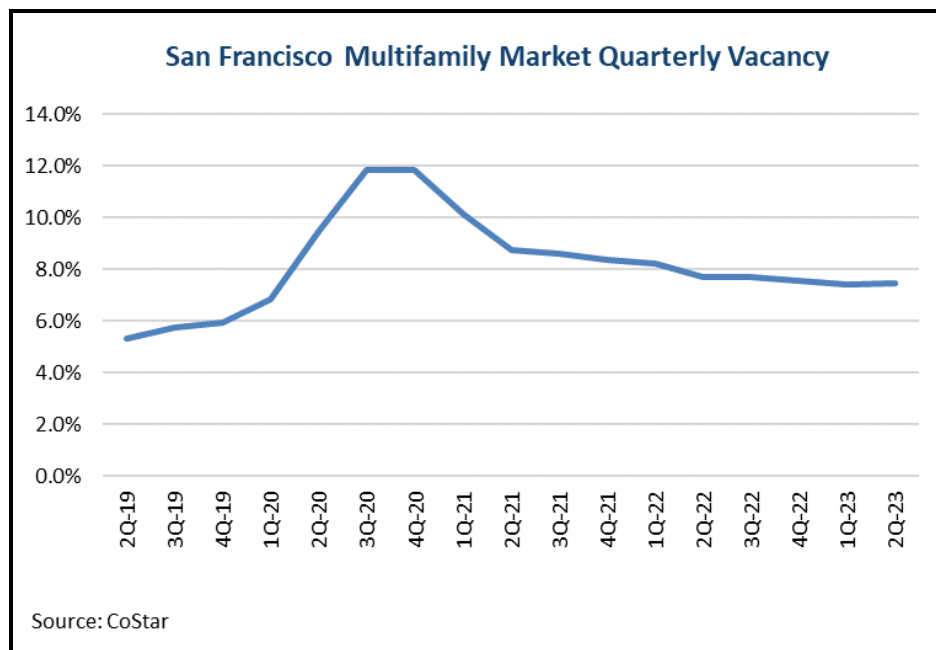
### Vacancy

Historically speaking, the apartment market in San Francisco has maintained relatively low vacancy and over the last decade, the region's average vacancy rate has remained generally under 5%, with a significant increase in 2020 to nearly 12%, as indicated in the following table.





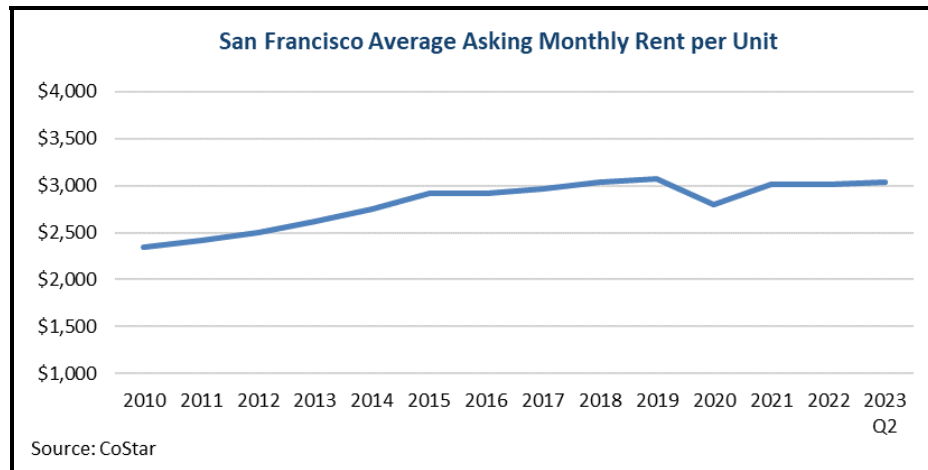
The average overall vacancy rate fluctuated between 4.6% to 6.0% during 2018 and 2019 and began increasing in the first quarter of 2020, with a reported rate of 6.9%. The rate further increased each subsequent quarter in 2020 following the onset of the pandemic with improvement beginning in 2021 and then leveling off through 2022 and into 2023, as illustrated below.



As of the second quarter 2023, the overall average vacancy was reported at 7.5%, a 10-basis point increase over the first quarter and a 20-basis point decrease year-over-year.

## Rental Rates

The following chart highlights trends in the average asking monthly rental rate for multifamily units in the San Francisco market area, as reported by Costar. Guarded reliance should be placed on reported average asking rental rates due to the number of variables impacting these figures.



According to this report, the average asking monthly rental rate as of the second quarter 2023 was \$3,041, up from \$3,028 in the first quarter 2023 and down from \$3,082 a year prior. Rental rate growth had been moderating since 2016 and declined significantly following the onset of the pandemic, while rent concessions increased substantially. Luxury apartments were the most heavily impacted and offered the greatest discounts, as they faced a slow leasing environment as well as additional competition from newly constructed projects. Rental rates began improving in 2021 after five quarters of decline and have been relatively stable over the past two years.

## Submarket Data

New construction activity over the past five years has been heavily concentrated in the South of Market submarket, with development also occurring in Haight-Ashbury/Castro/Noe Valley/Mission District and Mission Bay/China Basin/Potrero Hill.

Average asking rental rates ranged from \$2,421 per unit/month in the Civic Center / Tenderloin submarket to \$3,916 per unit/month in the Mission Bay/China Basin/Potrero Hill submarket. Average asking rents decreased year-over-year in most submarkets, ranging from 0.3% decline in Downtown San Francisco to 7.4% decline in the Sunset/Lakeshore submarket. The Marina/Pacific Heights/Presidio submarket was the only one to show annual rent growth of 0.8%.

In terms of vacancy, a rate of 0% was reported for Treasure/Yerba Buena Island; however, it is noted only 430 units are considered in the survey and these units reflect older, existing housing stock. The next lowest vacancy is in the Marina/Pacific Heights/Presidio submarket at 5.6%. The highest overall vacancies were reported in the Bayview/Visitation Valley and Sunset/Lakeshore submarkets at 17.4% and 11.4%, respectively. Vacancy increased from 4.6% last quarter to 17.4% this quarter in the Bayview/Visitation Valley submarket due to delivery of 193 units.

The following table highlights recent market activity for the submarkets that make up the San Francisco market.

#### San Francisco Multifamily Market Summary

Submarket	Inventory (Units)	12-Mo Deliveries	Under Construction	Asking Rents Q2 2023	Vacancy Q2 2023
Bayview / Visitacion Valley	1,330	193	0	\$2,785	17.4%
Civic Center / Tenderloin	10,731	240	0	\$2,421	8.8%
Downtown San Francisco	23,898	0	53	\$2,688	6.3%
Haight-Ashbury/Castro/Noe Valley/Mission District	20,183	519	75	\$3,059	7.8%
Marina/Pacific Heights/Presidio	14,442	0	0	\$3,731	5.6%
Mission Bay/China Basin/Potrero Hill	7,470	307	255	\$3,916	7.2%
Richmond/Western Addition	17,747	0	0	\$2,611	7.5%
South of Market	13,290	0	217	\$3,603	6.5%
Sunset/Lakeshore	9,232	0	0	\$2,910	11.4%
Treasure/Yerba Buena Island	430	0	705	\$2,823	0.0%
San Francisco Market Total	118,753	1,259	1,305	\$3,041	7.5%

Source: Costar

### Sales Activity

The strong market fundamentals and economy in the San Francisco market have historically made it an attractive capital investment market. As rental rates steadily increased following the recession of 2008, capitalization rates decreased and pricing increased, making San Francisco the most expensive multifamily market in the country. Prior to the pandemic, capitalization rates held steady in the high 3% to low 4% range and were among the lowest in the country. Properties with value-add potential were in demand as investors looked to renovate and compete with nearby luxury rentals.

The first quarter 2020 showed signs of moderation as rental rate growth diminished and vacancy rates began stabilizing with new inventory added. The subsequent quarters in 2020 showed declining sales volume and average price per unit, as well as a slight increase in the average capitalization rate due to the effects of the pandemic. Sales volume and pricing have remained subdued as investors continue to exercise caution. Investor interest has further slowed over the past year due to the rapidly rising interest rates and economic uncertainty, both in the local economy and in the nation at large.

### Market Participant Interviews

As part of our research, we discussed the subject and the broader San Francisco multifamily market with two representatives from Greystar, Mr. Cordano and Mr. Valenti. Both representatives we spoke with emphasized that recovery of the multifamily market has varied widely by neighborhood. Residential neighborhoods with reputations as quiet, clean, and safe have been most successful, and this includes Mission Bay. The local market also continues to be impacted by remote work policies. If employees are only required to commute to the office one or two days a week, they may choose to reside outside of San Francisco rather than closer to employment. However, it is noted that those in certain fields, such as the legal and medical professions, have already returned to the office; professionals in these fields are often interested in newer, highly-amenitized apartments. Both representatives noted the Mission Bay neighborhood has benefited from a mini-migration of renters from other neighborhoods.

Overall, rental rates in San Francisco are 8% to 9% below pre-COVID rates, which reflects significant recovery from the 20% to 30% decline seen at the height of the pandemic. Occupancy rates are reportedly back up to 94% to 95%, and multifamily projects are beginning to drop concessions (historically these have only been offered during lease up) which is a positive sign for the local market. The representatives noted that May and June 2023 were strong months for leasing. Despite this, there is very little activity on the sales side. One representative we spoke with is aware of 12 to 15 projects that were brought to market in recent months only to be pulled because they were not generating the offers/interest sellers were hoping.

### **Conclusion**

The San Francisco apartment market was significantly impacted by the effects of the pandemic through 2020, with early signs of improvement emerging in 2021. Job losses, particularly in the retail, hospitality, restaurants and services sectors, were substantial in the economic downturn and have been slow to recover. The high cost of living in the San Francisco market likewise contributed to an outflow of renters, particularly as employees were able to work from home and thus relocated to less expensive and suburban markets.

After a reopening of the economy in mid-June 2021, renters began returning to San Francisco, strengthening occupancy gains. Overall vacancy levels declined and increases in rental rates followed. Despite improvements over the past two years, the market remains below its pre-pandemic levels with regard to rental rates and occupancy. Recovery is expected to be gradual and will depend on the region regaining the workforce and population lost with the pandemic.

## Office Market Analysis

The subject is located within the San Francisco office market area, comprised of the areas within the city of San Francisco with the vast majority of office space inventory, as defined by Cushman and Wakefield reports, which will be relied on in this analysis.

Key market indicators in the San Francisco office market remain well below pre-pandemic levels, as activity continues to be affected by the severe drop in office use. The transition to remote working during the pandemic heavily impacted this market, and the effects are still unfolding. The tech industry, which dominated office demand prior to the pandemic, subsequently led the transition to long-term remote work post-pandemic. Growth plans were halted and office space needs were evaluated, resulting predominantly in downsizing and consolidating. More recently, large tech companies have announced mass employee layoffs, further impacting office demand. Coupled with macroeconomic uncertainty, the office market continues to deteriorate.

Recent leasing activity has been dominated by renewals and subleases; the availability of sublease space continues to increase with the addition of large block spaces, particularly from tech companies offering surplus space. Meta listed a 435,000 square foot building at 181 Fremont Street. Vacancy continues to trend upward, reaching historically high levels as companies' downsizing and rightsizing efforts result in overall occupancy losses, particularly in the North Financial District. However, as will be demonstrated, the subject's Mission Bay neighborhood has lower vacancy rates than many competing submarkets. It is also noteworthy that in March 2023, legislation was introduced to make it easier for developers to redevelop downtown office properties into housing.

## Employment

Economic conditions have been gradually improving in the San Francisco metropolitan area (San Francisco and San Mateo Counties) since the significant decline experienced after the onset of the pandemic. The California Employment Development Department (EDD), reports a job increase of 2.6% in the San Francisco-Redwood City-South San Francisco Metropolitan Division (San Francisco and San Mateo Counties) year-over-year as of June 2023, with 30,600 net jobs gained. The chart to the right illustrates the year-over-year job growth by industry. The highest gains were in Leisure/Hospitality (12,800 jobs gained); Education/Health Services (12,800 jobs gained) and Professional/Business Services (6,400 jobs gained). The biggest year-over-year loss in jobs was Construction with 1,200 jobs lost.



## Vacancy and Absorption

Office vacancy in the region was on a steady moderate decline from the period of roughly 2011 to the beginning of 2016, at which point it increased and remained in the mid-7% to mid-8% range until 2018, when it started slowly declining again. The average vacancy steadily declined through 2018 and

2019, with increases beginning in 2020 and continuing since. The following chart illustrates recent vacancy trends in the region.

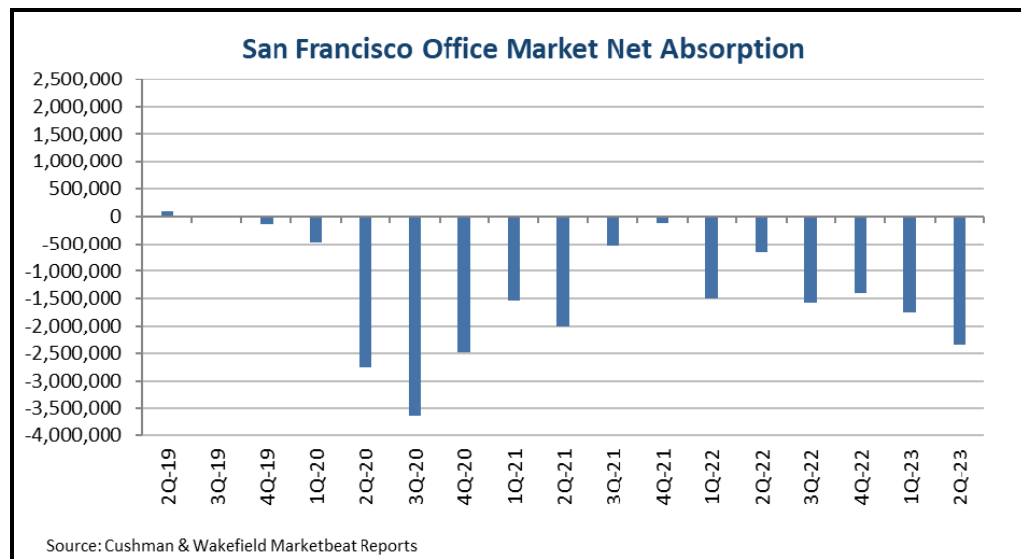


Vacancy has increased each quarter after the second quarter 2020. The average vacancy rate was 27.1% in the second quarter 2023, up from 24.8% the previous quarter and up from 21.7% a year ago. Sublease space continues to be a significant source of vacancy, accounting for 27% of all vacancy in the market. Large subleases added this quarter include Uber, Slack and Salesforce, totaling 1.8 million square feet as a result of over 6,000 tech employee layoffs in the market during the second quarter.

Reports indicate leasing activity in the market declined to historic lows in 2020 due to the pandemic. Leasing gained momentum through 2021 but remained below the 1.6 million square foot quarterly average as most transactions were small to mid-sized users. There was 949,710 square feet of new leasing in the second quarter 2023, down from 1.4 million square feet in the first quarter. Most new leasing involved Class A product and the CBD was most active.

Cushman and Wakefield reported active tenant demand of 4.9 million square feet in the second quarter 2023, with roughly 42% of that in the technology-related sector. This figure is well below the mid-first quarter 2020 (just prior to the pandemic) demand of 7.4 million square feet.

After nearly a decade of predominantly positive annual occupancy gains, net absorption began to moderate in late 2019, with significant declines after the first quarter 2020. The following chart summarizes net absorption over the past four years.



Net absorption was over 4.8 million square feet in 2018; these strong gains were due to the completion of several large projects, which were mostly pre-leased, including delivery of Salesforce Tower, the tallest building in San Francisco at 61 floors and 1.4 million square feet of rentable area.

Net absorption declined in 2019 with the slowdown attributed to several factors: some tenants had fulfilled their current space needs; a few larger tenants had put expansions on hold; new construction deliveries had been limited and the shortage of large-block spaces was impacting leasing activity. The slowdown was further exacerbated in 2020 with leasing activity nearly ceasing in the months after the onset of the pandemic.

Net absorption was negative each quarter in 2020 and totaled negative 9.4 million square feet by year end. Factors contributing to the negative absorption included tech firms reducing, or “right-sizing” their footprint, small and mid-sized tenants vacating their spaces as they struggled to maintain operations, and tenants leaving the market in search of more affordable alternatives. Among tenants that have moved their operations in recent years are Blue Shield, Square, Credit Karma, and PG&E, all of which relocated to Oakland. Several other large corporations have relocated from San Francisco to other states.

As restrictions eased in the economy, leasing activity improved, but net absorption remained negative, totaling negative 4.2 million square feet by year end 2021. Conditions continued to decline through 2022 as companies continued to downsize/consolidate, giving more space back than what was leased. Net absorption in 2022 was negative 5.1 million square feet. The first half of 2023 posted negative net absorption of 4.1 million square feet, with 2,345,728 square feet lost in the second quarter.

The following table shows current vacancy and absorption data by submarket.

**San Francisco Office Market Summary**

Submarket	Total SF (millions)	Vacancy 2Q 2023	Net Absorption 2Q 2023	Net Absorption YTD
North Financial District	26.47	27.6%	(453,182)	(817,347)
South Financial District	28.24	24.9%	(1,426,469)	(1,660,266)
Jackson Square	2.04	22.5%	145,193	101,860
Mid-Market	4.83	21.5%	(313,063)	(248,635)
Mission Bay	1.63	17.4%	(249,753)	(249,753)
North Waterfront	3.35	25.7%	0	(64,142)
Showplace Square / Potrero Hill	4.01	30.9%	17,036	(107,132)
SOMA	9.10	42.7%	(130,379)	(511,923)
The Presidio	1.03	4.4%	(797)	(31,216)
Third Street Corridor	0.41	0.0%	70,000	70,000
Union Square	3.30	24.9%	2,574	21,251
Van Ness Corridor	0.73	14.5%	(6,888)	(6,988)
<b>Total</b>	<b>85.14</b>	<b>27.1%</b>	<b>(2,345,728)</b>	<b>(3,504,291)</b>

Source: Cushman & Wakefield Marketbeat Reports

Nearly each submarket posted net occupancy losses in the second quarter 2023, ranging from 6,888 in the Van Ness Corridor to 1,426,469 square feet in the South Financial District. Positive net absorption in the remaining submarkets ranged from 2,574 to 145,193 square feet.

The highest vacancy was reported in the SOMA submarket (42.7%) and the lowest in Third Street Corridor (0%) and the Presidio (4.4%). The subject's Mission Bay neighborhood reports a vacancy rate of 17.4%, which is lower than the overall average for San Francisco and the fourth lowest rate among all submarkets. In addition, Mission Bay has the second lowest vacancy rate among submarkets with over one million square feet of inventory.

## Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, which is influenced by the quality and quantity of space available at the time. Guarded reliance should be placed on average asking rates given the number of variables impacting these figures.

According to market research reports, average asking rental rates for office space in the San Francisco market steadily trended upward from 2011 to 2015 and were then flat to slightly increasing until the third quarter 2020, when they began to decline. As of the second quarter of 2023, the region's average asking rate was \$6.01 psf/month (full service), down from \$6.02 psf/month in the first quarter and down from \$6.30 psf/month the previous year. The average asking rate was \$6.17 psf/month in the CBD, and \$6.37 psf/month for Class A properties in the CBD, while the non-CBD submarkets had an overall average asking rate of \$5.75 psf/month and \$6.35 psf/month for Class A space.

## New Construction

The San Francisco office market delivered 3.7 million square feet of new office product in 2018, which is the largest delivered in over 20 years. The highest concentration was in the South Financial District, with 1.8 million square feet delivered. Most of the space delivered pre-leased and, as of the end of the year, all newly constructed space had been leased.



Deliveries in 2019 totaled approximately 1.8 million square feet, based on data in the Kidder Mathews Market Trends report. There was one delivery in 2020 – a 466,000 square foot office tower at 49 South Van Ness was completed in the second quarter in the South of Market submarket, preleased to the City of San Francisco as the location of a one-stop permit center. In 2021, the Uber headquarter project, with over one million square feet of space, was completed in Mission Bay near the Chase Center, as were two other buildings, both delivering preleased. However, to date, Uber has not occupied the project and has listed 285,000 square feet of fully furnished space (one of four buildings) for sublease.

In 2022, the 5M building at 415 Natoma Street in the South of Market submarket was delivered in the first quarter and the subject's Building G, which will be the global headquarters for Visa, was completed in the fourth quarter. The Mission Rock project, totaling over 600,000 square feet within Buildings B and G, is the largest development in progress.

As of mid-2023, one 101,782 square foot building was delivered at 200 Rhode Island Street.

Construction costs have steadily increased over the past several years, impacting the overall feasibility of development. More recently, supply chain issues have caused both the cost of raw materials in construction to increase significantly as well as delays in delivery times and tenant improvement projects. Rising inflation has further contributed to increased costs.

The following highlights significant projects that have been recently completed or are under construction. However, it is noted that construction on 30 Van Ness Avenue, which is approved for 333 residential condominiums and over 200,000 square feet of office space, has been halted by developer Lendlease. According to an August 2023 article by the *San Francisco Business Times*, the developer stated the project is on hold "until market conditions normalize and we're able to bring in early tenancy commitments, or capital partners, or both." In addition, the Potrero Power Station project has also faced delays, though vertical construction is expected to start in October 2023.

<b>Significant New Construction Office Projects</b>			
Project	Submarket	Size (SF)	Status
<b>Recently Completed</b>			
Park Tower / 250 Howard Street (Facebook)	South Financial	751,500	Completed Q1 2019
The Exchange at 16th St / 1800 Owens (Dropbox)	Mission Bay	750,370	Completed Q2 2019
Pacific Medical Buildings / 1100 Van Ness	Van Ness Corridor	234,000	Completed Q2 2019
49 South Van Ness (City of San Francisco)	South of Market	466,000	Completed Q2 2020
1655 and 1715 Third Street (Uber Headquarters)	Mission Bay	593,755	Completed Q1 2021
1455 and 1515 Third Street (Uber Headquarters)	Mission Bay	422,980	Completed Q1 2021
633 Folsom (Asana)	South Financial	268,000	Completed Q3 2021
One De Haro / 1 De Haro Street	Showplace Square / Potrero Hill	126,537	Completed Q4 2021
5M / 415 Natoma Street	South of Market	640,000	Completed Q1 2022
Pier 70 / Bldg 12	Mission Bay	145,000	Completed Q2 2022
Mission Rock / 1051 3rd Street, Bldg G	Mission Bay	283,320	Completed Q4 2022
200 Rhode Island Street	Showplace Square / Potrero Hill	101,782	Completed Q2 2023
<b>Under Construction</b>			
Mission Rock / 1051 3rd Street, Bldg B	Mission Bay	230,890	Under Construction
Potrero Power Station / Block 15 Station A / 420 23rd Street	Showplace Square / Potrero Hill	326,250	Under Construction
30 Van Ness Ave	Mid-Market	235,071	On Hold

Source: CoStar; Cushman & Wakefield; Kidder Mathews Market Trends

## Market Participant Interviews

The early pandemic period was characterized by a general lack of transactions, with sellers and landlords reluctant to offer properties at the steeply discounted pricing that opportunistic buyers and tenants were hoping for. Buoyed by government support and eviction moratoriums, most transactions that did transpire at the height of the pandemic reflected some degree of seller motivation, as sellers that were not compelled by outside forces to divest generally elected to remain on the sidelines.

As the impact of the COVID-19 crisis became more manageable, it became apparent that local and regional economies in many markets were on the road to recovery. In fact, some market areas and property types have seen a full recovery, with rents now exceeding pre-pandemic levels, and unemployment rates at impossibly low levels. Notably, the pace and extent of recovery has depended largely upon location and property type. Core urban areas generally felt the brunt of pandemic-related declines, while secondary and tertiary suburbs of major metros experienced increasing demand.

The furious pace at which the economy was recovering from the pandemic ground to halt in early/mid 2022, as the atrophying workforce and resulting supply chain issues, coupled with geo-political crises created the highest inflation in 40 years. This prompted the federal reserve to implement aggressive interest rate hikes in an effort to slow demand.

Participants in the Bay Area's commercial real estate markets are widely reporting a thinning buyer pool, and a disparity in buyer and seller expectations. Capitalization rates necessarily trend with interest rates—the increased cost of debt threatens to create negative leverage for Bay Area assets that were trading at historic lows prior to the current crisis. While buyers and lenders have absorbed a portion of the increased cost of debt, local brokers are consistently reporting a 5% to 15% discount to pricing. Even so, owners are unlikely to sell stable assets with steady cash flows at a discount until it becomes apparent that the current downward pressure on pricing is not just temporary.

While there are few datapoints to assist in identifying a trend, we are aware of several examples of Class A properties that went to market in 2022, only to be pulled when no acceptable offers materialized. Examples of these are summarized below, along with other recent notable transactions.

- 350 California Street, San Francisco - Listed for sale in mid-2020 for \$250,000,000 or roughly \$833/SF. It was pulled off the market in 2022 and then relisted with an asking price of approximately \$120,000,000 or \$400 per square foot. The property sold for approximately \$205 per square foot in August of 2023.
- 550 California Street, San Francisco – Listed in 2021 for \$160,000,000, or \$450 psf, but was unsatisfied with offers that it received, so the listing was pulled off the market. The owner is now bringing it back to the market for an estimated price of \$53,000,000 or \$150 psf.
- 60 Spear, San Francisco – Though not re-listed, the 157,000 square foot, 11-story office tower sold to Presidio Bay Ventures for \$41,000,000, or \$260 psf. This is reportedly a reduction for the previously negotiated price of \$45,000,000. The buyer plans to renovate the building to reflect best-in-class office space.

- 180 Howard Street – This 250,000 square foot office building was listed by the State Bar of California for \$85,000,000 in 2023. Prior to that, the property had been listed for an undisclosed price in 2022 but did not trade. The property is now in-contract for \$62,000,000, or \$250 per square foot.

Per discussions with market participants, the San Francisco office market continued a downward trend due to remote work, significant vacancy/availability, and high interest rates. Further, market participants anticipate this trend to continue as there is significant office space available for lease and sublease in the market. The following are interviews conducted with market participants over the course of this, and other recent assignments:

- Broker, Colliers - reports that the outlook is negative for San Francisco's downtown core office market, particularly for properties with large floorplates. Vacancy is between 22% and 27%, and most market participants believe that conditions in the local office market will get worse before they get better. Despite high vacancy rates, pricing is not declining quickly enough to make San Francisco an appealing alternative to new companies. Moreover, the lack of workers returning to in-person work continues to contribute to ongoing homelessness and blight in Downtown San Francisco, and the timing and scale of a widespread return to in-person work remains highly speculative. Most companies have a fraction of their pre-pandemic space requirement, as many have allowed workers to relocate to more affordable areas. The glut of sublease space on the market is also preventing direct deals with landlords from occurring at market-oriented rental rates. He reports that a stabilized property with no upside would trade above a 6.00% capitalization rate, and that rents continue to trend downward. He opines that the market will not begin to recover until early 2024.
- Broker, Newmark - reports that the office market came to standstill in Fourth Quarter 2022, and remains extremely slow. There was strong activity up until Fourth Quarter, as companies began bringing employees back to the office, down-sizing, and right-sizing their spaces. There is no buyer interest currently. With fixed rate debt near 7.00%, buyers would target a 7.50% to 8.00% in order to stay debt-neutral. San Francisco has seen significant pricing discounts, up to 75%, and is expected to lag the region in recovery.
- Broker, Cushman & Wakefield - reports that capitalization rates for office properties are currently in the mid-6.00% range, up from the high-4.00% to low-5.00% range 12 to 18 months ago. He believes that the office market is going to continue to decline, and capitalization rates will increase. There has been a flight to quality, resulting of a concentration of availabilities in commodity space. The glut of sublease space entering the market is likely to drive rents downward in the near-term.
- Broker, Newmark- reports that the flight to quality has resulted in high vacancy for lower-quality space, while there is steady demand for the best-in-class assets. There is steady demand for smaller office spaces (5,000 to 15,000 SF); whereas, spaces larger than 50,000 SF are seeing no interest. Capitalization rates for office properties today range from 7.50% to 8.50%.
- Broker, Cushman & Wakefield - reports that buyers are currently targeting 7.00% capitalization rates, while sellers want 6.00%. Multitenant configurations appeal largely to professional office users, which impacts capitalization rate upwards above 7.00%.

- Broker, Institutional Property Advisors, reports that capitalization rates for institutional grade assets in the Bay Area have increased due to aggressive interest rate hikes implemented by the Federal Reserve. With fixed rate debt in the mid 5.00%, activity has slowed significantly, and deals that were negotiated earlier this year could not be replicated at the same terms today. Oversupplied urban core areas were hit hard operationally during the pandemic, resulting in further price impairment. Most sellers are expected to hold if possible, opting instead to refinance, recapitalize, or seek loan extensions. Those who are forced to sell will have to accept discounts. This is a transitional market, and he does not expect it to stabilize for at least 6 to 12 months in the future. Lay-offs and hiring freezes in the technology sector are likely to spread to other sectors, impacting renter income. The broker emphasized that buyers have a low threshold for negative leverage, and are looking for positive leverage by Year 3. As a result, there is minimal buyer interest in unstabilized or operationally-troubled assets. It is possible, however, to generate buyer interest in a basis play. He believes that activity will pick up again in the second half of 2023, as owners are beginning to express interest in selling this year.
- US Bank Executive - On a broader scale, significant risk inherent in the Fed's actions and increasing reserve requirements. Office would be considered an impaired asset class, even in a normal lending environment, and there is possibly no avenue to refinancing for this property type. They are applying a 200 to 300 bps increase to published cap rates on Costar and Green Street, plus additional pad as a conservative (punitive) analysis. Even best-in-class institutional office would trade at cap rates north of 7.00% today. He believes that the office market will improve, but will not return to pre-pandemic conditions, with hybrid working being here to stay. For the next 24 to 36 months there will be no office financing on the banks side, but maybe some from debt funds, which are more expensive. Even considering the forward looking SOFR, spreads for multifamily are in the high 200s, low 300s, with office being 400 to 600 bps for best-in class assets. Used to be mid-100 to low 200s. Capped out at 65% LTV, but more realistically will be close to 50% to 55%. US Bank will not do an office deal for a long time.
- Broker, CBRE – Office usage remains significantly lower than what it was pre-pandemic and the prevalence of remote work is likely here to stay, at least in some form. In CBD markets, there has been a migration to better quality, highly amenitized space. Much of the existing office space is dated. Tenants are also looking for smaller floorplates and shorter leases. There remains some demand for specialized categories of office space, such as education and healthcare, but this demand is often found outside of CBD locations. He believes the future of office space in San Francisco is likely in life science space, rather than general office; Stanford remains a prominent demand generator. Regardless, the next several years will be tough for the office market, particularly if the property is encumbered with debt. Office underwriters are currently using pessimistic assumptions, including 85% stabilized occupancy rates. Some owners are opting to give buildings back to the lender, and many tenants are now starting to look at the property's debt situation prior to leasing because they prefer continuity in management. Despite the negative outlook for the office market, there will always be some exceptions, such as Block G at the subject property which is fully leased to Visa, a long-term credit tenant.

- Broker, Colliers - Reports there are basically two separate office markets in San Francisco. There has been a flight to quality and highly amenitized, Class A properties are functioning in a separate market from older office buildings. Leases are still being signed for best in class space at rates around \$100 to \$110 per square foot, full service. However, most tenants are downsizing and leasing less space than pre-pandemic. In addition, it is currently incredibly difficult to get lending (cannot get debt below 7.0%) for office properties so very little is transacting.
- Subject Broker, Tishman Speyer – A large portion of San Francisco’s office stock is dated, and new construction can be designed to offer finishes and amenities that older buildings cannot. New construction can be positioned to take advantage of demand from tenants specializing in life sciences and/or artificial intelligence tenants. The subject’s Block B is being marketed to tenants in both of these spaces, and there are currently very few buildings in San Francisco positioned for life science and/or AI use. Stanford and UC Berkeley generate demand. One unique amenity offered by the subject property is access to Oracle Park for events. In addition, the subject will offer flexible work spaces which can be reserved by traveling employees. He reports tours and foot traffic has increased in recent months for Building B.

### Looking Ahead

The San Francisco office market was in an expansion stage in the few years prior to the pandemic, however, activity and market conditions declined rapidly and significantly after the onset of the pandemic. Though conditions stabilized slightly through 2021, the market has further declined as more companies downsize their office footprint.

The office market continues to show signs of recession, with continued deterioration expected over the near term. Companies are still working through remote and hybrid working options and evaluating their office space needs; increasingly downsizing and move-outs are outpacing new leasing activity, and overall vacancy continues to increase. In the process, demand is strongest for top-tier properties, leaving mid-tier Class A, as well as Class B and C spaces, struggling to find tenants. Additional challenges include companies relocating to more affordable markets where more of their workforce is residing; mass employee layoffs in the tech sector; and macroeconomic factors, particularly rising inflation, and interest rates.

Recovery is expected to be gradual; demand moving forward will be particularly affected by long-term remote working options after an exodus of residents relocating to more affordable housing markets. Notably, both Zoom Video Communications and Meta Platforms made headlines in recent weeks for requiring employees to return to the office several days a week; Zoom will require employees to be in office twice a week, while Meta is targeting three days a week.

Despite the current challenges in the office market, the subject’s Blocks G (100% preleased to Visa) and B (vacant and actively marketing) are well positioned as best-in-class assets. The buildings reflect newly constructed, highly amenitized, Class A space in the Mission Bay neighborhood; the project also enjoys a partnership with the San Francisco Giants, which offers tenants opportunities for engagements at Oracle Park.

Even so, very few office buildings are currently transacting in San Francisco, and capitalization rate data is incredibly sparse. Based on conversations with market participants, and considering data points for Class A office space in other urban markets in California, capitalization rates are significantly higher than pre-pandemic rates. In addition, TI allowances of between \$100 and \$200 per square foot are common for Class A space and absorption periods are longer than they would have been pre-pandemic, as there remains an abundance of sublease space available. There is also the possibility vacancy rates will continue to increase as pre-pandemic leases begin to expire.

## Retail Market Analysis

The subject is located within the San Francisco retail market area, defined as the city/county limits of San Francisco. The following are excerpts from market research reports published by Costar summarizing the state of the retail market.

*“The structure of San Francisco's retail market reflects both the high-income levels of its population and the supply-constrained nature of its densely populated geography. The City of San Francisco itself is characterized by general retailing along popular urban strips in heavily populated neighborhoods, such as Chestnut Street in the Marina District, Valencia Street in The Mission, and Hayes Street in Hayes Valley. These neighborhoods comprise eclectic mixes of eateries and independent boutiques and are typically subject to ordinances that restrict the presence of chain stores. In contrast to the current situation in downtown and Union Square, these retail zones are generally active and vibrant, with a healthy turnover of new stores and restaurants.*

*The second quarter of 2023 saw a notable escalation in the challenges facing Union Square, at the heart of San Francisco's retail market. In May 2023, Nordstrom announced the closure of both its 300,000-SF department store in the San Francisco Westfield Center and its nearby Nordstrom Rack outlet. A few weeks later, the owners of the Westfield Center halted payments on its \$560 million loan and began the process of transferring ownership to the lender. These events are the latest in a series of setbacks for Union Square, traditionally home to major department stores and high-end fashion. The vitality of Union Square has deteriorated in recent years after visitor traffic fell during the extensive pandemic lockdowns and the weak return of both office workers and tourists. Additional well-publicized social problems also plague the neighborhood, keeping shoppers away, and leading several major retailers to close stores. The deterioration of Union Square and the neighboring areas in downtown San Francisco have dragged down the key operating performance statistics for the metro area, which lags most other metros across the nation. Retail vacancy in San Francisco was one of the lowest in the nation in 2019, but is now one of the nation's highest, at 5.5%. Similarly, average market rent, which increased at an annual rate of 3.6% nationally over the past 12 months, was positive by 0.1% in San Francisco.*

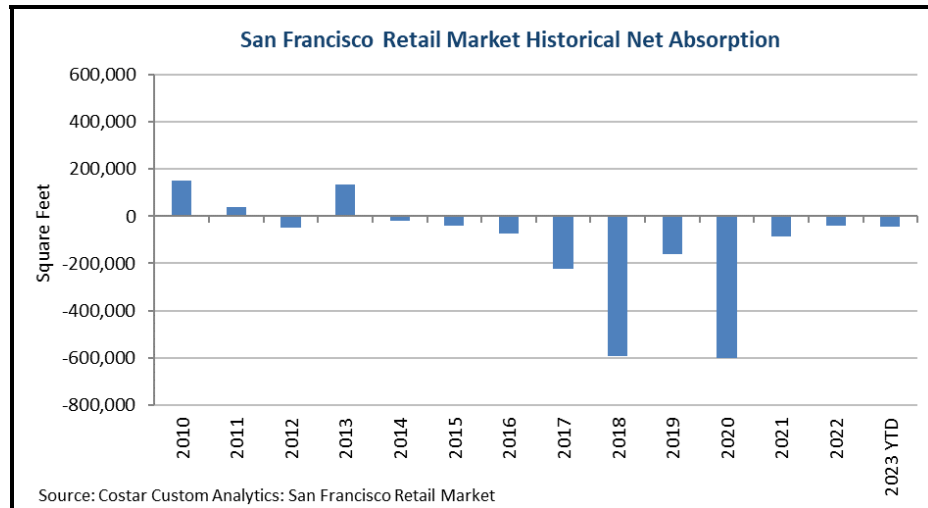
*On the supply side, the market has a low amount of new construction, partly because of limited availability and restrictive planning policies, but also because of weak demand. Aside from a small number of grocery stores, most new retail development takes the form of street level retail components of larger mixed-use development projects. In fact, there is a greater trend towards repurposing of retail spaces for other uses, including shopping center redevelopment for biotech facilities and the conversion of upper-level retail spaces into residential or office uses.”*

### Net Absorption & Vacancy

There has been little new development in the San Francisco market area over the past ten years and annual net absorption has been low or negative. In addition, the retail sector has been undergoing changes in response to consumer patterns, resulting in store closures and downsizing as retailers made shifts towards e-commerce growth rather than physical locations. Over the past three years,

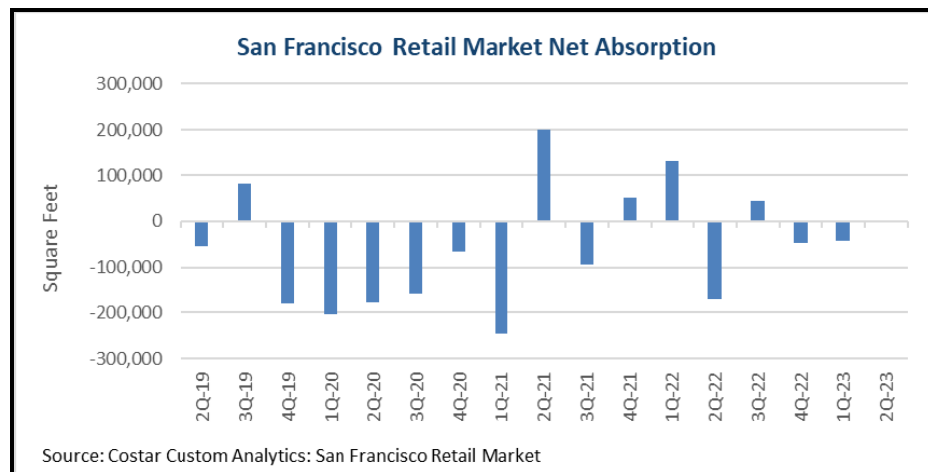


absorption has been impacted by the effects of the pandemic as many small businesses were unable to survive and closed permanently, while growth plans and new leasing activity declined significantly. The following chart highlights the region's historical net absorption.



Net absorption was negative for six consecutive quarters beginning fourth quarter 2019, with improvement beginning in the second quarter 2021. Most of the positive net absorption, however, was attributed to occupancy of new space, specifically Whole Foods, Sports Basement and Regal Cinemas taking occupancy at the newly renovated Stonestown Galleria. Existing inventory in older buildings continued to experience negative net absorption.

Net absorption in the second quarter 2023 was negative 941 square feet. An illustration of net absorption over the past four years is presented in the following chart.



Vacancy in the San Francisco market has been gradually increasing since its historic low of 2.1% in 2015 to 6.0% as of mid-2023. It is reported that malls and power centers, particularly, were struggling

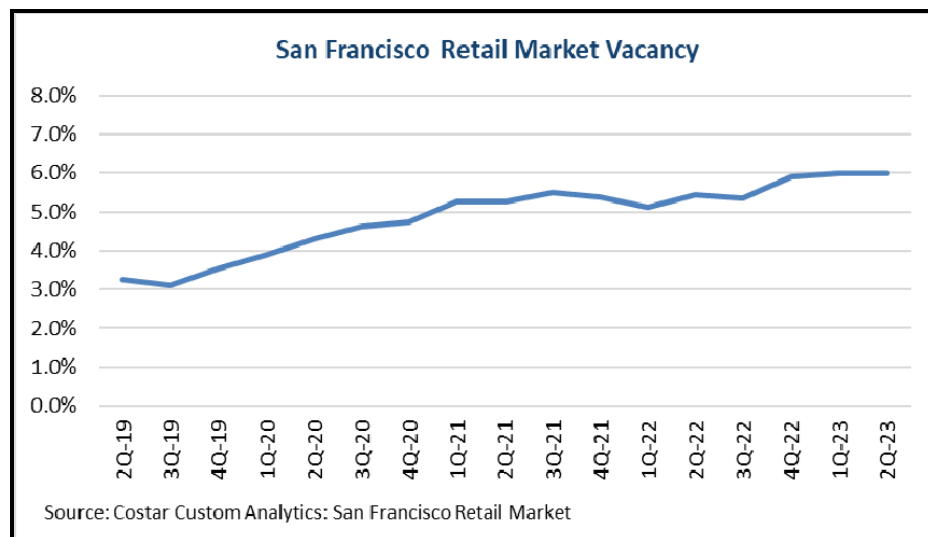


prior to the pandemic amidst an increase in customer preference for online shopping, and the closures and restrictions during 2020 only accelerated their decline. Overall vacancy remained below 4% for 13 years before increasing above 4% in 2020 and has been above 5% since 2021, as indicated in the following chart.



The San Francisco market has roughly 51.2 million square feet of retail inventory, including general retail, malls, power centers, shopping centers, and specialty retail. Of this, 3.1 million square feet were vacant as of the second quarter 2023. The overall vacancy rate of 6.0% is unchanged from the previous quarter and is up 60 basis points year-over-year.

The following chart presents the quarterly retail vacancy in the San Francisco market area over the past four years.



The following summarizes the submarket clusters identified by Costar in the San Francisco market.

Submarket Cluster	Submarkets Included
SF Downtown Core	Financial District, South Financial District
SF Downtown North	Jackson Square, Waterfront/North Beach
SF Downtown South	MidMarket, Rincon/South Beach, Showplace Square, South of Market, Yerba Buena
SF Downtown West	Civic Center, Union Square, Van Ness/Chinatown
SF Outer Areas	Southern City, West of Van Ness
SF Southeast	Bayview/Hunters Point, Mission Bay/China Basin, Mission/Potrero

Recent vacancy rates, net absorption and average asking rent by submarket cluster are highlighted in the following table.

San Francisco Retail Market Summary					
Submarket	Total SF (millions)	Vacancy 2Q 2023	Net Absorption Q2 2023	Net Absorption YTD	Asking Rent Q2 2023
SF Downtown Core	1.01	5.4%	2,108	(4,344)	\$4.83
SF Downtown North	3.02	11.4%	29,629	5,205	\$5.59
SF Downtown South	6.06	10.5%	(7,120)	(34,614)	\$3.46
SF Downtown West	10.62	8.7%	16,155	(18,590)	\$4.00
SF Outer Areas	22.51	3.5%	(23,152)	(7,255)	\$3.82
SF Southeast	8.04	3.9%	(18,561)	15,849	\$3.39
Total	51.25	6.0%	(941)	(43,749)	\$3.86

Source: Costar Custom Analytics: San Francisco Retail

The lowest submarket vacancy was posted in the San Francisco Outer Areas and Southeast at 3.5% and 3.9% vacancy, respectively. The highest vacancy was in the San Francisco Downtown North submarket at 11.4% vacant. This submarket had the largest decline in vacancy compared to the previous quarter with a 100-basis point decline; the remaining submarkets had fairly stable vacancy with only a 10-20 basis point change up or down compared to the previous quarter. The highest net absorption was in the SF Downtown North with 29,629 square feet absorbed, while the greatest occupancy loss was in SF Outer Areas, with negative net absorption of 23,152 square feet. Average asking rents range from a low of \$3.39 in SF Southeast to a high of \$5.59 psf/month, triple net in SF Downtown North.

## Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time and is influenced by the quality and quantity of space available at that time. Guarded reliance should be placed on average asking rates due to the number of variables impacting these figures.

Rental rate growth has been gradually declining since 2015 in response to waning tenant demand and is expected to further decline as vacancy remains elevated and leasing activity remains subdued.

Costar data indicates an average asking rate of \$3.86 psf/month, triple net (\$46.33 psf/year) as of the second quarter 2023, unchanged from the previous quarter and year-over-year. Average asking rates vary by submarket with the lowest at \$3.39 psf/month in the San Francisco Southeast submarket. The highest average asking rent is \$5.59 psf/month in the San Francisco Downtown North submarket.

## New Construction

New retail construction in the San Francisco market has been minimal due to a scarcity of developable land and high costs of construction. New developments in the market are primarily focused on high-rise office and residential buildings.

The most notable recent new construction was the 6X6 lifestyle complex located at Market and 6<sup>th</sup> Streets completed in 2017. At 250,000 square feet, this represents the largest new retail development delivered in San Francisco since 2011. This project struggled to lease space and remained vacant for several years after completion. The building was purchased by Ingka Group in September 2020 for redevelopment with an IKEA store of approximately 70,000 square feet and complementary mixed uses. The IKEA store redesign is under construction, with expected delivery in 2023.

Salesforce Transit Center, with just under 100,000 square feet of retail space, was completed in mid-2019 in the South Financial District. Tenants include Fitness SF, Philz Coffee, Per Diem Restaurant, Eddie Rickenbacker's, Venga and Onsite Dental. The project includes a 1.2 million square foot, state-of-the-art regional transit hub which will connect eight Bay Area counties and the State of California through 11 transit systems. The roof of the bus and rail station features a 5.4-acre park. The transit center began construction in 2011 and originally opened in August 2018; six weeks later it closed down for eight months to complete repairs of cracked beams. The center re-opened in July 2019.

The Chase Center was completed at the end of 2019 in Mission Bay, reported to be the largest sports and entertainment project on the West Coast, covering an area of 11 acres. It features an 18,000 square foot arena, home to the Golden State Warriors basketball team, along with 98,000 square feet of retail and restaurant space and over five acres of public waterfront park. It also features 580,000 square feet of office space, which was completed in the second quarter 2021 for Uber.

Two significant projects were completed in 2021. One is the redevelopment of the former Macy's Men's Store into a mixed-use project at 100 Stockton, which includes roughly 100,000 SF of retail space, office space on the sixth and seventh floors, and a rooftop restaurant. A lease was signed at the end of 2021 with Chotto Matte restaurant for this space. This project was completed in the first quarter 2022. The other project is the renovation of the Stonestown Galleria, which was completed in the second quarter 2021. This project consists of a redevelopment of the former Macy's and Nordstrom spaces into a three-level anchor building to feature a new Whole Foods and Sports Basement outlet, as well as a 12-screen Regal Cinemas, which opened in May 2021. Finally, two condo buildings were completed in the fourth quarter 2021 at 1288 Howard Street, with approximately 110,000 square feet, including 13,000 square feet of ground floor retail.

There have been no deliveries in 2023 and the only project under construction is the redevelopment of the former 6X6 mall into an IKEA anchored retail center.

These noted projects are summarized below.

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**New Construction Retail Projects**

Project	Submarket	Size (SF)	Status
Salesforce Transit Center	South Financial District	98,330	Completed Q2 2019
Chase Center (Warriors Arena)	Mission Bay	100,000	Completed Q4 2019
Stonestown Galleria / 3251 20th Ave	San Francisco / Southern City	221,433	Completed Q2 2021
1288 Howard Street / Mixed Use	South of Market	13,000	Completed Q4 2021
100 Stockton Street (former Macy's)	Union Square	100,500	Completed Q1 2022
945 Market Street / IKEA	Mid-Market	70,000	Delivery Q4 2023

Source: CoStar, Cushman & Wakefield

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### Looking Ahead

Prior to the pandemic, steady tenant demand and limited new development kept vacancy levels very low in the San Francisco retail market. The local tenant base had shifted to higher-end retailers and demand was strongest in prime locations and for smaller retail spaces concentrated on food and beverage, boutique fitness and neighborhood services.

Market activity declined significantly during the pandemic and has been slow to rebound. Early signs of improvement were observed as restaurants, bars and other businesses began opening and jobs were added back beginning in 2021. However, conditions remain subdued and below their pre-pandemic levels. Year-over-year growth in retail sales is a positive indicator for gradual recovery in the retail market.

## Property Analysis

### Land Description and Analysis

#### Location

The property is bounded by McCovey Cove to the north, Terry A. Francois Boulevard to the east, Mission Rock Street to the south, and 3<sup>rd</sup> Street to the west.

#### Land Area

The following table summarizes the subject's land area, which includes only the 11 taxable Blocks within the boundaries of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services).

#### Land Area Summary

Tax ID	SF	Acres
8719A-005, 8719A-006, 8719A-007, 8719A-008, 8719A-009, 8719A-010, 8719B-001, 8719B-002, 8719B-003, 8719C-001, 8719C-002, 8719C-003, 8719C-004, 8719D-001	344,560	7.91
<b>Total</b>	<b>344,560</b>	<b>7.91</b>

#### Block Overview

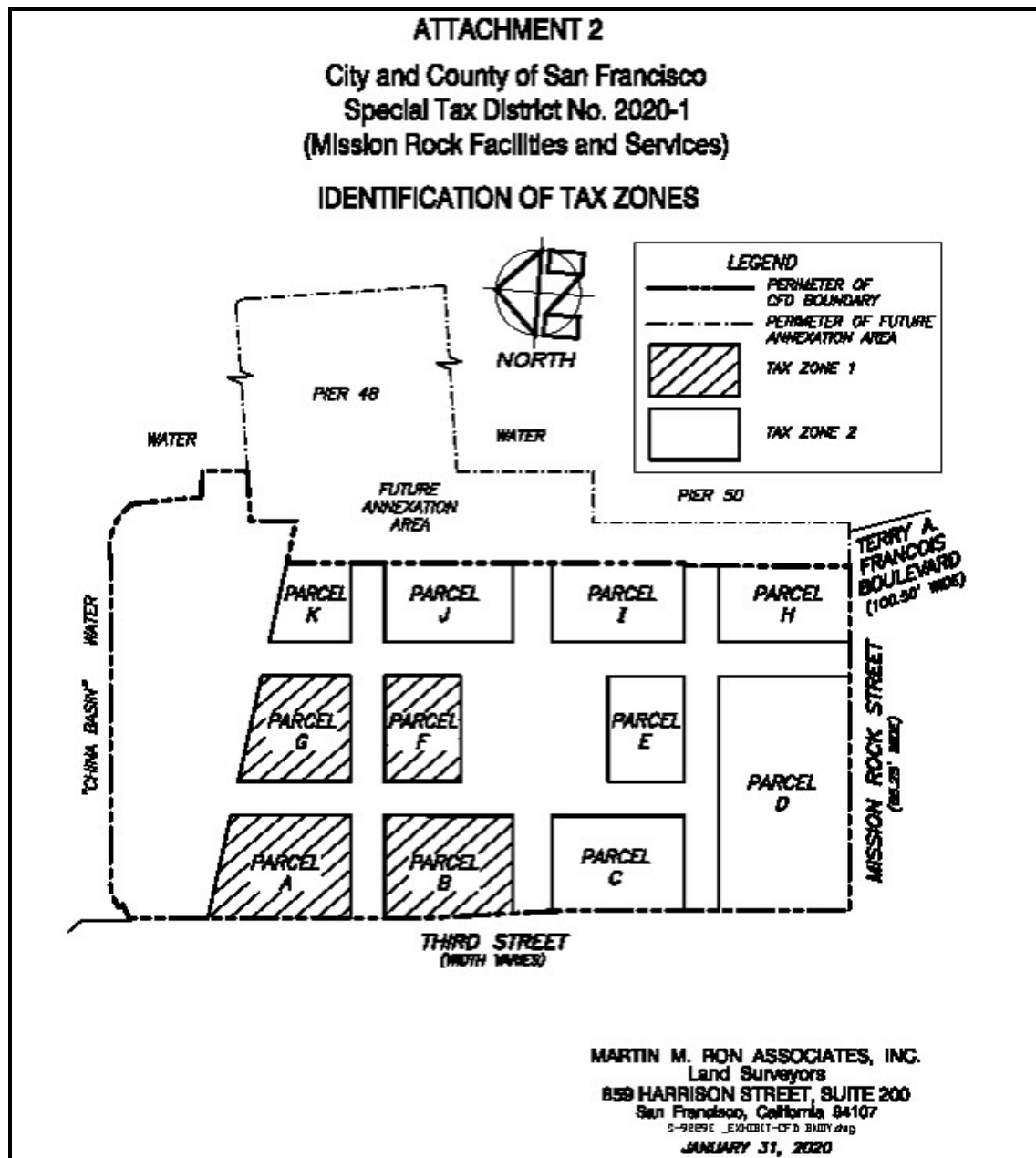
Block	Phase	Tax Zone	Acreage	Square Feet	Use^
A	1a	1	0.96	41,818	Residential/Office/Retail
B	1a	1	0.93	40,511	Office/Retail
F	1a	1	0.58	25,265	Residential/Office/Retail
G	1a	1	0.78	33,977	Office/Retail
C	2	2	0.90	39,204	Office/Retail
D1	2	2	0.58	25,265	Residential
E	3	2	0.58	25,265	Office/Retail
H	4	2	0.72	31,363	Residential/Retail
I	4	2	0.75	32,670	Office/Retail
J	4	2	0.72	31,363	Office/Retail
K	4	2	0.41	17,860	Residential/Retail
<b>Total Taxable Land Area</b>			<b>7.91</b>	<b>344,560</b>	
D2*	2	2	1.62	70,567	Parking

\*Though located within the Special Tax District boundary, Block D2 is intended to include a parking garage which is not taxable. It is excluded from the appraisal.

^Retail land uses are not subject to the lien of the special tax securing the Bonds.

### Shape and Dimensions

The overall site is rectangular in shape, as are the majority of the subject Blocks. Site utility based on shape and dimensions is average. A map of the Special Tax District boundaries is recreated on the following page.



Note: Parcel D is divided into Block D1, which is projected to include taxable residential units, and Block D2, which is projected to include the parking structure for the Mission Rock Project. Block D2 is not subject to the lien of the special tax securing the Bonds and, therefore, excluded from the appraised properties.

**Topography**

The site is generally level and at street grade. The topography does not result in any particular limitations on development.

**Off-site Improvements**

In addition to roads and street improvements, infrastructure will include development associated with parks, open spaces, paseos, and utility infrastructure and upgrades.

**On-site Improvements**

Horizontal and vertical construction of Phase 1a is underway at the subject. As of the effective appraisal date, \$68,501,351 in horizontal development costs remain; horizontal development for Phase 1a is anticipated to be complete in early 2024. In addition, vertical construction is substantially complete on Blocks G, B, A, and F. Details on remaining vertical costs will be presented in the upcoming valuation sections.

**Drainage**

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

**Flood Hazard Status**

The following table provides flood hazard information.

Flood Hazard Status	
Community Panel Number	0602980119A
Date	March 23, 2021
Zone	X (Shaded)
Description	Within 500-year floodplain
Insurance Required?	No

According to documents provided, the minimum design elevations for the subject improvements will accommodate potential future sea level rise estimates for the San Francisco Bay.

**Environmental Hazards**

A Draft Environmental Impact report, dated April 26, 2017, was provided for our review. The following excerpts reflect the conclusions of the Hazards and Hazardous Materials section of the report.

- “The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the management or release of hazardous materials.

- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard to human health and/or the environment involving the disturbance of subsurface hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for children at nearby schools from the emission or handling of hazardous or acutely hazardous materials.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not create a potentially significant hazard for the public or environment related to development of hazardous materials site included in a list compile pursuant to Government Code Section 65962.5.
- The proposed project, in combination with other past, present, and reasonably foreseeable future projects, would not impair implementation of or physically interfere with an adopted emergency response or evacuation plan.”

This appraisal assumes that the subject property is not adversely affected by environmental hazards.

### **Seismic Hazards**

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. However, the subject is located in a liquefaction zone. (California Division of Mines and Geology, Official Map of Alquist-Priolo Earthquake Fault Zones, San Francisco North Quadrangle (2000)).

### **Ground Stability**

The following excerpts reflect the conclusions of the Geology and Soils section of the Draft Environmental Impact Report, dated April 26, 2017.

- “The proposed project, in combination with other development within the city, would not substantially increase the risk of exposure for people or structures to seismic hazards.
- The proposed project, in combination with other development within the city, would not substantially increase soil erosion potential.



- The proposed project, in combination with other development within the city, would not substantially increase soil hazards.
- The proposed project, in combination with other development within the city, could result in impacts to paleontological resources. However, the project's contribution would be less than cumulatively considerable."

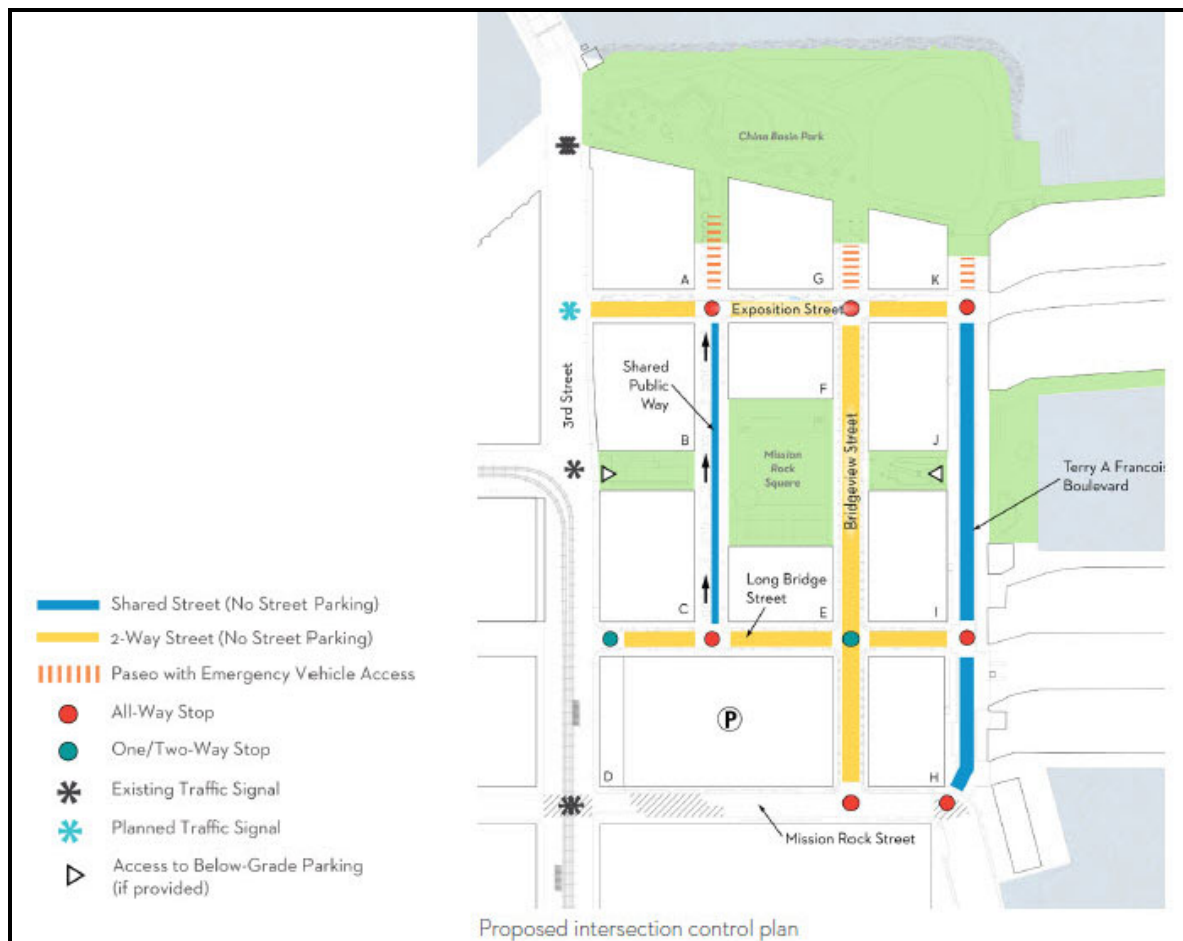
This appraisal assumes that the subject's soil bearing capacity is sufficient to support the proposed improvements.

### Streets, Access, and Frontage

Details pertaining to street access and frontage are provided in the following table.

Streets, Access and Frontage - As Proposed				
Terry A. Francois		Mission Rock		
Street		Street	3rd Street	Exposition Street
Frontage Feet	1,193	612	1,193	612
Paving	Asphalt	Asphalt	Asphalt	Asphalt
Curbs	Yes	Yes	Yes	Yes
Sidewalks	Yes	Yes	Yes	Yes
Direction of Traffic	North/South	East/West	North/South	East/West
Condition	Good	Good	Good	Good
Traffic Levels	Low	Low	Moderate	Low
Visibility	Good	Good	Good	Good

The following graphic depicts the proposed roadway infrastructure within the boundaries of the Special Tax District.



## Utilities

The availability of utilities, which will be extended to the subject Blocks, is summarized in the following table.

Utilities	
Service	Provider
Potable Water	San Francisco Public Utilities Commission
Non-Potable Water	Mission Rock Utilities (MRU)
Sewer	San Francisco Public Utilities Commission
Electricity	San Francisco Public Utilities Commission
Natural Gas	Pacific Gas & Electric
Thermal Energy (District-Scale)	Mission Rock Utilities
Local Phone	Comcast and AT&T

The Master Developer is developing a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) Systems, to serve the Mission Rock Project; the system will be owned by Mission Rock Utilities, Inc.

The black water recycling system will be an advanced water recycling facility that will treat the wastewater collected from toilets, showers and sinks to meet the non-potable water needs of buildings in the Mission Rock Project, as well as associated open space.

The thermal district energy system will supply hot and cold water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings in the Mission Rock Project, which will replace the need to have this type of equipment inside each building.

The above-referenced facilities are located separately in two (Blocks B and A) of the first four buildings being constructed as part of Phase 1a. The bay water energy exchange system is expected to be constructed after the Mission Rock Project is fully built out.

Long-term utility service agreements require each property to be a customer of these utility systems; utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs.

According to the Master Developer, the MRU Systems are anticipated to be 100% debt-financed in phases. For the initial phase of financing, the California Pollution Control Financing Authority issued bond anticipation notes (BANs) in the amount of \$25 million for the benefit of Mission Rock Utilities, which served as interim financing. The BANs were retired in July 2022 and replaced with \$43.5 million in notes at 7% interest; they are paid semiannually and mature on July 1, 2027. The valuation of the appraised property presented herein does not consider the \$43 million in bond notes; the costs associated with completing the MRU Systems are reflected in the valuation.

## **Zoning**

The subject is zoned MR-MU, Mission Rock Mixed Use, by the City and County of San Francisco. The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

### 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 on the following page.



Permitted building heights vary by Block, and design elements vary by frontage type. The following graphics depict allowable building heights and frontage types.



It should be noted, on-site parking is not required for any of the proposed subject improvements. The subject entitlements allow for up to 3,100 spaces within the Special Tax District boundaries. Block D2, which is excluded from this valuation, will include a parking garage with approximately 3,000 spaces available for rent and will serve the entire Special Tax District. The parking garage will also be available for users of Oracle Park. This type of parking arrangement is common in San Francisco. Multifamily projects often offer on-site parking available for an additional monthly fee, with the expectation that many residents will not require parking. Office projects also offer limited on-site parking, with parking ratios much lower than suburban properties.

### **Inclusionary Housing**

As a condition of the subject's entitlements, 40% of the residential units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the maximum 2023 restricted rental rates by floorplan. Both Blocks A and F will be affordable to households between 90% and 150% of the area median income.

<b>Block A Restricted Rents - BMR Units</b>							
Layout		90% AMI		120% AMI		150% AMI	
							Weighted Avg
Studio	1	\$2,269	5	\$3,025	2	\$3,783	\$3,120
One Bedroom	7	\$2,594	31	\$3,459	20	\$4,324	\$3,653
Two Bedroom	2	\$2,919	17	\$3,891	12	\$4,864	\$4,205
Three Bedroom	0	\$3,243	1	\$4,323	4	\$5,404	\$5,188
	10		54		38		\$3,854

<b>Block F Restricted Rents - BMR Units</b>							
Layout		90% AMI		120% AMI		150% AMI	
							Weighted Avg
Studio	2	\$2,269	6	\$3,025	1	\$3,783	\$2,941
One Bedroom	5	\$2,594	28	\$3,459	16	\$4,324	\$3,653
Two Bedroom	5	\$2,919	19	\$3,891	12	\$4,864	\$4,080
Three Bedroom	1	\$3,243	2	\$4,323	0	\$5,404	\$3,963
	13		55		29		\$3,755

It should be noted, the subject's below market units are not subject to the special taxes associated with the Bonds. The construction of the below market units is a developer obligation under the subject's entitlements.

### **Assembly Bill 1482**

Moving forward, rent growth will be impacted by the recent enactment of rent control laws. On October 8, 2019, Governor Gavin Newsom signed AB 1482 making California the third state to enact a statewide rent control measure impacting residential rental housing. The bill is retroactively effective as of March 15, 2019 and will extend until January 1, 2030. Some key points of the bill are noted as follows:



- The bill prohibits an owner of residential real property from, over the course of any 12-month period, increasing the gross rental rate for a dwelling or unit more than 5% plus the percentage change in the cost of living (regional Consumer Price Index from April 1 of the prior year, to April 1 of the current year), or 10%, whichever is lower.
- If the same tenant remains in occupancy of a unit over any 12-month period, the gross rental rate cannot be increased in more than two increments over that 12-month period.
- This law is retroactive to March 15, 2019. If there have been gross rent increases between March 15, 2019 and January 1, 2020 that exceed the limits stated above, the applicable rent shall be the rent on March 15, 2019. It is noted the owner shall not be liable to the tenant for any corresponding rent overpayment.
- There are several exemptions including for property owners that are not a corporation, Trust or LLC (with corporate members). Also, if the property was issued their initial Certificate of Occupancy within last 15 years, it is not subject to the new law.
- After a tenant has continuously and lawfully occupied a residential property for 12 months, the owner of the property cannot terminate the tenancy without just cause, which is required to be stated in the written notice to terminate tenancy.

### Easements, Encroachments and Restrictions

We were not provided a current title report to review. We are not aware of any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.

### Timeline

Backbone infrastructure work for Phase 1a began in 2020 and is expected to be complete in early 2024. Phase 4 infrastructure was initially anticipated to be complete in 2027. However, development of Phases 2 through 4 is on hold until market conditions improve. The following table depicts the developer's timeline for horizontal improvements and infrastructure.

<b>Developer's Timeline - Horizontal Improvements</b>				
			<b>Construction</b>	<b>Construction</b>
<b>Phase</b>	<b>Acreage</b>	<b>Blocks</b>	<b>Start</b>	<b>Finish</b>
1	3.25	A, B, F, G	Sep-20	Early 2024
2	1.48	C, D	TBD	TBD
3	0.58	E	TBD	TBD
4	2.60	H, I, J, K	TBD	TBD



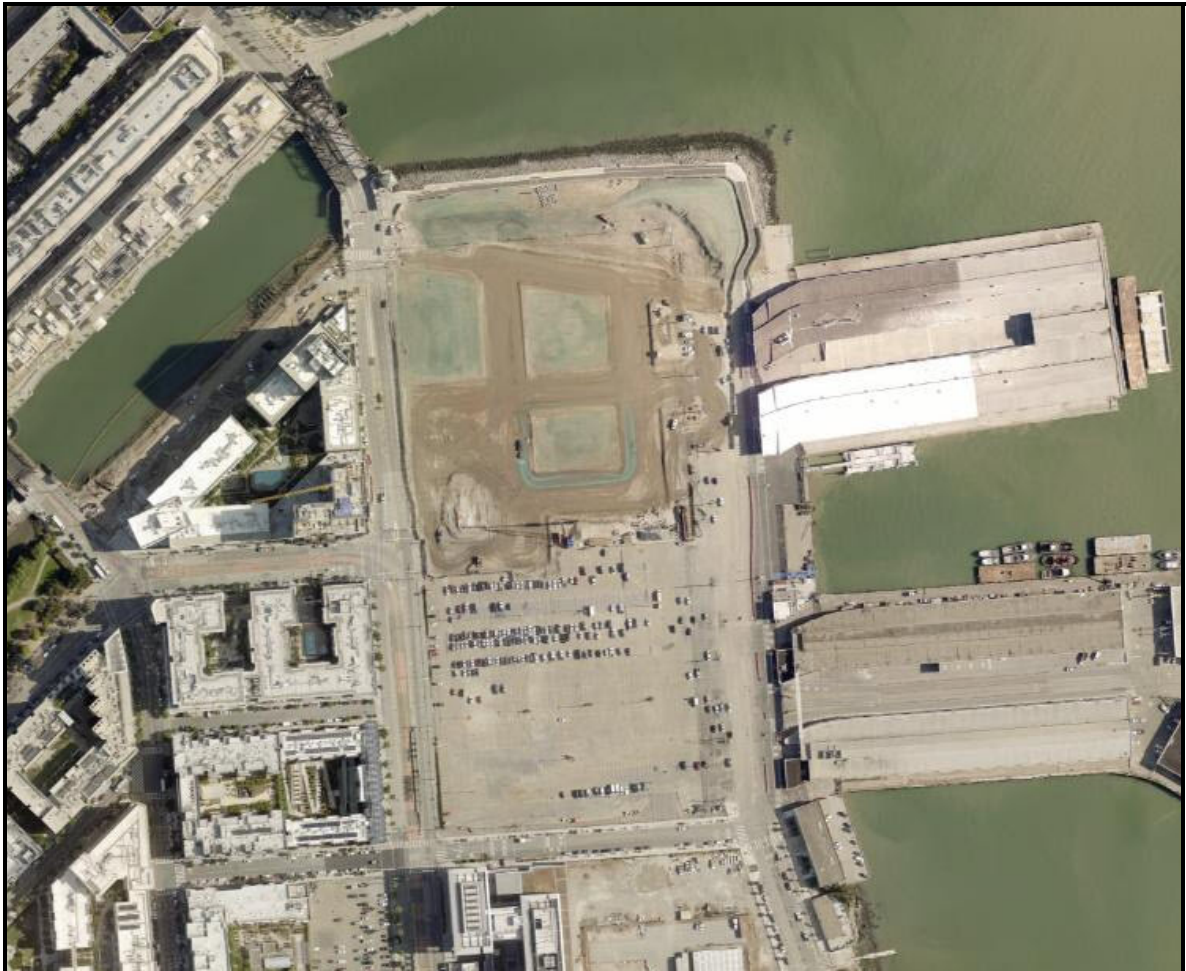
The following table summarizes the developer's proposed construction timeline for Phase 1a.

<b>Developer's Timeline - Vertical Improvements - Phase 1a</b>				
	Block A	Block B	Block F	Block G
Ground Breaking	Jan-21	Jun-21	Apr-22	Dec-20
Shell Completion	Jan-23	Apr-23	Jun-24	Jan-23
Lease Up Commencement	Jul-23	May-23	Jul-24	Sep-22
Stabilization	Jun-24	Dec-24	Jun-25	Mar-23

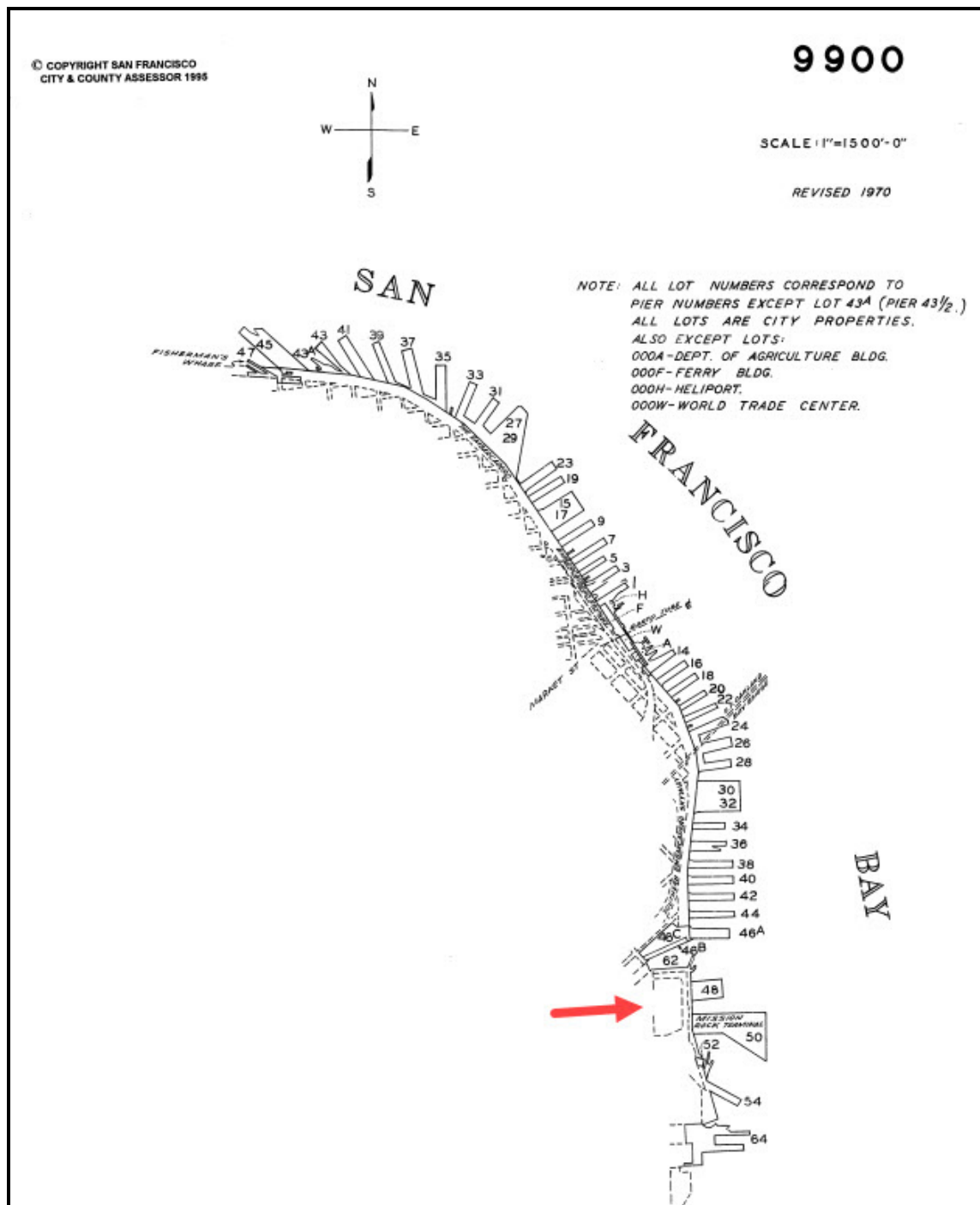
### Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted under the subject's entitlements include mixed uses, multifamily residential, office, and retail uses. We are not aware of any other particular restrictions on development.

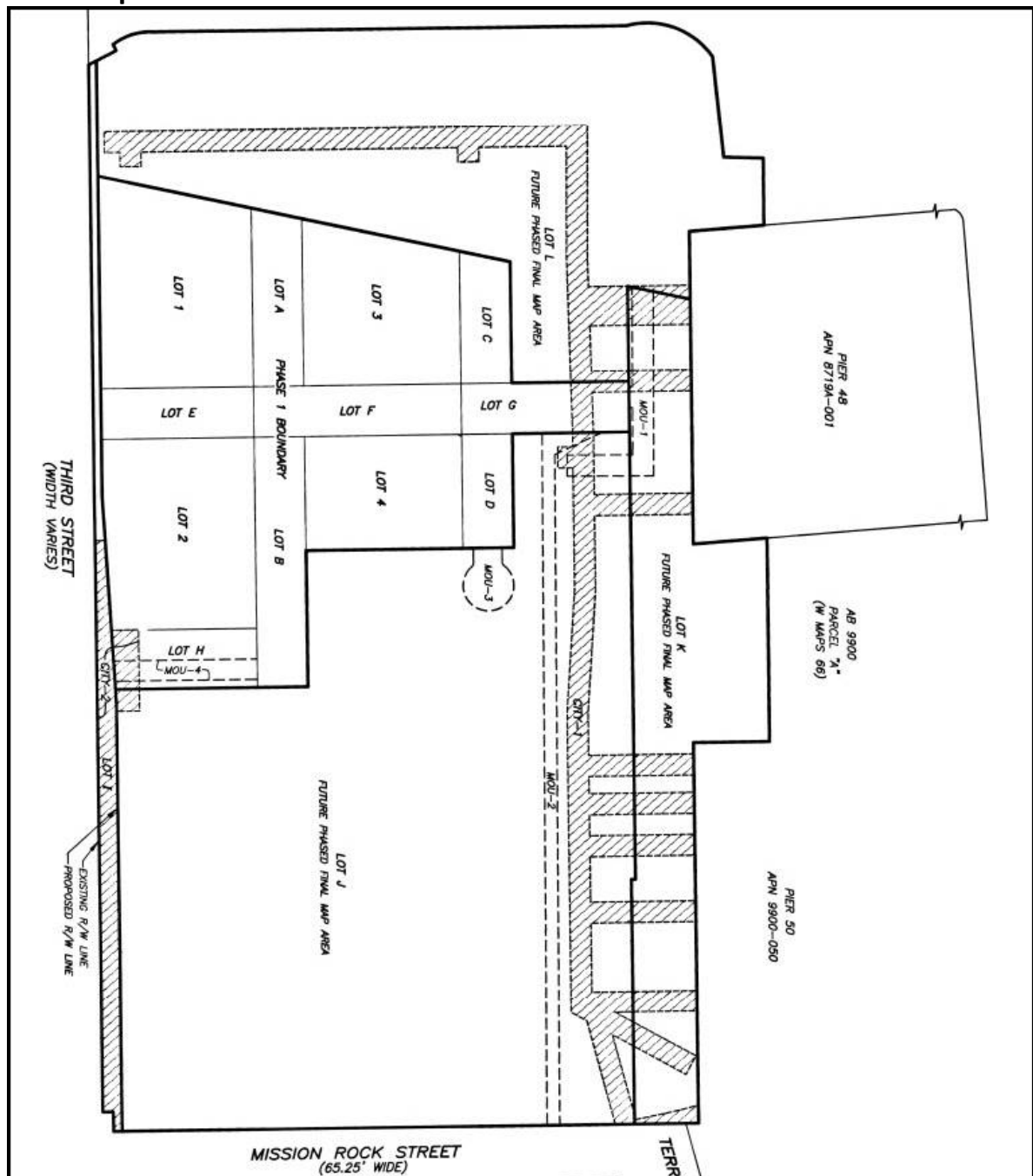
## Assessor Aerial



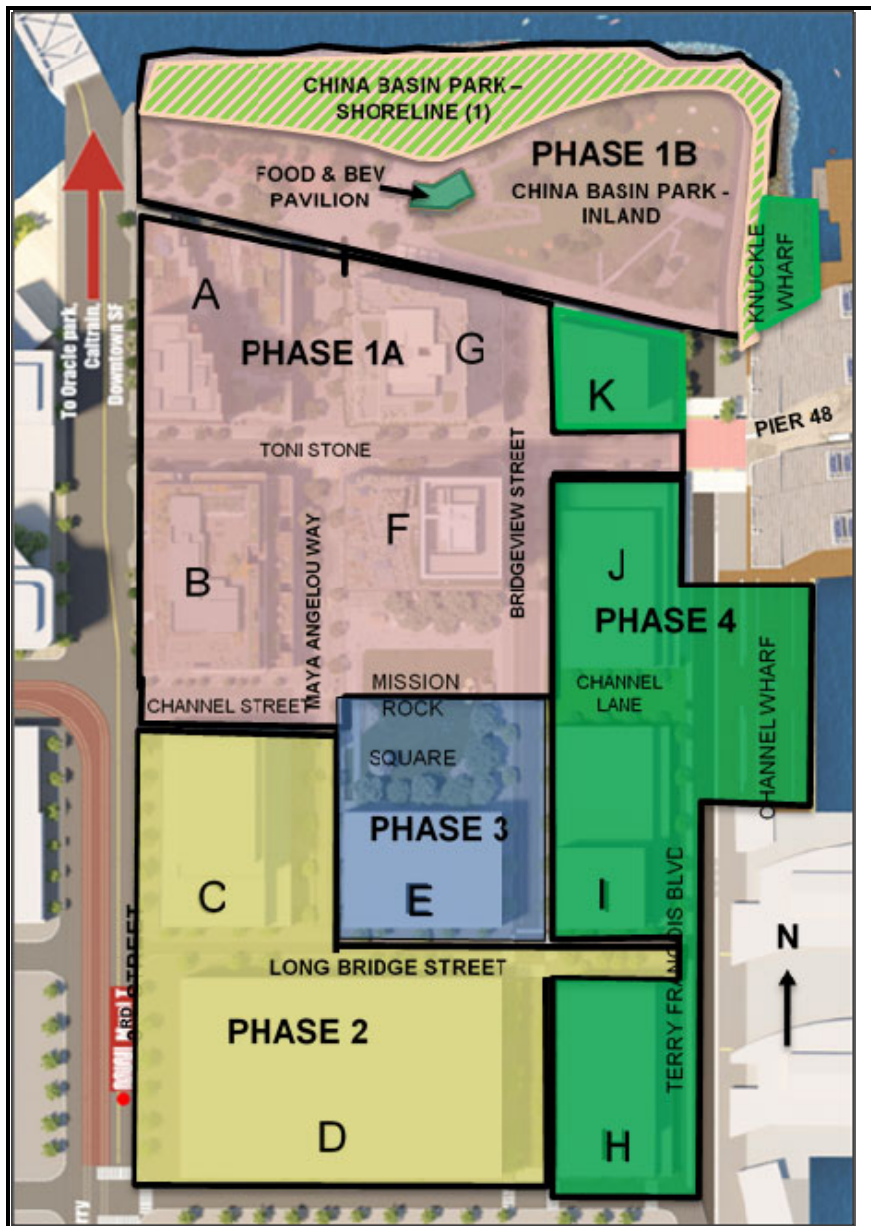
## Plat Map



## Final Map



## Phasing Map



## Proposed Improvements Description

### Overview

The subject improvements will include a mix of residential, retail, and office uses within 11 Blocks. A summary of the proposed improvements is provided in the following tables.

#### Overview of Improvements

Block	Phase	Tax		Primary Use	Rentable Office SF <sup>^</sup>	Rentable Retail SF	Rentable Residential SF
		Zone	Rentable SF				
A	1a	1	284,771	Residential	58,136	12,500	214,135
B	1a	1	289,305	Office	274,005	15,300	-
F	1a	1	207,498	Residential	21,600	8,000	177,898
G	1a	1	320,929	Office	303,629	17,300	-
C	2	2	327,250	Office	300,000	27,250	-
D1	2	2	188,963	Residential	-	-	188,963
D2*	2	2	9,388	Parking/Retail	-	9,388	-
E	3	2	127,198	Office	112,748	14,450	-
H	4	2	156,973	Residential	50,000	21,798	85,175
I	4	2	136,739	Office	116,760	19,979	-
J	4	2	136,783	Office	114,259	22,524	-
K	4	2	97,852	Residential	-	8,391	89,461
<b>Totals</b>			<b>2,283,649</b>		<b>1,351,137</b>	<b>176,880</b>	<b>755,632</b>

<sup>^</sup> Rentable office square footage includes usable outdoor space measured per BOMA standards

Block D2 is referenced in the table above but is excluded from this valuation, and the retail square footage is not included in the overall total for the subject property. Tables depicting additional detail for the subject's office and residential improvements are provided below. Although the primary use of Blocks A ("The Canyon") and F are multifamily residential, both also include an office and retail component.

#### Office Overview

Block	Phase	Rentable SF <sup>^</sup>	Rentable Office SF <sup>^</sup>	Rentable Retail SF	Acreage
A*	1a	70,636	58,136	12,500	0.96
F*	1a	29,600	21,600	8,000	0.58
B	1a	289,305	274,005	15,300	0.93
G	1a	320,929	303,629	17,300	0.78
C	2	327,250	300,000	27,250	0.90
E	3	127,198	112,748	14,450	0.58
H	4	71,798	50,000	21,798	0.72
I	4	136,739	116,760	19,979	0.75
J	4	136,783	114,259	22,524	0.72
<b>Total</b>		<b>1,510,238</b>	<b>1,351,137</b>	<b>159,101</b>	

\* Rentable SF excludes residential component

<sup>^</sup> Rentable office square footage includes usable outdoor space measured per BOMA standards



**Residential Overview**

Block	Phase	Rentable SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage
A	1a	284,771	214,135	283	181	102	36%	0.96
F	1a	207,498	177,898	254	157	97	38%	0.58
D1	2	188,963	188,963	264	115	149	56%	0.58
H	4	156,973	85,175	126	80	46	37%	0.72
K	4	97,852	89,461	131	92	39	30%	0.41
<b>Total</b>				<b>1,058</b>	<b>625</b>	<b>433</b>	<b>41%</b>	

As previously noted, 40% of the subject's overall residential units reflect inclusionary housing. The allocation of inclusionary housing units for residential Blocks A and F are detailed below.

**Apartment Unit Mix - Blocks A & F**

Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	97	34.3%
	Two Bedroom	69	24.4%
	Three Bedroom	6	2.1%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

Further detail regarding average square footage for each layout will be provided in the upcoming *Income Capitalization Approach* sections.

The subject improvements reflect good to excellent overall quality. A summary of each Block is presented on the following pages. The buildings reflect highly amenitized, Class A, steel frame construction within mid to high-rise improvements.

## Block A – The Canyon

### Improvements Description - Block A

Name of Property	The Canyon
General Property Type	Mixed Use
Property Sub Type	Residential / Office / Retail
Competitive Property Class	A
Occupancy Type	Multi-Tenant
Percent Leased	14%
Number of Buildings	1
Stories	23
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to excellent
Condition	New
Number of Units	283
Units per Acre (Density)	294.8
Rentable Area (SF)	284,771
Land Area (SF)	41,818
Floor Area Ratio (RA/Land SF)	6.81
Year Built	2023

Block A, The Canyon, is currently in lease-up. As of the effective appraisal date, 72 market rate units are leased; this calculates to approximately 40% of market rate units and approximately 25% of the project overall. Apartment units enjoy views of McCovey Cove and China Basin Park. Block A's office and retail space are currently being marketed for lease. The following table summarizes the project's multifamily amenities, which include condo-grade finishes.



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**Unit Features & Project Amenities - Block A**

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**Unit Features**

Patios/Balcony  
Quartz Counters  
Italian Cabinetry  
Stainless Steel Appliances  
Microwave  
Dishwasher  
Hardwood Plank Flooring  
Trash Compactor  
Window Shades  
Washer/Dryer In Unit  
Smart Thermostats

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**Project Amenities**

Package Room  
Lounge  
Spa/Hot Tub  
Sauna  
Private Screening Room  
Dog Wash/Grooming Salon  
Fitness Room  
Coworking Lounge  
Rooftop Clubhouse  
Private Dining Room  
Arcade  
Concierge

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## Block F

A complete interior finish profile was not provided for Block F; however, the project is expected to reflect good to excellent construction quality and finishes. The exterior of the improvements features green ceramic tiling. Amenities will include terraces and podium and rooftop decks.

Please note, since the previous 2021B/C Bond issuance, the Developer of Parcel F eliminated the basement, re-programmed the ground floor space, and designated portions of the second and third floors of the building as office. This will also include a flexible workspace platform and event space. As of the effective appraisal date, one of the ground floor retail suites has been preleased to Arsicault Bakery.

### Improvements Description - Block F

Name of Property	Block F - Phase 1
General Property Type	Mixed Use
Property Sub Type	Residential / Office / Retail
Competitive Property Class	A
Occupancy Type	Multi-Tenant
Number of Buildings	1
Stories	23
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to excellent
Condition	New
Number of Units	254
Units per Acre (Density)	437.9
Rentable Area (SF)	207,498
Land Area (SF)	25,265
Floor Area Ratio (RA/Land SF)	8.21
Year Built	2023

## Block G – Visa Building

As noted, the office portion of Block G is 100% preleased to Visa, a national credit tenant. Visa is currently rated Aa3 by Moody's and AA- by Standard & Poor's. Block G will serve as Visa's global headquarters and the lease for the property commenced in March 2023. Though the lease was signed pre-pandemic, the landlord and tenant are moving forward with the same rent and TI terms as when the lease was signed. Currently, tenant improvements at the building are ongoing and Visa expects to occupy the space in February 2024. Initially, approximately 700 employees will be working at Block G and this number is expected to eventually increase to 1,100 employees. Visa has vacated other office holdings in San Francisco with plans to move into the subject space. As of the effective appraisal date, one of the retail suites is leased to Proper Food, a grab and go chain. In addition, there are also first floor leases with a coffee tenant and restaurant tenant.

### Improvements Description - Block G

Name of Property	Block G - Phase 1
General Property Type	Office
Property Sub Type	General Office
Competitive Property Class	A
Occupancy Type	Single Tenant Office / Multi-Tenant Retail
Number of Buildings	1
Stories	13
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to excellent
Condition	New
Rentable Area (SF)	320,929
Land Area (SF)	33,977
Floor Area Ratio (RA/Land SF)	9.45
Year Built	2023

## Block B

As discussed, Block B has been built to accommodate either general office or life sciences users, meaning the buildings has been outfitted to life sciences specifications. These include reinforcements and improvements to the structure to reduce vibrations, increased HVAC capacity, and additional generators. In addition, leases have been announced for three of the ground floor retail spaces. Tenants include Blades Co. Barbershop, Ike's Love & Sandwiches, and LuxFit.

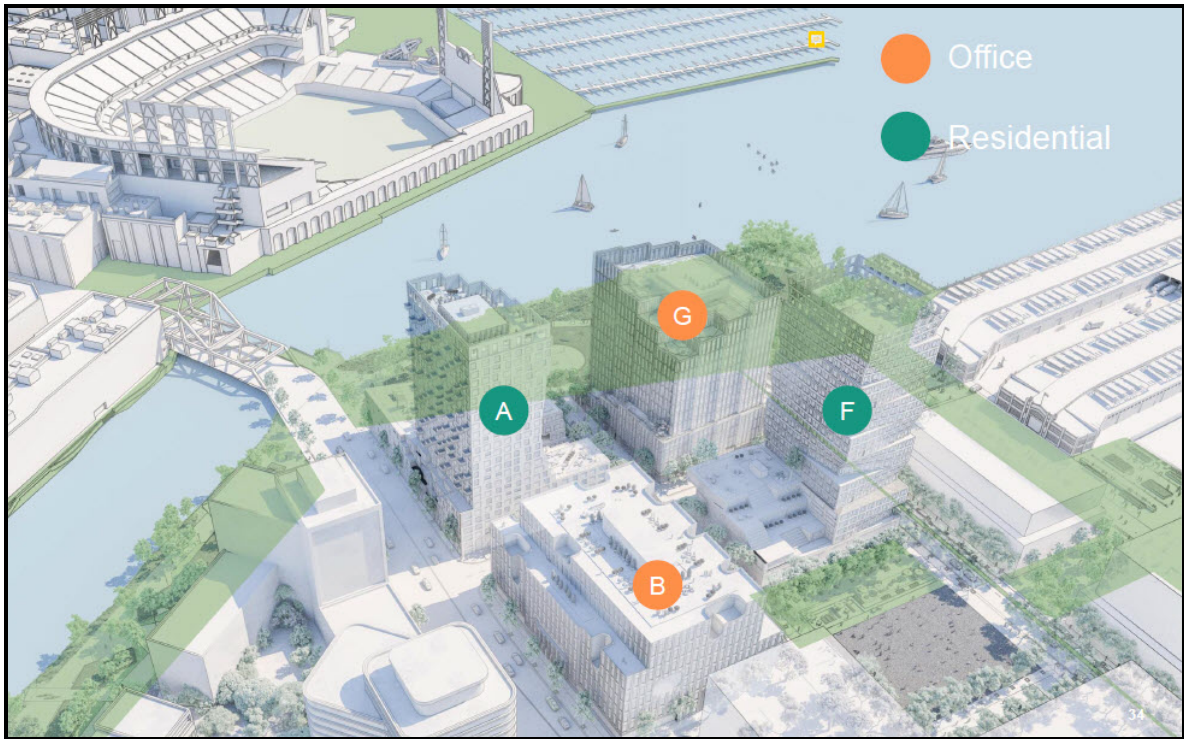
Improvements Description	
Name of Property	Block B - Phase 1
General Property Type	Office
Property Sub Type	General Office / Life Sciences / Retail
Competitive Property Class	A
Occupancy Type	Multi-Tenant
Number of Buildings	1
Stories	8
Construction Class	A
Construction Type	Steel frame
Construction Quality	Good to Excellent
Condition	New
Rentable Area (SF)	289,305
Land Area (SF)	40,511
Floor Area Ratio (RA/Land SF)	7.14
Year Built	2023

For the reader's reference, renderings and schematics for the subject improvements are shown on the following pages.

## Proposed Improvements – Phase 1



## Proposed Improvements – Phase 1



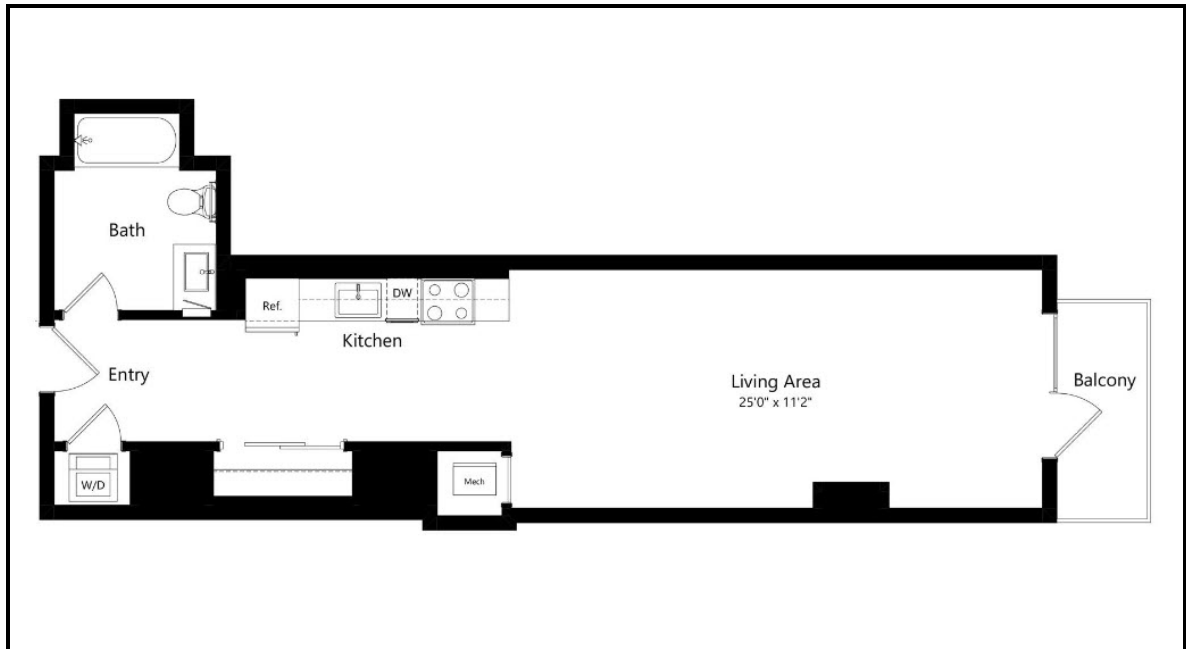


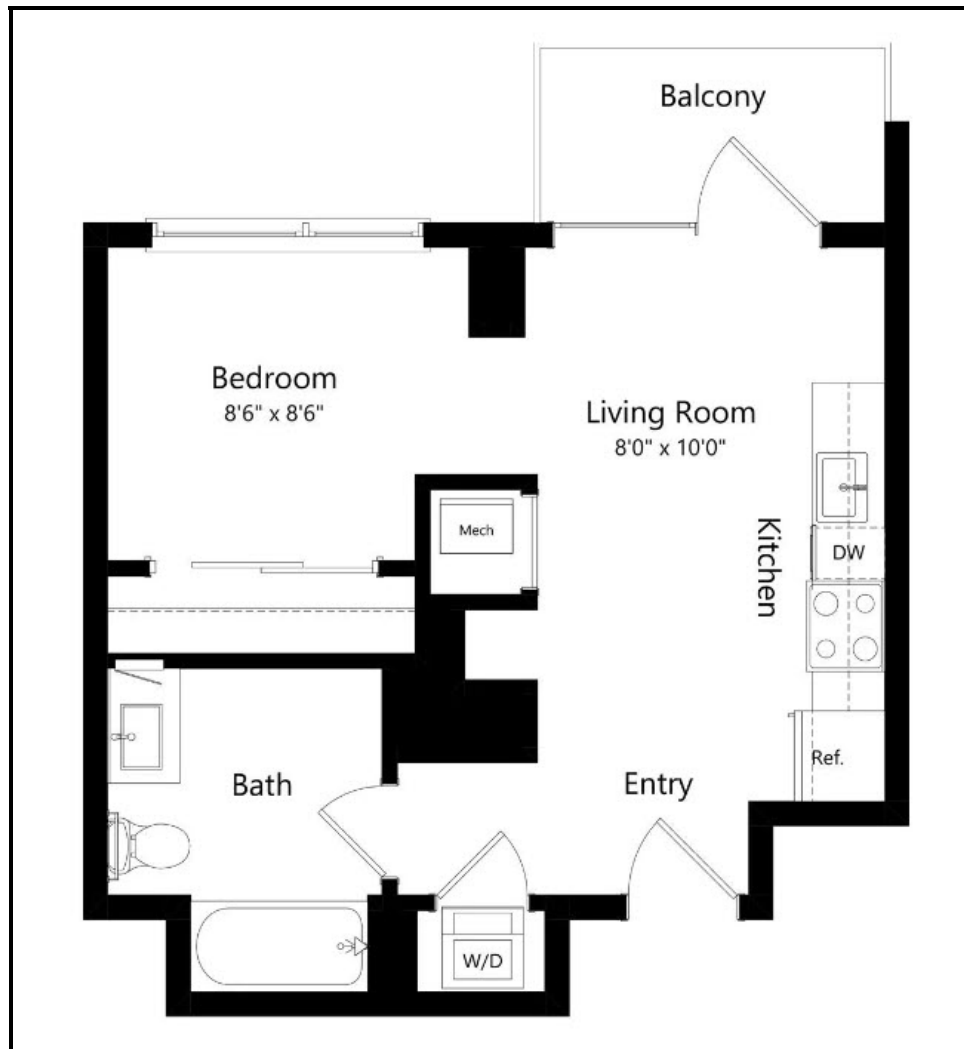
## Block A (The Canyon) – Residential Use



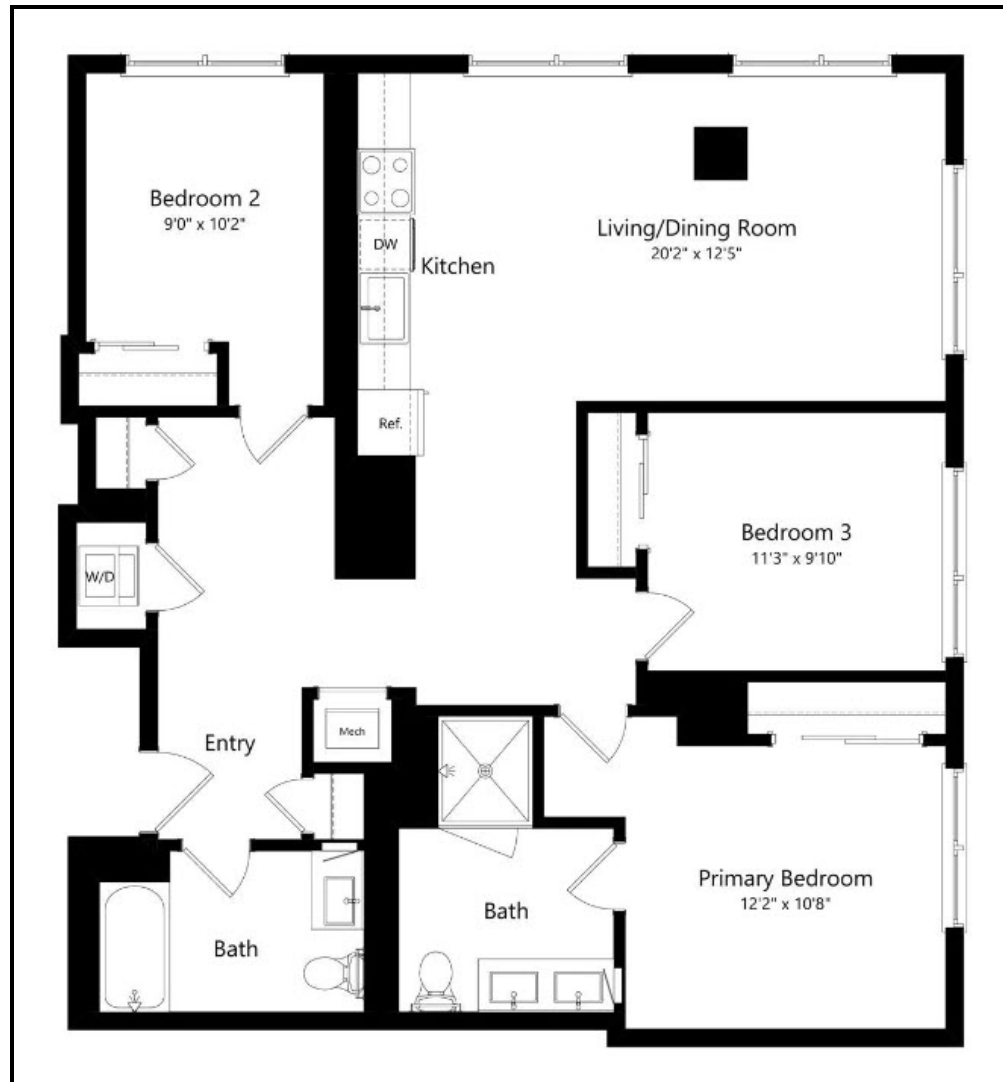
**Block A – Residential Use – First Floor & Sample Floorplans**



**Block A – Sample Floorplan - Studio**

**Block A – Sample Floorplan – One Bedroom**

**Block A – Sample Floorplan – Two Bedroom**

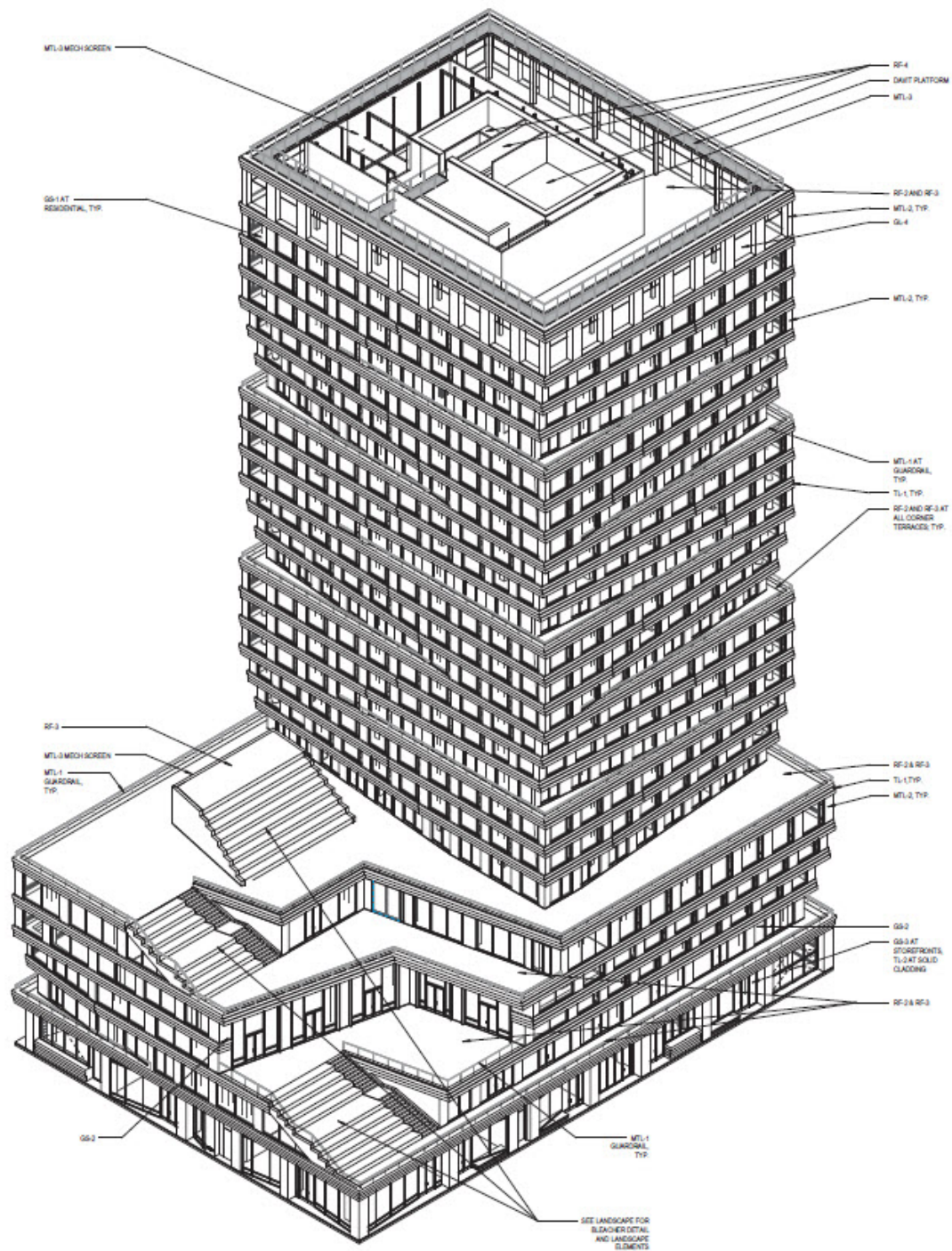
**Block A – Sample Floorplan – Three Bedroom**

## Block F— Residential Use

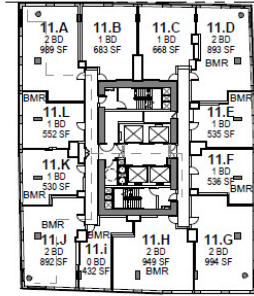




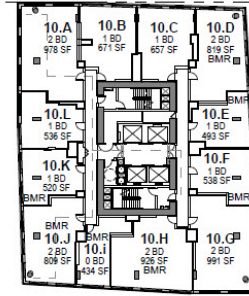
## Block F— Residential Use



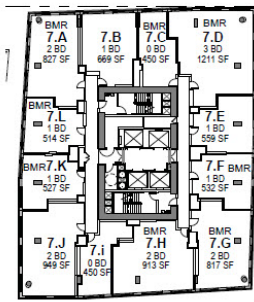
## Block F— Residential Use – Sample Floor Plans



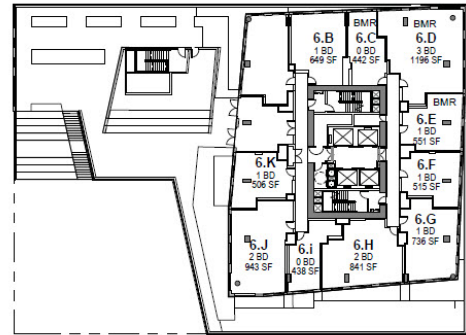
LEVEL 11



LEVEL 10



LEVEL 7



LEVEL 6

## Block B – Office Use







**Block B – First Floor**

### Block G (Visa Building) – Office Use







**Block G (Visa Building) – First Floor**

In addition to Proper Food, the first floor of Block G has executed leases with a coffee tenant (top left corner) and restaurant tenant (purple shading).





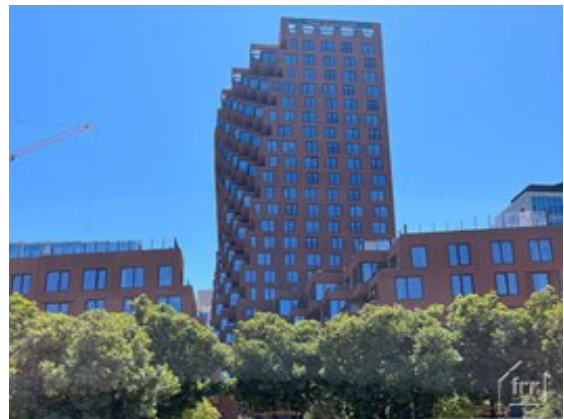
Block G – Visa Building



Blocks B, F, and A



Block F



Block A – The Canyon



Block B

## Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be reappraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted as subdivision and development continues. According to the San Francisco County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.179738%. This tax rate does not include the Special District Tax, which is discussed below.

The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate long term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District – City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses.

According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property comprising Phase 1a of the Special Tax District is presented in the following table (for the Fiscal Year 2023-24).

**Aggregate Calculation of Special District Tax (2023/2024) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax	
A	1a	0.96	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	141,909	\$1,317,947	
			Offset by Ad Valorem Tax				(\$1,317,947)	
			Base Development Special Tax - Office Use	Office	\$7.04	42,113	\$296,299	
			Offset by Ad Valorem Tax				(\$296,299)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	141,909	\$228,120	
			Base Contingent Services Special Tax - Office	Office	\$1.61	42,113	\$67,697	
			Base Office Special Tax	Office	\$2.08	42,113	\$87,522	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	42,113	\$82,964	
							\$466,303	
B	1a	0.93	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-	-	
			Base Development Special Tax - Office Use	Office	\$7.04	258,994	\$1,822,232	
			Offset by Ad Valorem Tax				(\$1,822,232)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-	-	
			Base Contingent Services Special Tax - Office	Office	\$1.61	258,994	\$416,334	
			Base Office Special Tax	Office	\$2.08	258,994	\$538,259	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	258,994	\$510,225	
F	1a	0.58	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	110,548	\$1,026,689	
			Offset by Ad Valorem Tax				(\$1,026,689)	
			Base Development Special Tax - Office Use	Office	\$7.04	21,966	\$154,549	
			Offset by Ad Valorem Tax				(\$154,549)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	110,548	\$177,707	
			Base Contingent Services Special Tax - Office	Office	\$1.61	21,966	\$35,310	
			Base Office Special Tax	Office	\$2.08	21,966	\$45,651	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	21,966	\$43,274	
							\$301,942	
G	1a	0.78	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-	-	
			Base Development Special Tax - Office Use	Office	\$7.04	283,125	\$1,993,407	
			Offset by Ad Valorem Tax				(\$1,993,407)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-	-	
			Base Contingent Services Special Tax - Office	Office	\$1.61	283,125	\$455,125	
			Base Office Special Tax	Office	\$2.08	283,125	\$588,410	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	283,125	\$557,764	
Totals		3.25						\$3,834,362

Both the total taxes and taxes per square foot were provided by Goodwin Consulting.

In addition, reportedly 65% of the ad valorem taxes may be used to offset the Development Special Tax for Office Use and Development Special Tax for Residential Use (refer to the income capitalization section later in this Appraisal Report for a demonstration of pro forma ad valorem tax calculation).

It's worth noting, the Base Development Special Tax offset only occurs when the Assessed Value is final, which is consistent with the valuation of the vertical leasehold improvements upon completion of construction and stabilized occupancy presented in the *Valuation* section herein.



## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Legally Permissible

The site is zoned MR-MU, Mission Rock Mixed Use. Permitted uses include mixed use, multifamily residential, commercial, office, retail uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property, which encompasses 11 of the 12 developable Blocks within the Mission Rock development, is fully entitled for the development of 1,400,000 square feet of office space, 245,000 square feet of retail space, and 1,000 to 1,600 for-rent multifamily residential units (40% of which will be affordable). The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only mixed use is given further consideration in determining highest and best use of the sites, as though vacant.

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including mixed residential/retail and office/retail uses.

#### Financially Feasible

Based on our analysis of the market, there is currently moderate demand for multifamily residential uses in the subject's market area. In some cases, multifamily residential development is feasible (though it may be better to hold the sites for future development based on the desired return). However, the subject's residential Blocks include a significant inclusionary housing component which limit the financial feasibility of the proposed improvements. In addition, residential construction costs continue to rise rapidly and have outpaced rental rate growth in recent years. As such, residential construction for two of the subject's Blocks is not currently financially feasible; in other words, the value of the land becomes negative when construction costs are deducted from the market value of the property as if stabilized.

Regarding the office Blocks, Proposition M restricts the amount of office space that may be constructed in San Francisco each year. A total of 950,000 square feet of office development potential

becomes available for allocation annually. This restricts the amount of new supply coming into the market; as such, prior to the pandemic, the vast majority of new office projects were preleased prior to construction in San Francisco. However, as discussed in the previous office market analysis, dynamics within the office market have greatly shifted. The rise of remote work policies, and other broader macroeconomic factors, have resulted in a large increase in office vacancy rates and a glut of available sublease space. While Class A properties are still seeing leasing activity and are better positioned to weather the current market conditions than Class B and C properties, it remains few non-distressed properties are transacting. In addition, capitalization rates have increased and it is difficult to obtain lending for office properties in the current environment. As vacant, construction of office space on the subject property is not currently financially feasible and the value of the land becomes negative when construction costs are deducted from the market value of the property as if stabilized.

**Maximally Productive**

Under current market conditions, the maximally productive use of the subject site as if vacant is to hold the property for future development in accordance with the improved entitlements. The timing of this development will depend on the recovery of the multifamily and office markets. There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than to hold the sites for mixed residential/retail and office/retail uses. Accordingly, it is our opinion that holding the property for the proposed mixed use components, developed to the normal market density level permitted by zoning and the subject entitlements, is the maximally productive use of the property.

**Conclusion**

Development of the site for mixed use is the only use that meets the four tests of highest and best use. Therefore, it is concluded to be the highest and best use of the property as if vacant.

**As Improved (Existing)**

As of the effective appraisal date, backbone infrastructure is substantially complete at the subject property, and vertical construction of Phase 1a improvements is nearly complete. The planned and under construction infrastructure and vertical improvements are necessary for future development. The proposed improvements are planned in accordance with the subject entitlements. The improvements contribute value to the subject property; completion of the vertical development and lease-up of the vacant multifamily units/office space comprising Phase 1a is considered the highest and best use as partially improved.

**Most Probable Buyer**

The subject reflects a complex, interconnected, and multi-use development situated in a dense urban infill location in San Francisco. The most probable buyers of the individual Blocks within Phase 1a (Blocks A, B, F, and G) are institutional investors looking to manage the properties as leased assets.

For Phases 2 through 4, given the intricacies of the project and the approved entitlements, coupled with the fact certain land uses (residential) are highly dependent on the financial contributions of the balance (office) of the developable land uses, the highest and best use of the subject is to hold for

future development by a single developer familiar with the unique aspects of the property and location, rather than subdivision and development by multiple developers at this stage. Taking into account the size and characteristics of the property, the probable buyer of Phases 2 through 4 is a sophisticated land developer with highly specialized knowledge of the local market; the buyer would likely hold the property until market conditions improve.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis**, and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The valuation for Phase 1a is presented first, followed by valuation of the master developer held components. Each analysis begins with income capitalization approaches to determine the market value of the subject Blocks as if complete and stabilized. Next, extraction analyses are employed to determine the value of each Block in its as-is condition (which is substantially completed and/or under construction). As the four Blocks comprising Phase 1a (Tax Zone 1) are all under vertical construction and held by vertical developers, the estimates of market value derived herein require no further discounting; rather, the allocable remaining infrastructure costs attributable to the Phase 1a (Tax Zone 1) Blocks is considered on a proportionate share per Block.

Finally, the subdivision development method is used to estimate the market value of the master developer held components (Phases 2 through 4, comprising Tax Zone 2). The subdivision development method is a form of discounted cash flow analysis (DCF) in which the expected revenue, absorption period, expenses and internal rate of return associated with the development and sell-off of the various land use components comprising the subject property to end users are considered.

## Income Capitalization Approach – Office Use – Phase 1a

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization method, either direct capitalization or discounted cash flow analysis, or both, to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we present only the direct capitalization approach to determine the market value as if stabilized of the proposed improvements for the subject's taxable Blocks. However, as a test of reasonableness for the subject's Phase 1a office Blocks, we also conducted discounted cash flow analyses which are retained in our workfiles.

A direct capitalization analysis will be presented for all Blocks within Phase 1a, as well as for all proposed office improvements in future phases (valuations of future phases will be presented in the upcoming *Master Developer Valuation* section). A summary of the subject's office improvements is recreated below. As noted, each of the Blocks within Phase 1a includes an office component, though the primary land use of Blocks A and F is residential. An analysis for Block B will be presented first, followed by Block G.

Office Overview					
Block	Phase	Rentable SF <sup>^</sup>	Rentable Office SF <sup>^</sup>	Rentable Retail SF	Acreage
A*	1a	70,636	58,136	12,500	0.96
F*	1a	29,600	21,600	8,000	0.58
B	1a	289,305	274,005	15,300	0.93
G	1a	320,929	303,629	17,300	0.78
C	2	327,250	300,000	27,250	0.90
E	3	127,198	112,748	14,450	0.58
H	4	71,798	50,000	21,798	0.72
I	4	136,739	116,760	19,979	0.75
J	4	136,783	114,259	22,524	0.72
<b>Total</b>		<b>1,510,238</b>	<b>1,351,137</b>	<b>159,101</b>	

\* Rentable SF excludes residential component

<sup>^</sup> Rentable office square footage includes usable outdoor space measured per BOMA standards

**Market Rent Analysis – Blocks B & G**

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases.

Block G is currently the only pre-leased office improvement, with Visa planning to occupy 100% of the office space. However, as details of this lease have not been disclosed, the upcoming analysis relies on market rent for all of the subject space. The office component of Block B remains vacant as of the effective appraisal date. Management is marketing the space to both general office and life science users.

Both Blocks B and G have secured retail tenants for a portion of available space. While exact details of the leases were not disclosed, rent is reported by management to be approximately \$45 to \$65 per square foot, per year, triple net with operating expenses around \$30 per square foot. Lease terms are generally ten years and free rent is between one and six months if the tenant opens early. Tenant improvement allowances are generally between \$100 and \$200 per square foot. The upcoming analysis will rely on market rent for the subject's retail space. However, as will be demonstrated, our conclusions of market rent fall within the reported rental range for executed leases.

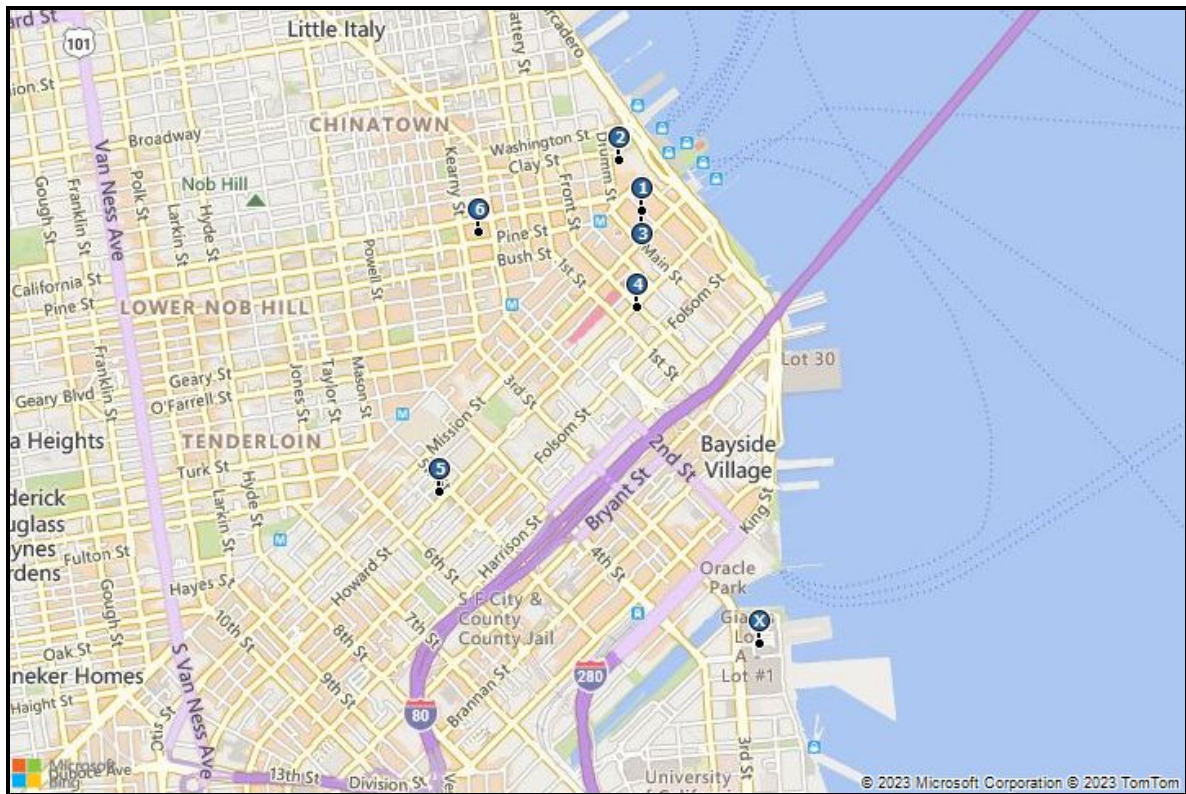
To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, building class, size, and transaction date. Market rent will be estimated for the subject's proposed office and supporting retail space.

**Office Space Rental Analysis**

Comparable rentals considered most relevant to analyze the subject's office space are summarized below. Block B is positioned to appeal to both general office and life science users. Our search for comparables focused on highly amenitized, Class A space in San Francisco.

**Summary of Comparable Rentals - Office**

No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	TI/SF	Lease Type
1	One Market Plaza - Spear 49 Spear St. San Francisco San Francisco County CA	Yr Blt. 1976 Stories: 42 RA: 883,778 Parking Ratio: 0.2 /1,000	Citigroup	76,439	Jan-23	144	\$110.00	Fixed	\$120.00	Full Service
<i>Comments: Tenant is downsizing from 105,000 SF and received a \$120 psf TI allowance and 12 months of free rent. Escalations are 3% annually in the first five years and 2.5% annually after.</i>										
2	4 Embarcadero Center 4 Embarcadero Center San Francisco San Francisco County CA	Yr Blt. 1979 Stories: 45 RA: 933,813 Parking Ratio: -	Vista Equity Partners, LLC	44,476	Dec-22	126	\$105.00	Fixed	\$118.00	Full Service
<i>Comments: Tenant is renewing their 20th floor lease of 21,860 SF and expanding onto the 30th floor with an additional 22,616 SF. The renewal space is renting for \$107.63 psf, full service, while the expansion space is renting for \$105 psf, full service. The average TI allowance for both spaces is \$118 psf (\$100 psf for renewal space and \$136 psf for the expansion space). The lease for the expansion space commenced in December 2022, while the renewal will commence in October 2024.</i>										
3	One Market Plaza - Spear 49 Spear St. San Francisco San Francisco County CA	Yr Blt. 1976 Stories: 42 RA: 883,778 Parking Ratio: 0.2 /1,000	Thoma Bravo	42,730	Oct-22	120	\$110.00	Fixed	\$120.00	Full Service
<i>Comments: Tenant received a \$120 psf TI allowance and ten months of free rent.</i>										
4	Foundry Square II 405 Howard St. San Francisco San Francisco County CA	Yr Blt. 2002 Stories: 10 RA: 521,555 Parking Ratio: 0.3 /1,000	Fremont Group	60,000	Sep-22	144	\$91.00	Fixed	\$110.00	Full Service
<i>Comments: Tenant signed lease for second floor space and received a TI allowance of \$110 psf and six months of free rent.</i>										
5	5M 415 Natoma St. San Francisco San Francisco County CA	Yr Blt. 2022 Stories: 25 RA: 653,900 Parking Ratio: -	Thumbtack	20,300	Jul-22	48	\$100.00	Fixed	\$175.00	Full Service
<i>Comments: Thumbtack is downsizing from space at 1355 Market St and leasing space on the 13th floor of 5M. TIs are estimated between \$175 and \$200 psf. The building was completed in 2022 and Brookfield (owner) is also building space out on a speculative basis with asking rents of \$72 NNN.</i>										
6	555 California St. 555 California St. San Francisco San Francisco County CA	Yr Blt. 1969 Stories: 52 RA: 1,789,041 Parking Ratio: 0.3 /1,000	Goldman Sachs	89,560	Jul-21	61	\$110.00	Fixed	\$45.00	Full Service
<i>Comments: This is a five-year lease renewal; tenant received three months of free rent and a \$45 psf TI allowance.</i>										

**Comparable Rentals Map – Office Space**

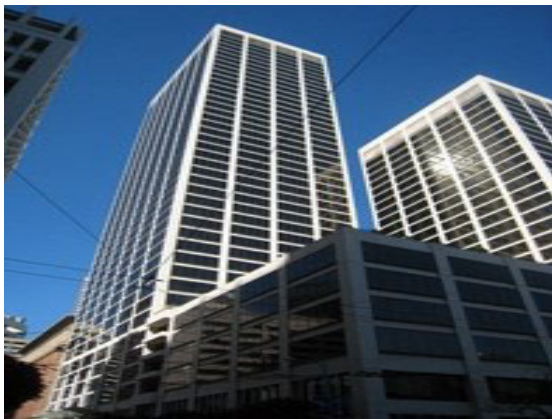




Lease 1  
One Market Plaza - Spear Tower



Lease 2  
4 Embarcadero Center



Lease 3  
One Market Plaza - Spear Tower



Lease 4  
Foundry Square II



Lease 5  
5M



Lease 6  
555 California St.

### Rental Analysis Factors

The following elements of comparison are considered in our analysis of the comparable rentals.

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#### Rental Analysis Factors

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Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

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Each of the comparables reflect full service leases. Triple net leases are also common in the subject's submarket for new construction, and Visa's lease in Building G also reportedly includes a triple net expense structure. Therefore, we have adjusted all the comparables downward to reflect triple net leases, in which the landlord is only responsible for administrative expenses. A summary of expense responsibilities is presented on the following page.

**Subject Expense Structures**

Space Type Lease Type	Office		Retail	
	Triple Net		Triple Net	
	Owner	Tenant	Owner	Tenant
Real Estate Taxes		x		x
Insurance		x		x
Utilities (MRU and SFPUC)		x		x
Repairs/Maintenance		x		x
Cleaning/Janitorial		x		x
Grounds		x		x
Security		x		x
General/Administrative Management	x		x	
Base Development Special Tax - Office		x		x
Base Contingent Services Special Tax - Office		x		
Base Special Tax - Office		x		
Base Shoreline Special Tax - Office		x		
Ground Lease		x		x

As will be discussed in further detail later in this report, the subject's office space is subject to various special taxes in relation to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). It is assumed the tenant will reimburse for these expenses. This is also consistent with the Visa lease on Block G. Retail space is not subject to any special taxes. The subject ground lease payments are also assumed to be reimbursed by the tenants. The ground lease and special taxes will be detailed in the expense section of this analysis; the expense section also considers utility costs associated with the Mission Rock Utilities. However, based on conversations with the developer and market participants, it is our belief the subject's triple net expenses do not vastly exceed its competitors.

**Analysis of Comparable Rentals – Office Space**

The comparable rentals are compared to the subject and adjusted to account for material differences that affect market rental value. The following table summarizes our analysis of each comparable.

**Rental Analysis Summary - Office**

No.	Property Name; Tenant	Leased SF	Rent/SF	Overall Comparison to Subject	Comments
1	One Market Plaza - Spear Tower Citigroup	76,439	\$110.00	Similar	Adjusted downward for expense structure and upward slightly for age/condition.
2	4 Embarcadero Center Vista Equity Partners, LLC	44,476	\$105.00	Inferior	Adjusted downward for expense structure and upward slightly for age/condition.
3	One Market Plaza - Spear Tower Thoma Bravo	42,730	\$110.00	Similar	Adjusted downward for expense structure and upward slightly for age/condition.
4	Foundry Square II Fremont Group	60,000	\$91.00	Inferior	Adjusted downward for expense structure and upward slightly for age/condition.
5	5M Thumbtack	20,300	\$100.00	Similar	Adjusted downward for expense structure.
6	555 California St. Goldman Sachs	89,560	\$110.00	Similar	Adjusted downward for expense structure and upward slightly for age/condition.

Market rent is the rental income that a property would most probably command in the marketplace. A number of comparable office properties within the subject's market area were surveyed in order to determine market rent. The comparable properties presented above are considered the most similar to the subject that we could accurately confirm.

In addition to expense structure, factors considered when adjusting the comparables consisted of lease conditions, market conditions, and differences in physical characteristics. In equating the comparables to the subject, all are considered reasonable indicators of market rent. The subject improvements will reflect highly amenitized new construction. After analysis, the comparables indicate a rental rate of **\$80.00** per square foot, per year, triple net, is applicable to the subject's office space. Overall, the comparable range shifts downward due the necessary adjustments for expense structure.

This rental rate is also considered reasonable for the subject's life sciences build out, though the tenant improvement allowance for this space is expected to be higher than general office space. Typical TI allowances for general office users are approximately \$125 to \$150 per square foot, while allowances for life sciences tenants are closer to \$200 per square foot.

In the following analysis for Blocks B and G, the market rent conclusion of \$80.00 per square foot, per year, triple net will be utilized to arrive at the market value of the Blocks as if stabilized. However, substantial lease up costs—which include TI allowance costs, free rent, leasing commissions, and downtime prior to lease commencement—will be also be considered in the upcoming extraction analyses in order to arrive at the market value of the subject Blocks in their current condition (Block B is vacant and Block G is preleased to Visa).

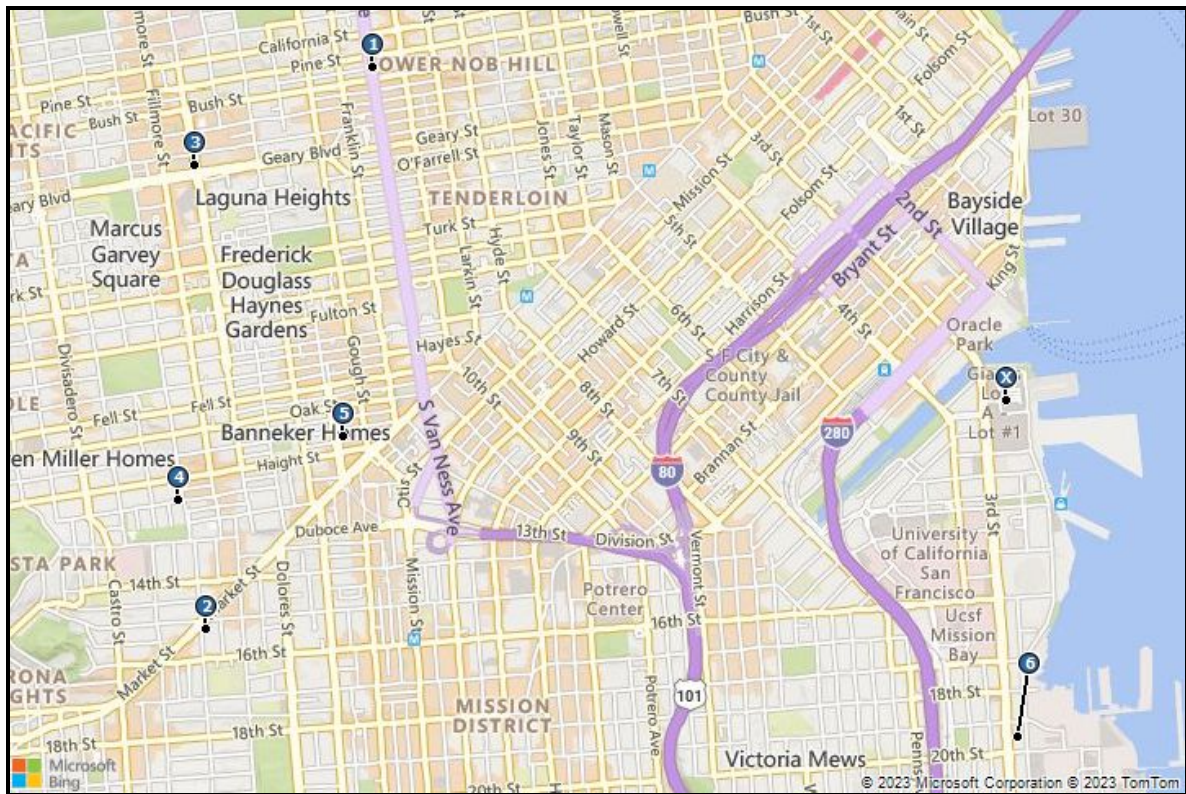
### Retail Space Rental Analysis

Though the majority of the subject's commercial improvements will feature office space, each improvement also offers a retail component. Comparable rentals considered most relevant to the subject's retail space are summarized in the following table.

Summary of Comparable Rentals - Retail									
No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	Lease Type
1	1430 Van Ness Ave. 1430 Van Ness Ave. San Francisco San Francisco County CA	Yr Blt. 1913 Stories: 1 RA: 4,255 Parking Ratio: –	Active Listing	4,255	Jul-23	–	\$55.00	Fixed	Triple Net
<i>Comments: Listing of street-level retail space located at the corner of Van Ness and Austin Alley. Listing brokers with JLL did not respond to requests for additional information.</i>									
2	2195-2199 Market Street 2195-2199 Market St. San Francisco San Francisco County CA	Yr Blt. 1906 Stories: 3 RA: 6,495 Parking Ratio: –	Custom Sofa Co.	1,510	Aug-22	36	\$49.32	Fixed Steps	Modified Gross
<i>Comments: New lease for a ground floor retail suite. The unit has a new paint job and new vinyl plank flooring. There is basement space for storage. The broker did not confirm if tenant improvements were built into the lease.</i>									
3	2301-2309 Webster St. 2301-2309 Webster St. San Francisco San Francisco County CA	Yr Blt. 1900 Stories: 2 RA: 4,147 Parking Ratio: –	Confidential	911	Jul-22	36	\$49.40	Fixed	Modified Gross
<i>Comments: Recent lease of a ground floor retail suite. The unit was in average condition. No TI allowance or free rent was included in the rent.</i>									
4	201-211 Steiner Street 201-211 Steiner St. San Francisco San Francisco County CA	Yr Blt. 1900 Stories: 3 RA: 12,410 Parking Ratio: –	MX3 Fitness	905	Sep-21	60	\$67.90	–	Modified Gross
<i>Comments: There was no TI allowance or free rent included in the lease.</i>									
5	188 Octavia Street 188 Octavia St. San Francisco San Francisco County CA	Yr Blt. 2020 Stories: 5 RA: 20,603 Parking Ratio: –	DM Development	1,037	Aug-21	60	\$48.00	–	Triple Net
6	Potrero Launch 2235 3rd St. San Francisco San Francisco County CA	Yr Blt. 2012 Stories: 4 RA: 242,185 Parking Ratio: –	Not Disclosed	1,840	Jul-21	–	\$52.00	Fixed	Modified Gross
<i>Comments: New lease for ground floor commercial suite in the Potrero Launch mixed-use apartment/commercial building.</i>									



## Comparable Rentals Map – Retail Space





Lease 1  
1430 Van Ness Ave.



Lease 2  
2195-2199 Market Street



Lease 3  
2301-2309 Webster St.



Lease 4  
201-211 Steiner Street



Lease 5  
188 Octavia Street



Lease 6  
Potrero Launch

### Analysis of Comparable Rentals – Retail Space

Our analysis of the comparable rentals is summarized in the following table.

<b>Rental Analysis Summary - Retail</b>					
No.	Property Name;	Leased SF	Rent/SF	Overall	Comments
1	1430 Van Ness Ave. Active Listing	4,255	\$55.00	Inferior	Adjusted upward for age/condition.
2	2195-2199 Market Street Custom Sofa Co.	1,510	\$49.32	Inferior	Adjusted downward for expense structure and upward for age/condition.
3	2301-2309 Webster St. Confidential	911	\$49.40	Inferior	Adjusted downward for expense structure and upward for age/condition.
4	201-211 Steiner Street MX3 Fitness	905	\$67.90	Similar	Adjusted downward for expense structure.
5	188 Octavia Street DM Development Partners, LLC	1,037	\$48.00	Similar	Adjusted upward for age/condition.
6	Potrero Launch Not Disclosed	1,840	\$52.00	Inferior	Adjusted downward for expense structure and upward for age/condition.

After analysis, the comparables indicate that a rental rate of \$50.00 per square foot per year, triple net, is applicable to the subject's retail space.

### Market Rent Conclusions

Based on the preceding analysis of comparable rentals, we conclude market lease terms for the subject as follows.

<b>Concluded Market Lease Terms</b>								
Space Type	Market Rent	Measure	Rent Escalations	Lease Type	Lease Term (Mos.)	Free Rent (Mos.)	TI/SF New	TI/SF Renew
Office	\$80.00	\$/SF/Yr	3% annually	Triple Net	120	6	\$150.00	\$15.00
Retail	\$50.00	\$/SF/Yr	3% annually	Triple Net	36	3	\$30.00	\$15.00

As noted, the market rental rate for Block B is consistent whether the space is leased to a life sciences or general office user; however, a life sciences user would command a higher TI allowance closer to \$200 per square foot.



## Stabilized Income and Expenses – Block B

### Potential Gross Rent

Potential gross rent is based on market rents, as shown in the following table. Income is projected for the 12-month period following the effective date of the appraisal.

#### Potential Gross Rent - Block B

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Office	274,005	\$80.00	\$21,920,400
Retail	15,300	\$50.00	\$765,000
Total Subject	289,305	\$78.41	\$22,685,400

### Expense Reimbursements

Reimbursement income is based upon a triple net expense structure that requires tenants to reimburse the owner for all operating expenses except administrative expenses.

### Vacancy & Collection Loss

Please refer to the *Office and Retail Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Although the overall San Francisco office market continues to be influenced by the remote work policies and an abundance of sublease space, the severity of the impact varies by asset class; the subject property offers highly amenitized, newly constructed, Class A office space which is expected to outperform metrics for the overall market. Even so, market conditions have shifted from pre-pandemic metrics, and the historically accepted 5% stabilized vacancy rate is not reflective of the current (or near term) market. Based on conversations with market participants, we have selected a 10% stabilized vacancy and collection loss factor for Block B, which is likely to be leased to multiple tenants.

### Expenses

To estimate pro forma operating expenses for the subject property, we considered expense data from comparable properties throughout San Francisco. Note that a replacement reserve expense has not been estimated for the subject property, since the overall capitalization rates extracted from the sales data did not include this as an expense. Management is estimated at 3% of effective gross income for Block B, which is assumed to be leased to multiple tenants, and 2% for Block G, which is leased to a single tenant.

Additionally, for property taxes we have calculated the taxes by applying the subject's tax rate to the market value estimate via the income capitalization approach. The premise is that taxes would be reassessed upon the sale of the property.

As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock,

up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office (and multifamily residential) land uses. The subject property is encumbered with special taxes due to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services), which office tenants are expected to reimburse.

**Aggregate Calculation of Special District Tax (2023/2024) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax
A	1a	0.96	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	141,909	\$1,317,947
			<i>Offset by Ad Valorem Tax</i>				<i>(\$1,317,947)</i>
			Base Development Special Tax - Office Use	Office	\$7.04	42,113	\$296,299
			<i>Offset by Ad Valorem Tax</i>				<i>(\$296,299)</i>
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	141,909	\$228,120
			Base Contingent Services Special Tax - Office	Office	\$1.61	42,113	\$67,697
			Base Office Special Tax	Office	\$2.08	42,113	\$87,522
			Base Shoreline Special Tax - Office Use	Office	\$1.97	42,113	\$82,964
							<b>\$466,303</b>
B	1a	0.93	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-	-
			Base Development Special Tax - Office Use	Office	\$7.04	258,994	\$1,822,232
			<i>Offset by Ad Valorem Tax</i>				<i>(\$1,822,232)</i>
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	258,994	\$416,334
			Base Office Special Tax	Office	\$2.08	258,994	\$538,259
			Base Shoreline Special Tax - Office Use	Office	\$1.97	258,994	\$510,225
							<b>\$1,464,818</b>
F	1a	0.58	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	110,548	\$1,026,689
			<i>Offset by Ad Valorem Tax</i>				<i>(\$1,026,689)</i>
			Base Development Special Tax - Office Use	Office	\$7.04	21,966	\$154,549
			<i>Offset by Ad Valorem Tax</i>				<i>(\$154,549)</i>
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	110,548	\$177,707
			Base Contingent Services Special Tax - Office	Office	\$1.61	21,966	\$35,310
			Base Office Special Tax	Office	\$2.08	21,966	\$45,651
			Base Shoreline Special Tax - Office Use	Office	\$1.97	21,966	\$43,274
							<b>\$301,942</b>
G	1a	0.78	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-	-
			Base Development Special Tax - Office Use	Office	\$7.04	283,125	\$1,993,407
			<i>Offset by Ad Valorem Tax</i>				<i>(\$1,993,407)</i>
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-	-
			Base Contingent Services Special Tax - Office	Office	\$1.61	283,125	\$455,125
			Base Office Special Tax	Office	\$2.08	283,125	\$588,410
			Base Shoreline Special Tax - Office Use	Office	\$1.97	283,125	\$557,764
							<b>\$1,601,299</b>
<b>Totals</b>		<b>3.25</b>					<b>\$3,834,362</b>

As previously discussed, the Mission Rock development is being served by a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) Systems, which will be owned by Mission Rock Utilities, Inc.

The black water recycling system will be an advanced water recycling facility that will treat the wastewater collected from toilets, showers and sinks to meet the non-potable water needs of buildings in the Mission Rock Project, as well as associated open space. The thermal district energy

system will supply hot and cold water to the Mission Rock Project through a network of underground pipes to meet the heating and cooling needs of all buildings, replacing the need for individual equipment in each building.

The above-referenced facilities are located separately in two (Blocks B and A) of the first four buildings being constructed as part of Phase 1a. The bay water energy exchange system is expected to be constructed after the Mission Rock Project is fully built out.

Long-term utility service agreements require each property to be a customer of these utility systems; utility rates will be cost-based and will include provisions for required working capital, reserve, debt service, and all operational costs. Based on information available, the rates associated with the MRU system are expected to be above typical rates for existing facilities throughout San Francisco; however, these rates are anticipated to decrease as future buildings are developed and come online. According to cost projections available for use in this analysis, the combination of MRU and SFPUC (San Francisco Public Utilities Commission) expenses for the commercial space is anticipated to average approximately \$5.50 per square foot, per year, and reimbursable as part of typical triple net (common area maintenance, or CAM) reimbursements. Please note, the expense projections are intended to reflect market expectations into perpetuity, and the upcoming direct capitalization approach reflects a snapshot in time; the presumption is that income and expenses, and accordingly, net operating income, reflect an investor's expectations looking forward over a typical holding period. The utility expense projection in this analysis is based upon information provided by the Developer team, but assumes stabilized occupancy. In addition, the projected utility expense does not include utilities paid directly by the tenant, but only those billed to the landlord and reimbursable by tenants.

In addition, the subject is encumbered with a ground lease. According to the developer, the ground lease payments for Phase 1a parcels have been pre-paid as part of the transfer of the leasehold interest from the Port of San Francisco/master developer to the vertical developer. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1a Blocks.

#### Ground Lease Allocation

Block	Phase	Tax	Acreage	Square Feet	% of Land	Ground Lease Rent	
A	1a	1	0.96	41,818	10.1%	\$238,229	Prepaid
B	1a	1	0.93	40,511	9.8%	\$230,784	Prepaid
F	1a	1	0.58	25,265	6.1%	\$143,930	Prepaid
G	1a	1	0.78	33,977	8.2%	\$193,561	Prepaid
C	2	2	0.90	39,204	9.4%	\$223,340	
D1	2	2	0.58	25,265	6.1%	\$143,930	
E	3	2	0.58	25,265	6.1%	\$143,930	
H	4	2	0.72	31,363	7.6%	\$178,672	
I	4	2	0.75	32,670	7.9%	\$186,116	
J	4	2	0.72	31,363	7.6%	\$178,672	
K	4	2	0.41	17,860	4.3%	\$101,744	
D2	2	2	1.62	70,567	17.0%	\$402,011	
<b>Totals</b>			<b>9.53</b>	<b>415,127</b>	<b>100%</b>	<b>\$2,364,919</b>	
<b>Total Ground Lease Rent less D2</b>						<b>\$1,962,908</b>	

This analysis is concerned with Block B. The expense comparables and our operating expense conclusions for the subject are presented in the following tables.

### Operating History and Projections - Block B

	IRR Projection
<b>Income</b>	
Base Rent	\$22,685,400
Expense Reimbursements	9,600,081
Potential Gross Income*	\$32,285,481
Vacancy & Collection Loss @ 10.0%	-3,228,548
Effective Gross Income	\$29,056,933
<b>Expenses</b>	
Real Estate Taxes	\$3,059,308
Ad Valorem Tax - Base Development Special Tax Offset	-1,822,232
Insurance	433,958
Utilities (MRU and SFPUC)	1,591,178
Repairs/Maintenance	1,084,894
Cleaning/Janitorial	578,610
Grounds	86,792
Security	506,284
General/Administrative	578,610
Management	871,708
Base Development Special Tax - Office	1,822,232
Base Contingent Services Special Tax - Office	416,334
Base Special Tax - Office	538,259
Base Shoreline Special Tax - Office	510,225
Ground Lease	0
Total Expenses	\$10,256,158
<b>Net Operating Income</b>	<b>\$18,800,774</b>
Operating Expense Ratio	35.3%
*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss.	

As discussed, the “Base Development Special Tax – Office” is offset by the ad valorem taxes, and the ground lease has been pre-paid. The following page provides expense comparables in San Francisco.

<b>Expense Analysis per Square Foot</b>						
	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	2002	1990			1982, 1986	2023
SF	668,149	359,154	104,225	607,044	207,317	289,305
Prevailing Lease Type					Full Service	Triple Net
	Pro-forma					
Operating Data Type	Trailing-12	Trailing-12	Trailing-12	Trailing-12	Owner	IRR Projection
Year	2021	2021	2021	2021	2020	
Real Estate Taxes	\$4.78	\$13.29	\$8.57	\$5.72	\$1.70	\$10.57
Ad Valorem Tax - Base Development Special Tax Offs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$6.30
Insurance	\$2.20	\$2.01	\$0.71	\$2.09	\$0.00	\$1.50
Utilities (MRU and SFPUC)	\$2.04	\$1.43	\$1.97	\$0.88	\$2.94	\$5.50
Repairs/Maintenance	\$0.53	\$1.73	\$5.30	\$3.50	\$2.84	\$3.75
Cleaning/Janitorial	\$2.32	\$1.31	\$0.00	\$0.00	\$1.02	\$2.00
Grounds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.51	\$0.30
Security	\$0.00	\$0.00	\$0.00	\$0.00	\$0.48	\$1.75
General/Administrative	\$6.82	\$6.63	\$9.97	\$4.68	\$0.83	\$2.00
Management	\$3.28	\$2.49	\$1.45	\$0.94	\$2.94	\$3.01
Base Development Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6.30
Base Contingent Services Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.44
Base Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.86
Base Shoreline Special Tax - Office	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.76
Ground Lease	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$21.97	\$28.88	\$27.98	\$17.81	\$13.25	\$35.45
Operating Expense Ratio	26.8%	34.8%	57.9%	57.4%	42.5%	35.3%

The comparables are not encumbered by special taxes specific to the Special Tax District and are also not subject to ground lease payments. However, the most prominent difference in expenses between the subject and comparables is the higher ad valorem taxes associated with the subject. This is because the definition of market value assumes a sale, and our tax projection for the subject is based upon the market value conclusion. The majority of expense comparables have not transferred recently.

## Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. As noted, there has been very little sales activity in the San Francisco office market in 2023 and there is a dearth of cap rate data under current market conditions, particularly for Class A office properties comparable to the subject. As such, we expanded our search for capitalization rate comparables to include 2023 transactions of Class A properties in urban locations in the Los Angeles market. A summary of the available comparables is provided in the following table.

**Capitalization Rate Comparables**

No.	Property Name	City	Year Built	Sale Date	Rentable Area	% Occup.	Effective Price/SF	Cap Rate
1	AON Center	Los Angeles	1974	7/31/2023	1,110,264	63%	\$139.61	8.00%
2	Union Bank Plaza	Los Angeles	1967	3/30/2023	701,888	62%	\$148.17	7.90%
3	Playhouse Plaza	Pasadena	2015	1/1/2023	155,000	95%	\$354.84	9.00%
Average (Mean) Cap Rate:								8.30%

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age, and overall quality were taken into account when equating sales and rent comparables to the subject in order to determine market value. The same is true when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

The subject's office improvements will reflect new construction, and the purpose of this analysis is to determine the market value of the subject property as if stabilized. While the above comparables are considered relevant to this analysis, they are not located in San Francisco. Therefore, primary weight in our cap rate reconciliation will be placed on market participant interviews with those familiar with the local market. Please refer to the previous *Office Market* overview for detailed interviews with local market participants. These interviews have been condensed in the following table to focus on the capitalization rate opinions.

**Market Participant Survey - Capitalization Rates**

Respondent	Cap Rate	Comments
Broker, Colliers	6.00% +	For stabilized property with no upside.
Broker, Newmark	7.50% to 8.00%	With fixed rate debt near 7.00%, buyers would target 7.5% to 8.0% to stay debt neutral.
Broker, Cushman & Wakefield	6.50%	Expects rates to continue to increase; notes flight to quality.
Broker, Newmark	7.50% to 8.00%	Flight to quality has increased vacancy for lower quality space, while there is steady demand for best-in-class assets.
Broker, Cushman & Wakefield	7.00%	Buyers are targeting 7.0%, while sellers want 6.0%. Multitenant configurations appeal largely to professional office users, which impacts capitalization rate upwards above 7.00%.
Executive, US Bank	7.00% +	Even best-in-class institutional assets would trade north of 7.00%.
<b>Range:</b>	<b>6.00% to 8.00%</b>	

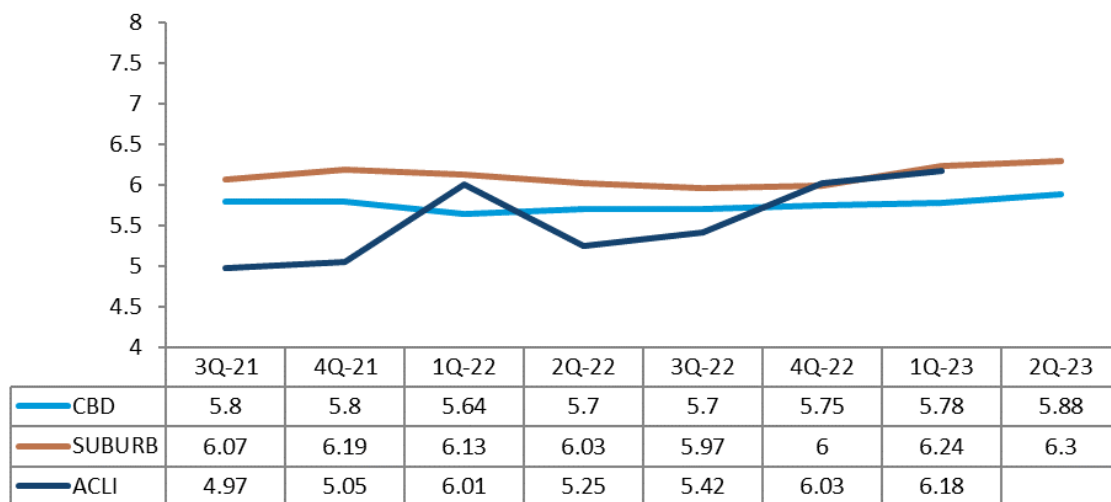
Finally, to determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys, presented as follows.

### Capitalization Rate Surveys – Office Properties

	IRR-ViewPoint National CBD Office	IRR-ViewPoint National Suburban Office	PwC 2Q-23 National CBD Office	PwC 2Q-23 National Suburban Office	ACLI 1Q-23 National Office
Range	5.00% - 9.75%	5.50% - 8.75%	4.25% – 7.50%	4.30% – 8.00%	NA
Average	7.00%	7.18%	5.88%	6.30%	6.18

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

### Office Capitalization Rate Trends



CBD - PwC Real Estate Investor Survey - National CBD Office Market

SUBURB - PwC Real Estate Investor Survey - National Suburban Office Market

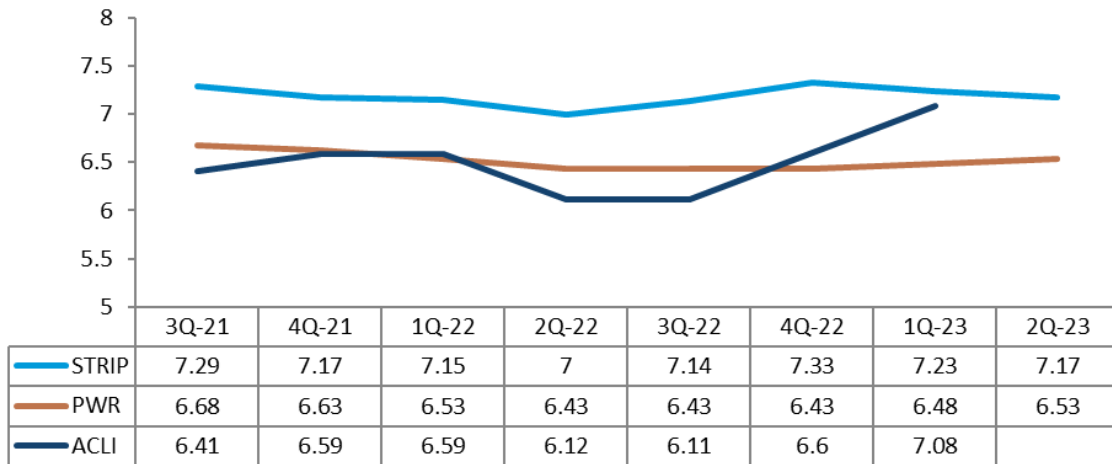
ACLI - American Council of Life Insurers Investment Bulletin - Office Properties

### Capitalization Rate Surveys – Retail Properties

	IRR-ViewPoint Natl Regional Mall	IRR-ViewPoint Natl Neighborhood Retail	IRR-ViewPoint Natl Community Retail Center	PwC 2Q-23 National Strip Shopping Center	PwC 2Q-23 National Power Center	ACLI 1Q-23 National Retail
Range	5.25% - 9.75%	4.75% - 9.00%	4.75% - 8.75%	5.00% – 10.00%	5.50% – 7.50%	NA
Average	7.31%	7.00%	6.95%	7.17%	6.53%	7.08%

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment Bulletin.

### Retail Capitalization Rate Trends



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



Risk Factor	Issues	Impact on Rate
Income Characteristics	Rollover risk, escalation pattern, above/below market rents, major tenant credit strength. Market rent is assumed in this analysis. It is assumed Block B is likely to be leased to multiple tenants.	↔
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new, highly amenitized, good-quality construction within Mission Bay. Block B is being marketed to both general office and life sciences users, which provides flexibility in a down market.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject is located Mission Bay which has been the focus of significant redevelopment activity in recent years. In addition, the subject has good interstate access and reasonably good access to public transit. Office vacancies in the Mission Bay submarket are lower than many other San Francisco submarket.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. The San Francisco office market continues to be impacted by high vacancy rates as office users offload space and remote work remains commonplace. While there has been a flight to quality, there are very few transactions occurring under current market conditions.	↑
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject improvements are consistent with the highest and use of the property.	↔
Overall Impact		↔

Accordingly, we conclude capitalization rates as follows for the subject:

#### Capitalization Rate Conclusion

Going-In Capitalization Rate	7.25%
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**Direct Capitalization Analysis – Block B**

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

<b>Direct Capitalization Analysis - Block B</b>			
		Annual	\$/SF Bldg.
<b>Income</b>			
Potential Gross Rent		\$22,685,400	\$78.41
Expense Reimbursements		\$9,600,081	\$33.18
Potential Gross Income		\$32,285,481	\$111.60
Vacancy & Collection Loss	10.00%	-\$3,228,548	-\$11.16
Effective Gross Income		\$29,056,933	\$100.44
<b>Expenses</b>			
Real Estate Taxes		\$3,059,308	\$10.57
Ad Valorem Tax - Base Development Special Tax Offset		-\$1,822,232	-\$6.30
Insurance		\$433,958	\$1.50
Utilities (MRU and SFPUC)		\$1,591,178	\$5.50
Repairs/Maintenance		\$1,084,894	\$3.75
Cleaning/Janitorial		\$578,610	\$2.00
Grounds		\$86,792	\$0.30
Security		\$506,284	\$1.75
General/Administrative		\$578,610	\$2.00
Management	3.00%	\$871,708	\$3.01
Base Development Special Tax - Office		\$1,822,232	\$6.30
Base Contingent Services Special Tax - Office		\$416,334	\$1.44
Base Special Tax - Office		\$538,259	\$1.86
Base Shoreline Special Tax - Office		\$510,225	\$1.76
Ground Lease		\$0	\$0.00
Total Expenses		\$10,256,158	\$35.45
<b>Net Operating Income</b>		<b>\$18,800,774</b>	<b>\$64.99</b>
Capitalization Rate		7.25%	
<b>Indicated Value</b>		<b>\$259,321,027</b>	<b>\$896.36</b>
<b>Rounded</b>		<b>\$259,300,000</b>	<b>\$896.29</b>

Lease-up costs for Block B will be considered in the upcoming extraction analysis. Please note, Special Taxes for the subject are calculated by applying the tax amount per square foot to the gross building area of each Block. The above table (and subsequent tables for other Blocks) divides the total Special Tax amounts by rentable square footage. As the gross and rentable square footages differ, the Special Taxes per rentable square foot reported above are different than the Special Taxes per gross square foot presented in the Special Tax tables.

### Direct Capitalization Analysis – Block G (Visa Building)

The same methodology is utilized in the valuation of the improvements for Block G. However, because Block G is 100% leased to Visa, credit-rated tenant, several assumptions have been modified. First, a 5% vacancy and collection loss is assumed, rather than 10%. In addition, we have selected a slightly lower management expense of 2.0% (compared to 3.0% for Block B) due to the single tenant nature of the building. Similarly, a capitalization rate of 7.0% is utilized (rather than 7.25%) because the property is commencing a 15-year initial term with a single credit tenant. As noted, because further terms of the lease were not disclosed, we have applied market rent to the property.

### Direct Capitalization Analysis – Block G

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the following table.

Direct Capitalization Analysis - Block G						
	SF	Space Type	Rent Applied	\$/SF	Annual	\$/SF Bldg.
<b>Income</b>						
Base Rent						
Pre-leased - Market Applied	303,629	Office	Market	\$80.00	\$24,290,320	–
Vacant	17,300	Retail	Market	\$50.00	\$865,000	–
Potential Gross Rent	320,929				\$25,155,320	\$78.38
Expense Reimbursements					\$10,760,114	\$33.53
Potential Gross Income					\$35,915,434	\$111.91
Vacancy & Collection Loss	5.00%				-\$1,795,772	-\$5.60
Effective Gross Income					\$34,119,662	\$106.32
<b>Expenses</b>						
Real Estate Taxes					\$3,812,992	\$11.88
Ad Valorem Tax - Base Development Special Tax Offset					-\$1,993,407	-\$6.21
Insurance					\$481,394	\$1.50
Utilities (MRU and SFPUC)					\$1,765,110	\$5.50
Repairs/Maintenance					\$1,203,484	\$3.75
Cleaning/Janitorial					\$641,858	\$2.00
Grounds					\$96,279	\$0.30
Security					\$561,626	\$1.75
General/Administrative					\$641,858	\$2.00
Management	2.00%				\$682,393	\$2.13
Base Development Special Tax - Office					\$1,993,407	\$6.21
Base Contingent Services Special Tax - Office					\$455,125	\$1.42
Base Special Tax - Office					\$588,410	\$1.83
Base Shoreline Special Tax - Office					\$557,764	\$1.74
Total Expenses					\$11,488,292	\$35.80
<b>Net Operating Income</b>					<b>\$22,631,371</b>	<b>\$70.52</b>
Capitalization Rate					7.00%	
<b>Indicated Value</b>					<b>\$323,305,295</b>	<b>\$1,007.40</b>
<b>Rounded</b>					<b>\$323,300,000</b>	<b>\$1,007.39</b>

A summary of the market value, as stabilized, of the subject's Phase 1a office improvements via the direct capitalization analyses is provided below. As noted, lease up costs are considered in the upcoming extraction analyses to reflect the current occupancy of each Block.

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**Summary of Direct Capitalization Analyses - Office Use - Phase 1a**


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<b>Block</b>	<b>Value As If Stabilized</b>	<b>Rentable Building Area</b>	<b>\$/SF</b>
B	\$259,300,000	289,305	\$896
G	\$323,300,000	320,929	\$1,007

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As noted, there are very few properties transacting in the current San Francisco office market; properties that are trading are generally selling at steep discounts compared to pre-pandemic pricing. However, there are a couple of 2023 transactions over 50,000 square feet that bracket our conclusions of market value and provide secondary support. In addition, we consider the 2022 sale of 550 Terry Francois Blvd because it reflects an approximately 315,000 square foot office building in Mission Bay.

- 1 Harrison Street – Sobrato Organization acquired Gap's 171,000 square foot headquarters for approximately \$80,000,000, or \$468 per square foot in February of 2023. Gap plans to lease back the property for one year.
- 345 4th Street – In an owner-user (rather than investor) sale, the Taipei Economic and Cultural Office purchased this newly constructed, 56,000 square foot building for \$53,000,000, or \$946 per square foot. The property sold in January 2023.
- 550 Terry Francois Blvd – sale of Old Navy's former headquarters in Mission Bay. The 314,826 square foot building traded for \$356,000,000, or \$1,130 per square foot in April of 2022.

The subject's residential Blocks will be valued next in the following direct capitalization approach.

## Income Capitalization Approach – Residential Use – Phase 1a

The table summarizes Blocks which will include for-rent multifamily residential space. This section of the valuation focuses Blocks A and F, the residential Blocks within Phase 1a. Please note, since the previous 2021B/C Bond issuance, the Developer of Parcel F eliminated the basement, re-programmed the ground floor space, and designated portions of the second and third floors of the building as office.

<b>Residential Overview</b>								
Block	Phase	Rentable SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage
A	1a	284,771	214,135	283	181	102	36%	0.96
F	1a	207,498	177,898	254	157	97	38%	0.58
D1	2	188,963	188,963	264	115	149	56%	0.58
H	4	156,973	85,175	126	80	46	37%	0.72
K	4	97,852	89,461	131	92	39	30%	0.41
<b>Total</b>				<b>1,058</b>	<b>625</b>	<b>433</b>	<b>41%</b>	

We were provided unit mix information for Blocks A (The Canyon) and F, which are located in Phase 1a. Therefore, direct capitalization analyses will be conducted for these Blocks.

<b>Apartment Unit Mix - Blocks A &amp; F</b>			
Block	Layout	Number of Units	Percent of Units
Block A	Studio	9	3.2%
	One Bedroom	97	34.3%
	Two Bedroom	69	24.4%
	Three Bedroom	6	2.1%
	BMR Units	102	36.0%
		283	100%
Block F	Studio	21	8.3%
	One Bedroom	83	32.7%
	Two Bedroom	52	20.5%
	Three Bedroom	1	0.4%
	BMR Units	97	38.2%
		254	100%

Unit mix details were not available for residential Blocks in Phases 2 and 4. Because the market value as if stabilized is heavily influenced by the unit mix of market rate and below market rate units, it is difficult to conduct a credible direct capitalization analysis without additional detail. Therefore, rather than providing direct capitalization analyses for residential Blocks in Phases 2 and 4, the value conclusions for Blocks A and F will be utilized in estimating the value of Blocks D, H, and K.

A direct capitalization analysis will be provided for Block A first, followed by Block F. Both Blocks A and F include a mix of multifamily, office, and retail space.

### Apartment Unit Mix – Block A (The Canyon)

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units. Please note, average square footage is reported for each of the subject's floor plans. There is a slight discrepancy (likely due to rounding) between the sum of the total rentable square footage in the below table (214,116) and the total rentable square footage reported by the developer (214,135).

<b>Unit Mix - Block A (The Canyon)</b>				
Unit Type	Units	% of Total	Avg. Unit Size	Total SF
Studio	9	3.2%	546	4,914
One Bedroom / One Bath	97	34.3%	627	60,819
Two Bedroom / Two Bath	69	24.4%	921	63,549
Three Bedroom / Two Bath	6	2.1%	1,222	7,332
Studio - BMR	8	2.8%	546	4,368
One Bedroom / One Bath - BMR	58	20.5%	627	36,366
Two Bedroom / Two Bath - BMR	31	11.0%	921	28,551
Three Bedroom / Two Bath - BMR	5	1.8%	1,222	6,110
<b>TOTAL/AVG.</b>	<b>283</b>	<b>100.0%</b>	<b>749</b>	<b>212,009</b>
*Includes employee and model units, as applicable.				

As of the effective appraisal date, 72 market rate units within The Canyon are leased (40% of market rate units and 25% of the overall project). As in the office valuation, lease up costs for the subject will be considered in the upcoming extraction analysis as part of the developer's costs.

The table below includes the average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.

<b>Average Unit Size - Market Rate Units</b>		
Unit Type	Average Unit Size	Total Units
Studio	546	9
One Bedroom / One Bath	627	97
Two Bedroom / Two Bath	921	69
Three Bedroom / Two Bath	1,222	6
<b>TOTAL/AVG.</b>	<b>755</b>	<b>181</b>

It is common in the local market for the tenant to reimburse for all utilities.

**Apartment Market Rent Analysis – Block A**

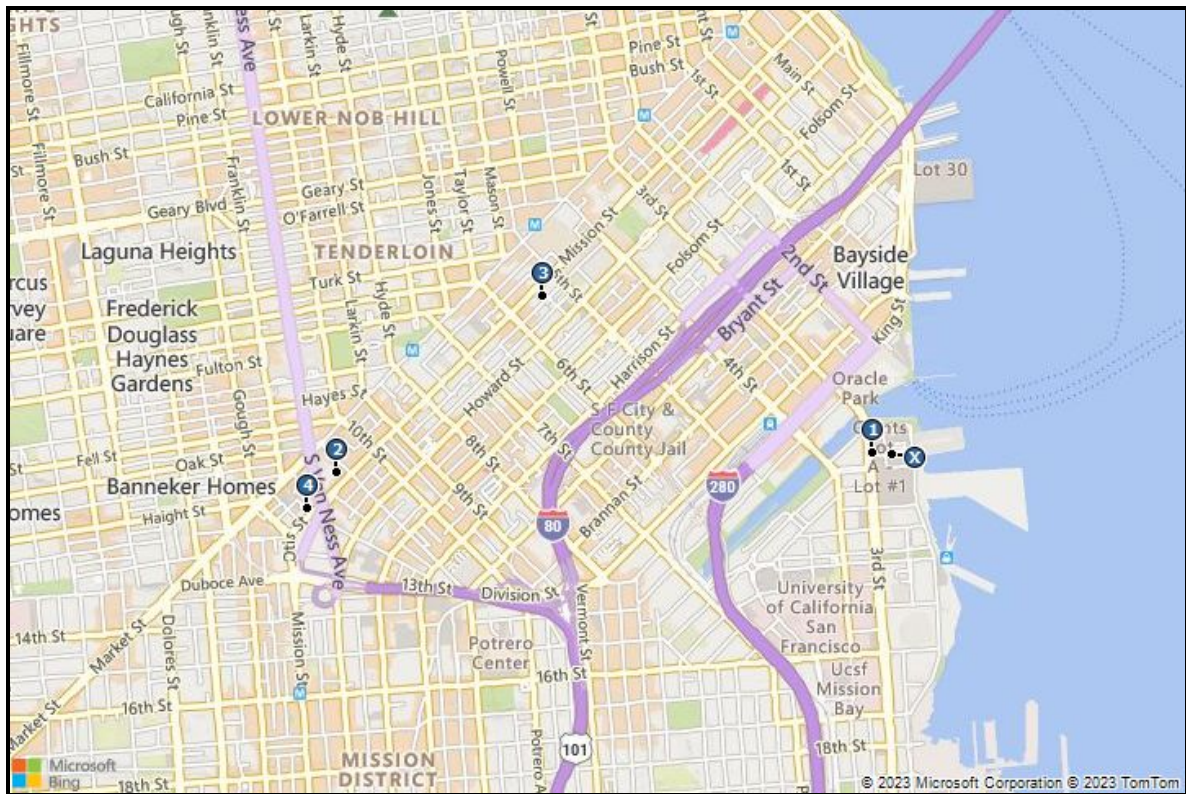
To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, building age, and quality. Our search for comparables focused on new/recently constructed, Class A, high rise multifamily projects in San Francisco. The same comparable set is utilized for each of the subject's multifamily Blocks. The comparables are summarized in the following table. The subject's Block A, known as the Canyon, is actively leasing and is the first comparable presented.

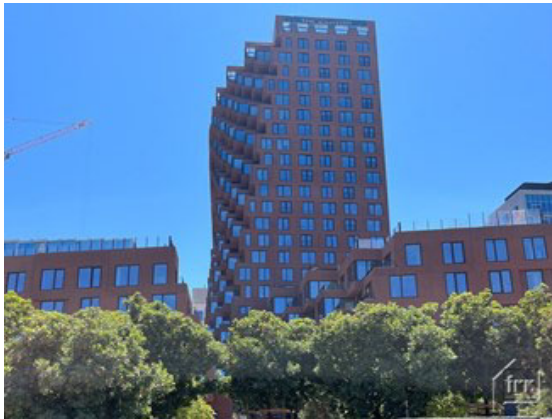
## Summary of Comparable Rentals

No.	Property Name; Address	Yr Built; Stories	# Units; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
1	The Canyon 1023 3rd St. San Francisco	2023 23	283 14%			
				549	\$3,534	\$6.44
				605	\$4,569	\$7.55
				903	\$6,500	\$7.20
				1,262	\$7,750	\$6.14
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Project Amenities:	Bike Storage Room, Co-Working Space, Dog Run/Spa, Electric Car Charging Station, Fitness Center, Resident Lounge, Roofdeck/Sundeck, Security/Door Staff				
	Comments:	Class A mixed use property with 283 residential units, approximately 85,000 SF of office space, and 58,000 SF of retail space; 102 of the apartments are BMR units. The property is currently in lease-up, with the first move-in occurring on 6/1/23. Management is offering 8 weeks of free rent plus \$1,500 for a look and lease.				
2	Fifteen Fifty 1500 Mission St. San Francisco	2020 40	550 98%			
				416	\$3,325	\$7.99
				650	\$4,300	\$6.62
				1,105	\$6,500	\$5.88
				1,445	\$8,200	\$5.67
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Unit Features:	Dishwasher, Granite/Quartz Counters, Range - Gas, Refrigerator, Stainless Steel Appliances, Washer/Dryer In Unit, Window Blinds/Shades, Wood Floors				
	Project Amenities:	BBQ Grill/Picnic Area, Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Recreational Amenities, Resident Lounge, Roofdeck/Sundeck				
	Comments:	Management is offering 6 weeks free plus 2 additional weeks for a look and lease. Tenant is responsible for all utilities.				
3	The George 434 Minna St. San Francisco	2022 20	302 95%			
				467	\$2,860	\$6.12
				885	\$4,445	\$5.02
				983	\$5,210	\$5.30
	Tenant-Paid Utilities:	Water, Sewer, Trash, In-Unit Electric, Gas				
	Unit Features:	Dishwasher, Granite/Quartz Counters, Microwave, Patio/Balcony/Deck, Range - Gas, Refrigerator, Stainless Steel Appliances, Vinyl Plank Floors (LVT/LVP), Washer/Dryer In Unit, Window Blinds/Shades				
	Project Amenities:	Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Resident Lounge, Pet Grooming Stations, Clubroom, Private Bar				
	Comments:	Management is offering up to two months of free rent for move-ins before the end of August. Garage parking is \$500 per month.				
4	Chorus 30 Otis St. San Francisco	2021 20	416 94%			
				467	\$3,130	\$6.70
				692	\$3,679	\$5.32
				999	\$6,837	\$6.84
				1,146	\$6,495	\$5.67
	Tenant-Paid Utilities:	Trash, In-Unit Electric, Sewer, Water, Gas				
	Comments:	New Class A high-rise luxury property with good quality, modern finishes and features. Amenities include rooftop terrace and pool, hot tub, fitness center, outdoor training area, lobby restaurant/cafe, coworking space, lounge, game room, rooftop solarium, valet parking, on-demand housekeeping, concierge. Currently offering \$2,000 look and lease special. The property opened in August 2021.				

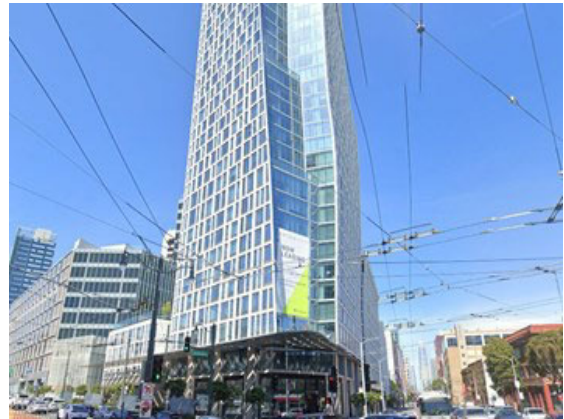


## Comparable Rentals Map





Rent Survey 1  
The Canyon



Rent Survey 2  
Fifteen Fifty



Rent Survey 3  
The George



Rent Survey 4  
Chorus

Our analysis of the comparable rentals considers the following elements of comparison.

#### Rental Analysis Factors

Tenant Paid Utilities	Utilities costs for which tenants are responsible.
Unit Size	Floor area in square feet.
Location	Market or submarket area influences on rent; surrounding land use influences.
Age/Condition	Effective age; physical condition.
Quality	Construction quality, market appeal, functional utility.
Unit Features	Features included in individual residential units.
Project Amenities	Amenities available to the entire property.

Tenants are responsible for all utilities at each of the comparable properties. All comparables are adjusted for unit size utilizing value ratios of 15% to 30% depending on the layout. The high end of the value ratio range is applied to smaller units, while lower ratios are applied to larger units. The comparables are located in SOMA and Potrero Hill and generally require upward adjustments for location when compared to Treasure Island. In addition, adjustments for age/condition are applied as necessary; though the comparables were recently constructed, they do not reflect brand new construction as of the date of rent survey. For these reasons, the comparable set generally shifts upward after adjustment.

#### Analysis of Comparable Rentals – Block A

##### Rental Analysis Summary - Studio Units

No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	Studio	549	\$3,534	\$6.44	Similar	No adjustments are necessary.
2	Fifteen Fifty	Studio	416	\$3,325	\$7.99	Inferior	Adjusted upward for size, location, and age/condition.
3	The George	Studio	467	\$2,860	\$6.12	Inferior	Adjusted upward for size, location, and age/condition.
4	Chorus	Studio	467	\$3,130	\$6.70	Inferior	Adjusted upward for size, location, and age/condition.
Rental Ranges and Averages							
			Range	Average (Unadjusted)	Avg/SF		
Comparables			\$2,860 - \$3,534	\$3,212	–		
Concluded Market Rent				\$3,500	\$6.41		

As noted, Comparable 1 reflects the subject property; the floor plan falls within the range of comparables on a per square foot basis.

**Rental Analysis Summary - One Bedroom / One Bath Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	1 BD/1 BA	605	\$4,569	\$7.55	Similar	No adjustments are necessary.
2	Fifteen Fifty	1 BD/1 BA	650	\$4,300	\$6.62	Inferior	Adjusted upward for location and age/condition.
3	The George	1 BD/ 1 BA	885	\$4,445	\$5.02	Similar	Adjusted downward unit size and upward for location and age/condition.
4	Chorus	1 BD/1 BA	692	\$3,679	\$5.32	Inferior	Adjusted downward for unit size and upward for location and age/condition.

**Rental Ranges and Averages**

	Range	Average (Unadjusted)	Avg/SF
Comparables	\$3,679 - \$4,569	\$4,248	–
Concluded Market Rent		\$4,550	\$7.26

**Rental Analysis Summary - Two Bedroom / Two Bath Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	2 BD/2 BA	903	\$6,500	\$7.20	Similar	No adjustments are necessary.
2	Fifteen Fifty	2 BD/ 2 BA	1,105	\$6,500	\$5.88	Similar	Adjusted downward for unit size and upward for location and age/condition.
3	The George	2 BD/2 BA	983	\$5,210	\$5.30	Inferior	Adjusted downward for unit size and upward for location and age/condition.
4	Chorus	2 BD/2 BA	999	\$6,837	\$6.84	Inferior	Adjusted downward for unit size and upward for location and age/condition.

**Rental Ranges and Averages**

	Range	Average (Unadjusted)	Avg/SF
Comparables	\$5,210 - \$6,837	\$6,262	–
Concluded Market Rent		\$6,500	\$7.06

**Rental Analysis Summary - Three Bedroom / Two Bath Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Unadjusted Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	3 BD/2 BA	1,262	\$7,750	\$6.14	Similar	No adjustments are necessary.
2	Fifteen Fifty	3 BD/2 BA	1,445	\$8,200	\$5.67	Inferior	Adjusted downward for unit size and upward for location and age/condition.
3	Chorus	3 BD/2 BA	1,146	\$6,495	\$5.67	Inferior	Adjusted upward for unit size, location, and age/condition.

**Rental Ranges and Averages**

	Range	Average	Avg/SF
Comparables	\$6,495 - \$8,200	\$7,482	–
Concluded Market Rent		\$7,750	\$6.34

Please note, while many of the comparables offer on-site parking garages, parking spaces are not included in rental rates. Instead, parking spaces may be rented for an additional \$300 to \$375 per month. In addition, it is typical in San Francisco for many residential tenants to forego on-site parking. Because Block D2 will offer up to a 3,000-space parking garage which is intended to service the entire Special Tax District area, we have not discounted the subject rent for a lack of on-site parking. Though the parking garage will also be used for San Francisco Giants games/events, the parking allocation for the residential buildings will be at least 0.50 spaces per market rate unit, in compliance with the subject's Covenants, Conditions, and Restrictions.

### Apartment Market Rent Conclusion – Block A

Based on the preceding analysis of comparable rentals, market rent is estimated for each unit type as shown in the table that follows.

#### Market Rent Conclusions

Unit Type	Total Units	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	17	9	546	\$3,500	\$6.41
One Bedroom / One Bath	155	97	627	\$4,550	\$7.26
Two Bedroom / Two Bath	93	69	921	\$6,500	\$7.06
Three Bedroom / Two Bath	18	6	1,222	\$7,750	\$6.34
Total/Avg.	283	181	755	\$5,347	\$7.08

### Units Subject To Rent Restrictions – Block A

As a condition of the subject's entitlements, 102 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The following table shows the subject's the maximum allowable rents by unit type.

#### Block A Restricted Rents - BMR Units

Layout		90% AMI		120% AMI		150% AMI	Weighted Avg
Studio	1	\$2,269	5	\$3,025	2	\$3,783	\$3,120
One Bedroom	7	\$2,594	31	\$3,459	20	\$4,324	\$3,653
Two Bedroom	2	\$2,919	17	\$3,891	12	\$4,864	\$4,205
Three Bedroom	0	\$3,243	1	\$4,323	4	\$5,404	\$5,188
	10		54		38		\$3,854

### Office and Retail Rental Rates – Block A

Market rent for the subject's office and retail space was determined in the previous direct capitalization analysis for the subject's office improvements. Market rent for office space was determined to be \$80.00 per square foot, per year, triple net. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.



## Stabilized Income and Expenses – Block A

### Potential Gross Rent - Apartments

As noted, the subject property is currently in lease up with 72 market rate units leased as of the effective appraisal date. As a rent roll was not provided, we rely on market rent to calculate potential gross income. The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

<b>Potential Gross Rent</b>			
Unit Type	Total Units	Market Rent/Unit (1)	Potential Rent at Market (1)
<b>Market Rate Units</b>			
Studio	9	\$3,500	\$378,000
One Bedroom / One Bath	97	\$4,550	\$5,296,200
Two Bedroom / Two Bath	62	\$6,500	\$4,836,000
Three Bedroom / Two Bath	13	\$7,750	\$1,209,000
<b>Total - Market Rate Units</b>	<b>181</b>	<b>\$5,347</b>	<b>\$11,614,200</b>
<b>Restricted Units</b>			
Studio - BMR-Below Market Unit	8	\$3,120	\$299,520
One Bedroom / One Bath - BMR-Below Market Unit	58	\$3,653	\$2,542,488
Two Bedroom / Two Bath - BMR-Below Market Unit	31	\$4,205	\$1,564,260
Three Bedroom / Two Bath - BMR-Below Market Unit	5	\$5,188	\$311,280
<b>Total - Restricted Units</b>	<b>102</b>	<b>\$3,854</b>	<b>\$4,717,548</b>
<b>Grand Total</b>	<b>283</b>	<b>\$4,809</b>	<b>\$16,331,748</b>
<sup>1</sup> For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.			

### Potential Gross Rent – Office and Retail Space

Potential rental income from the subject's office and retail space is summarized next.

<b>Potential Gross Rent</b>			
Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	12,500	\$50.00	\$625,000
Office	58,136	\$80.00	\$4,650,880
<b>Total Subject</b>	<b>70,636</b>	<b>\$74.69</b>	<b>\$5,275,880</b>

**Expense Reimbursements - Apartments**

Apartment tenants will reimburse ownership for their pro-rata share of utility expenses. As noted, the Master Developer is required to develop a thermal district energy system and a black water recycling system, commonly referred to as the MRU (Mission Rock Utilities) System, which will serve the Mission Rock Project. Utility expenses associated with this system are expected to be greater than comparable properties. As previously discussed with Blocks B and G, based on information available, for purposes of this analysis building utility costs, which include a combination of MRU and SFPUC expenses, are forecast to average approximately \$5.50 per square foot, per year, for the retail and office space, which is reimbursable as part of typical triple net (common area maintenance, or CAM) reimbursements. Whereas, for the apartment units, utility expenses are projected to be \$3,250 per unit per year, or \$270 per month. Comparable utilities expenses from similar apartment projects in San Francisco reflect a range of utility expenses between \$1,200 and \$2,750 per unit. With the subject's MRU system forecast to operate initially at higher than typical utility rates given the costs associated with developing and implementing this sustainable system, a higher forecast of \$3,250 per unit is considered reasonable. However, unlike the commercial space, reimbursements for multifamily projects typically range from 60% to 90% of the total utilities expense. In order to maintain a competitive market position, utility expense reimbursements are anticipated to be lower and in line with the market.

It should be noted, this analysis also recognizes that apartment tenants will not reimburse for the Residential Base Development Special Tax.

**Expense Reimbursements – Office and Retail**

The office and retail tenants reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and management; the tenants do not reimburse for administrative expenses. Office tenants also reimburse for the special taxes associated with the Mission Rock Special Tax District, which will be summarized in the upcoming expense analysis. In addition, it is assumed office and retail tenants would reimburse for their pro-rata share of ground lease payments, though this does not apply to the upcoming analysis as ground lease payments have been prepaid by the developer for Phase 1.

**Vacancy & Collection Loss**

Please refer to the *Multifamily Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Multifamily market conditions have been improving over the past two years as the local market recovers from the pandemic. An allowance for stabilized vacancy and collection loss is estimated at 5.0% for the subject's multifamily units. However, Block A also includes substantial office space; vacancy and collection loss for office uses was determined to be 10% in the previous office valuation. Based on the proportions of multifamily and commercial space, we have selected a blended vacancy and collection loss of 6.0% for the subject property.

**Concessions**

Concessions have historically been uncommon in this market; however, new projects offering concessions during their initial lease-up phases in order to drive absorption tend to force stabilized projects to also offer some degree of concessions in order to maintain occupancy.

While the Canyon is currently offering concessions (eight weeks of free rent and a \$1,500 look and lease) to drive lease-up during the initial absorption period, we anticipate that concessions will no longer be necessary at the subject property once it has reached stabilization. As such, our market rent conclusions do not reflect ongoing concessions, nor is there a deduction for concessions in the Year 1 income projections. Lease up costs are included as part of the Developer's costs in the upcoming analysis.

**Net Parking Income**

Block A is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary, as well as games/events at Oracle Park. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

**Other Income**

The other income category includes any other income from the property including revenues from application fees, security deposits, and miscellaneous sources. Other income is projected at \$200 per unit, net of vacancy and rent loss, based on comparable projects.

**Effective Gross Income**

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$22,981,512.

**Operating Expenses**

Operating expenses are estimated based on expense data from comparable properties, as summarized in tables on the following pages. As previously described herein, the Mission Rock Infrastructure Finance District (IFD) was established to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes (shown below). It is noted this tax is based upon the square footage of market rate units and excludes below market rate units.



**Aggregate Calculation of Special District Tax (2023/2024) - Phase 1a, Tax Zone 1**

Block	Phase	Acreage	Tax Description	SF Use	Tax PSF (of Bldg Area)	Taxable SF (Bldg Area)	Total Tax	
A	1a	0.96	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	141,909	\$1,317,947	
			Offset by Ad Valorem Tax				(\$1,317,947)	
			Base Development Special Tax - Office Use	Office	\$7.04	42,113	\$296,299	
			Offset by Ad Valorem Tax				(\$296,299)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	141,909	\$228,120	
			Base Contingent Services Special Tax - Office	Office	\$1.61	42,113	\$67,697	
			Base Office Special Tax	Office	\$2.08	42,113	\$87,522	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	42,113	\$82,964	
							\$466,303	
B	1a	0.93	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-	-	
			Base Development Special Tax - Office Use	Office	\$7.04	258,994	\$1,822,232	
			Offset by Ad Valorem Tax				(\$1,822,232)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-	-	
			Base Contingent Services Special Tax - Office	Office	\$1.61	258,994	\$416,334	
			Base Office Special Tax	Office	\$2.08	258,994	\$538,259	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	258,994	\$510,225	
							\$1,464,818	
F	1a	0.58	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	110,548	\$1,026,689	
			Offset by Ad Valorem Tax				(\$1,026,689)	
			Base Development Special Tax - Office Use	Office	\$7.04	21,966	\$154,549	
			Offset by Ad Valorem Tax				(\$154,549)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	110,548	\$177,707	
			Base Contingent Services Special Tax - Office	Office	\$1.61	21,966	\$35,310	
			Base Office Special Tax	Office	\$2.08	21,966	\$45,651	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	21,966	\$43,274	
							\$301,942	
G	1a	0.78	Base Development Special Tax - Market-Rate Residential	Residential	\$9.29	-	-	
			Base Development Special Tax - Office Use	Office	\$7.04	283,125	\$1,993,407	
			Offset by Ad Valorem Tax				(\$1,993,407)	
			Base Contingent Services Special Tax - Market-Rate Residential	Residential	\$1.61	-	-	
			Base Contingent Services Special Tax - Office	Office	\$1.61	283,125	\$455,125	
			Base Office Special Tax	Office	\$2.08	283,125	\$588,410	
			Base Shoreline Special Tax - Office Use	Office	\$1.97	283,125	\$557,764	
							\$1,601,299	
Totals		3.25						\$3,834,362

**Operating History and Projections - Block A**

	IRR Projection
<b>Income</b>	
Rental Income - Apartments	\$16,331,748
Rental Income - Retail/Office	5,275,880
Expense Reimbursements - Apartments	518,708
Expense Reimbursements - Retail/Office	2,261,868
Potential Gross Income*	\$24,388,204
Vacancy & Collection Loss @ 6.0%	-1,463,292
Other Income	56,600
Effective Gross Income	\$22,981,512
<b>Expenses</b>	
Real Estate Taxes	\$3,596,206
Ad Valorem Tax - Residential Base Development Special Tax Offset	-1,317,947
Ad Valorem Tax - Office Base Development Special Tax Offset	-296,299
Insurance	299,454
Utilities (MRU and SFPUC)	1,239,498
Repairs/Maintenance	784,010
Payroll/Benefits	679,200
Advertising & Marketing	113,200
General/Administrative	563,973
Management	689,445
Replacement Reserves	70,750
Base Development Special Tax - Residential	1,317,947
Base Development Special Tax - Office	296,299
Base Contingent Services Special Tax - Residential	228,120
Base Contingent Services Special Tax - Office	67,697
Base Special Tax - Office	87,522
Base Shoreline Special Tax - Office	82,964
Ground Lease	0
Total Expenses	\$8,502,040
<b>Net Operating Income</b>	<b>\$14,479,472</b>
Operating Expense Ratio**	36.7%
**Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.	

Expense Analysis per Unit						
	Comp Data*					Subject
	Comp 1 2016	Comp 2 2017	Comp 3 2012	Comp 4 2020	Comp 5 2022	Projected Expenses 2023
Year Built						
Number of Units	121	87	202	172	116	283
Pro-forma						
Operating Data Type	In Place	In Place	In Place	In Place	Owner	IRR Projection
Year	2021	2021	2021	2022	2022	
Real Estate Taxes	\$7,519	\$7,519	\$7,768	\$8,149	\$4,551	\$12,707
Ad Valorem Tax - Residential Base Development Special Tax Off.	\$0	\$0	\$0	\$0	\$0	-\$4,657
Ad Valorem Tax - Office Base Development Special Tax Offset	\$0	\$0	\$0	\$0	\$0	-\$1,047
Insurance	\$720	\$792	\$719	\$1,434	\$187	\$1,058
Utilities (MRU and SFPUC)	\$2,041	\$3,121	\$2,503	\$2,731	\$2,139	\$4,380
Repairs/Maintenance	\$3,335	\$2,124	\$5,070	\$2,114	\$1,889	\$2,770
Painting & Decorating	\$0	\$0	\$0	\$0	\$0	\$0
Payroll/Benefits	\$2,400	\$3,358	\$2,257	\$3,083	\$0	\$2,400
Advertising & Marketing	\$350	\$382	\$218	\$934	\$103	\$400
General/Administrative	\$621	\$1,509	\$506	\$653	\$189	\$1,993
Management	\$681	\$1,379	\$820	\$1,047	\$1,462	\$2,436
Replacement Reserves	\$0	\$0	\$0	\$188	\$0	\$250
Base Development Special Tax - Residential	\$0	\$0	\$0	\$0	\$0	\$4,657
Base Development Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$1,047
Base Contingent Services Special Tax - Residential	\$0	\$0	\$0	\$0	\$0	\$806
Base Contingent Services Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$239
Base Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$309
Base Shoreline Special Tax - Office	\$0	\$0	\$0	\$0	\$0	\$293
Ground Lease	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$17,666	\$20,184	\$19,862	\$20,333	\$10,520	\$30,043
Operating Expense Ratio	61.4%	44.4%	61.9%	52.2%	28.7%	36.7%

The above multifamily comparables are each located within the City of San Francisco. As the definition of market value presumes a sale, taxes are calculated by applying the subject's tax rate to the conclusion of market value. Management is estimated at 3% of effective gross income and replacement reserves are projected at \$250 per multifamily unit.

As noted, the subject includes an office component which must also be considered in expense projections. Many of the above expense comparables include ground floor retail, but none include office space. In this analysis, we apply multifamily expense conclusions to the subject's apartment units and consider office space expense projections (previously presented) for the subject's office area. Our combined operating expense conclusions for all components are presented on a per unit basis in the table above. Please note, the general/administrative expense falls above the comparable range because office-specific expenses (such as janitorial, security, etc) are included in this category for the purposes of this analysis.

As discussed, the ground lease payments for Phase 1 parcels have been pre-paid. Therefore, the ground lease payment is excluded from the direct capitalization analysis for Phase 1 Blocks. The pre-payment is instead considered later in the developer's costs in the upcoming extraction analyses.

### Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. We consider the following data in selecting a capitalization rate for the subject.

**Capitalization Rate Comparables**

No.	Property Name	City	Year Built	Sale Date	Rentable Area	% Occup.	No. Units	Price/Unit	Cap Rate
1	Scotia Apartments	San Jose	2020	3/9/2023	54,175	95%	55	\$568,182	4.25%
2	Alice House	Oakland	2020	12/29/2022	57,828	95%	79	\$500,000	3.62%
3	The Edge	Oakland	2022	12/20/2022	74,707	95%	91	\$516,484	3.55%
4	Santana Terrace	Santa Clara	2020	10/7/2022	72,757	95%	92	\$576,087	3.60%
5	Bell South City	South San	2019	5/12/2022	233,543	93%	260	\$792,308	3.62%
6	Bell Mt. Tam	Corte Madera	2017	12/2/2021	186,520	95%	180	\$866,667	3.00%
Average (Mean) Cap Rate:									3.61%

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality are taken into account when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

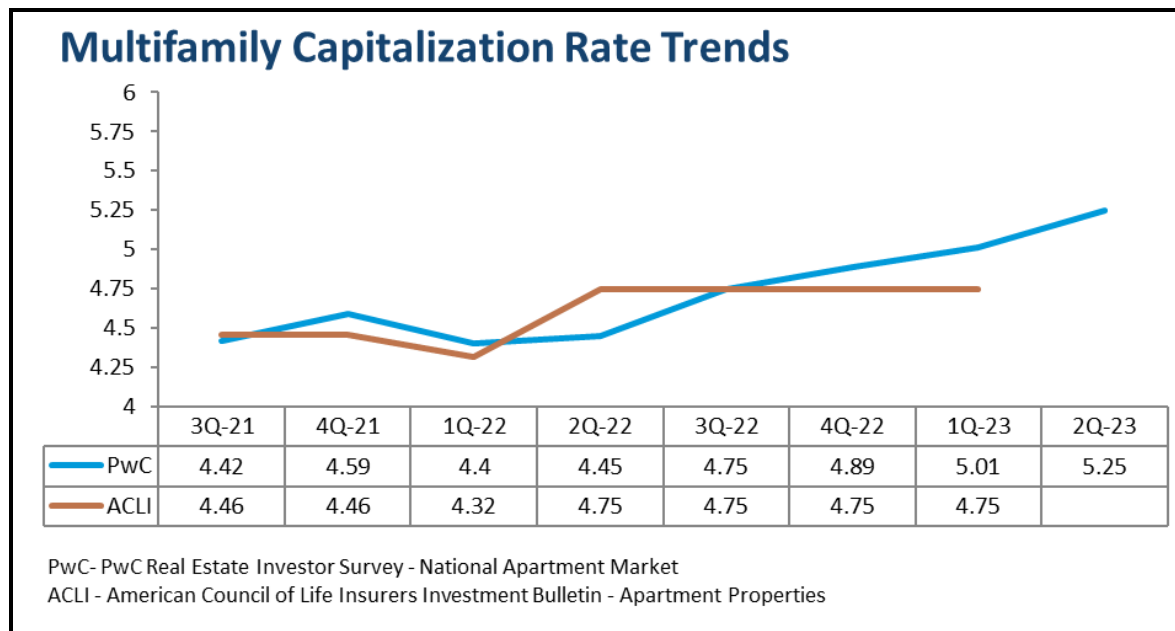
Our search for comparables focused on recently constructed properties in the Bay Area. Sales 5 and 6 traded with notable loss to lease, and the stabilized capitalization rates for these properties were trending towards the mid- to high-3.00% range. The subject reflects new, Class A construction in the Mission Bay neighborhood with views of Oracle Park. New, physically competitive multifamily properties are located in the SOMA neighborhood, rather than in Mission Bay. However, the subject includes a substantial office component, unlike the cap rate comparables (our search for comparables revealed no recent sales of multifamily properties with an office component). This applies upward pressure to the cap rate. Therefore, considering current macroeconomic conditions, a proforma capitalization rate above the high end of the range is appropriate.

To determine a capitalization rate for the subject we have also examined capitalization rate information published in national surveys and conducted a band of analysis, presented below and on the following page.

**Capitalization Rate Surveys – Multifamily Properties**

	IRR-ViewPoint	IRR-ViewPoint	PwC	ACLI
	National Urban	National Suburban	2Q-23	1Q-23
	Multifamily	Multifamily	National Apartment	National Apartment
Range	3.50% - 6.50%	3.50% - 7.25%	3.75% – 8.00%	NA
Average	4.85%	4.98%	5.25%	5.09%

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment



## Market Participant Interviews

Over the course of our research, we have conducted interviews with market participants familiar with the San Francisco multifamily market.

Market Participant Survey - Capitalization Rates		
Respondent	Cap Rate	Comments
Institutional Property Advisors	4.50% - 5.00%	Capitalization rates for institutional grade assets in the Bay Area have returned to the 4.00% range due to aggressive interest rate hikes implemented by the Federal Reserve. With fixed rate debt in the mid 5.00% range, activity has slowed significantly, and deals that were negotiated earlier this year could not be replicated at the same terms today. Oversupplied urban core areas were hit hard operationally during the pandemic, resulting in further price impairment. Most sellers are expected to hold if possible, opting instead to refinance, recapitalize, or seek loan extensions. Those who are forced to sell will have to accept discounts. This is a transitional market which is not expected to stabilize for at least 6 to 12 months in the future. Lay-offs and hiring freezes in the technology sector are likely to spread to other sectors, impacting renter income. Buyers have a low threshold for negative leverage, and are looking for positive leverage by Year 3. As a result, there is minimal buyer interest in unstabilized or operationally-troubled assets. It is possible, however, to generate buyer interest in a basis play. Activity will likely pick up again in the second half of 2023, as owners are beginning to express interest in selling this year. Cap rates have increased 100 basis points over the past year, and buyers are targeting capitalization rates in the low 5.00% range, but expects rates to settle in the mid- to upper-4.00% range for the foreseeable future.
JLL	4.75% - 5.00%	There is minimal interest from institutional buyers presently, and the buyer pool for sub-\$50 million deals is wider. Capitalization rates for Class A urban core and core plus deals currently range from 4.75% to 5.00%, with properties in Oakland expected to achieve rates at the higher end of this range due to oversupply issues and political headwinds. Rent growth is expected to be flat in the coming year, with gradual increases back to normal trends in 2025.
JLL	4.50% - 5.00%	Capitalization rates have increased significantly over the past 6 to 12 months, concurrent with increases in interest rates. Buyers are willing to tolerate negative leverage for one or two years, but are targeting a 5.50% by Year 2 or 3. The going in rate can in the mid- to high 4.00% range if there is a compelling value-add story that will get the property to a 5.00% at the end of Year 1, and 5.50% by Year 2.
Indicated Cap Rate Range	4.50% - 5.00%	

Based on an analysis of the preceding data, a going-in capitalization rate for the subject is indicated within a range of 3.75% to 4.75%. To reach a capitalization rate conclusion, we consider each of the following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.

Risk Factor	Issues	Impact on Rate
Income Characteristics	Stability of occupancy, above/below market rents, rent control. Market rent is utilized in this analysis, though is noted the subject has a significant inclusionary housing component. While the majority of capitalization rate comparables include retail and multifamily space, the subject also includes an office component, which is somewhat unique. In the previous analysis, we concluded a capitalization rate of 7.25% for office space. This will influence the overall cap rate for Block A upward.	↔↑
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new construction with excellent appeal.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject enjoys a good location in Mission Bay close to employment centers with reasonable transportation availability and many recreation options within walking distance.	↓
Market	Vacancy rates and trends; rental rate trends; supply and demand. The multifamily market continues to recover from the pandemic; vacancy rates are declining and rental rates are increasing (though are below pre-pandemic highs). However, the office market continues to face challenges.	↔↑
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject proposal is consistent with the highest and best use of the property.	↔
Overall Impact		↔

Accordingly, we conclude a capitalization rate as follows:

#### Capitalization Rate Conclusion

Going-In Capitalization Rate	4.75%
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**Direct Capitalization Analysis – Block A**

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table below.

<b>Direct Capitalization Analysis - Block A</b>			
		Annual	\$/Unit
<b>INCOME</b>			
Rental Income - Apartments		\$16,331,748	\$57,709
Rental Income - Retail/Office		\$5,275,880	\$18,643
Expense Reimbursements - Apartments		\$518,708	\$1,833
Expense Reimbursements - Retail/Office		\$2,261,868	\$7,992
Potential Gross Income		\$24,388,204	\$86,177
Vacancy & Collection Loss	6.00%	-\$1,463,292	-\$5,171
Other Income		\$56,600	\$200
Effective Gross Income		\$22,981,512	\$81,207
<b>EXPENSES</b>			
Real Estate Taxes		\$3,596,206	\$12,707
Ad Valorem Tax - Residential Base Development Special Tax Offset		-\$1,317,947	-\$4,657
Ad Valorem Tax - Office Base Development Special Tax Offset		-\$296,299	-\$1,047
Insurance		\$299,454	\$1,058
Utilities (MRU and SFPUC)		\$1,239,498	\$4,380
Repairs/Maintenance		\$784,010	\$2,770
Payroll/Benefits		\$679,200	\$2,400
Advertising & Marketing		\$113,200	\$400
General/Administrative		\$563,973	\$1,993
Management	3.00%	\$689,445	\$2,436
Replacement Reserves		\$70,750	\$250
Base Development Special Tax - Residential		\$1,317,947	\$4,657
Base Development Special Tax - Office		\$296,299	\$1,047
Base Contingent Services Special Tax - Residential		\$228,120	\$806
Base Contingent Services Special Tax - Office		\$67,697	\$239
Base Special Tax - Office		\$87,522	\$309
Base Shoreline Special Tax - Office		\$82,964	\$293
Ground Lease		\$0	\$0
Total Expenses		\$8,502,040	\$30,043
NET OPERATING INCOME		\$14,479,472	\$51,164
Capitalization Rate		4.75%	
<b>Indicated Value</b>		<b>\$304,830,990</b>	<b>\$1,077,141</b>
<b>Rounded</b>		<b>\$304,800,000</b>	<b>\$1,077,032</b>

Lease up costs will be considered in the upcoming extraction analysis.

### Apartment Unit Mix – Block F

The subject units are proposed; the following table reflects the total unit mix for market and below market rate units.

<b>Unit Mix - Block F</b>				
Unit Type	Units	% of Total	Avg. Unit Size	Total SF
Studio	21	8.3%	447	9,387
One Bedroom / One Bath	83	32.7%	576	47,808
Two Bedroom / Two Bath	52	20.5%	938	48,776
Three Bedroom / Two Bath	1	0.4%	1,068	1,068
Studio BMR	9	3.5%	447	4,023
One Bedroom / One Bath BMR	49	19.3%	576	28,224
Two Bedroom / Two Bath BMR	36	14.2%	938	33,768
Three Bedroom / Two Bath	3	1.2%	1,068	3,204
<b>Total Units</b>	<b>254</b>	<b>100.0%</b>	<b>694</b>	<b>176,258</b>

The table below includes the weighted average square footage for the subject's market rate units, which will be utilized in the upcoming market rent analysis.

### Average Unit Size - Market Rate Units

Unit Type	Average Unit Size	Total Units
Studio	447	21
One Bedroom / One Bath	576	83
Two Bedroom / Two Bath	938	52
Three Bedroom / Two Bath	1,068	1
<b>TOTAL/AVG.</b>	<b>682</b>	<b>157</b>

The average unit size for Block F apartments is slightly smaller than Block A units.

### Apartment Market Rent Conclusion – Block F

Please refer to the previous direct capitalization analysis of Block A for a description of the rent comparables. Given the similarities between Block A and Block F units, the same comparables were utilized in the market rent analysis for Block F. However, because the average unit size for Block F layouts is smaller than Block A floorplans, our market rent conclusions have been adjusted downward accordingly.



**Market Rent Conclusions**

Unit Type	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	21	447	\$3,350	\$7.49
One Bedroom / One Bath	83	576	\$4,500	\$7.81
Two Bedroom / Two Bath	52	938	\$6,500	\$6.93
Three Bedroom / Two Bath	1	1,068	\$7,600	\$7.12
Total/Avg.	157	682	\$5,028	\$7.38

**Units Subject to Rent Restrictions – Block F**

As a condition of the subject's entitlements, 97 of the units are subject to rent restrictions. The restrictions require these units be rented to tenants whose incomes do not exceed between 90% and 150% of San Francisco's median family income, as determined by the Mayor's Office of Housing and Community Development. The unit mix for the subject's inclusionary units is provided below.

**Block F Restricted Rents - BMR Units**

Layout	90% AMI		120% AMI		150% AMI		Weighted Avg
Studio	2	\$2,269	6	\$3,025	1	\$3,783	\$2,941
One Bedroom	5	\$2,594	28	\$3,459	16	\$4,324	\$3,653
Two Bedroom	5	\$2,919	19	\$3,891	12	\$4,864	\$4,080
Three Bedroom	1	\$3,243	2	\$4,323	0	\$5,404	\$3,963
	13		55		29		\$3,755

**Office and Retail Rental Rates – Block F**

Market rent for the subject's office and retail space was determined in the previous direct capitalization analysis for the subject's office improvements. Market rent for office space was determined to be \$80.00 per square foot, per year, triple net. Market rent for retail space was determined to be \$50.00 per square foot, per year, triple net.

**Stabilized Income and Expenses – Block F****Potential Gross Rent - Apartments**

The following table summarizes the potential gross rent from the apartment units based on market rent applied to the subject units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

**Potential Gross Rent**

Unit Type	Total Units	Market Rent/Unit (1)	Potential Rent at Market (1)
<b>Market Rate Units</b>			
Studio	21	\$3,350	\$844,200
One Bedroom / One Bath	83	\$4,500	\$4,482,000
Two Bedroom / Two Bath	52	\$6,500	\$4,056,000
Three Bedroom / Two Bath	1	\$7,600	\$91,200
<b>Total - Market Rate Units</b>	<b>157</b>	<b>\$5,028</b>	<b>\$9,473,400</b>
<b>Restricted Units</b>			
Studio BMR-Below Market Rate	8	\$2,941	\$282,336
One Bedroom / One Bath BMR-Below Market Rate	51	\$3,653	\$2,235,636
Two Bedroom / Two Bath BMR-Below Market Rate	35	\$4,080	\$1,713,600
Three Bedroom / Two Bath BMR-Below Market Rate	3	\$3,963	\$142,668
<b>Total - Restricted Units</b>	<b>97</b>	<b>\$3,755</b>	<b>\$4,370,820</b>
<b>Grand Total</b>	<b>254</b>	<b>\$4,542</b>	<b>\$13,844,220</b>

<sup>1</sup> For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

**Potential Gross Rent – Office & Retail Space**

Potential rental income from the subject's office and retail space is summarized next.

**Potential Gross Rent**

Space Type	SF	Potential Rent at Market	
		\$/SF/Yr	Annual
Retail	8,000	\$50.00	\$400,000
Office	21,600	\$80.00	\$1,728,000
<b>Total Subject</b>	<b>29,600</b>	<b>\$71.89</b>	<b>\$2,128,000</b>

**Expense Reimbursements - Apartments**

Apartment tenants will reimburse ownership for utilities. As in the Block A analysis, it is assumed 90% of utility expenses will be reimbursed by the tenants. It should be noted, this analysis recognizes that apartment tenants will not reimburse for the Residential Base Development Special Tax.

**Expense Reimbursements –Retail & Office**

The retail and office tenants will reimburse the owner for their pro-rata share of real estate taxes, insurance, utilities, repairs/maintenance, and management (but not administrative) expenses.

**Vacancy & Collection Loss**

An allowance for stabilized vacancy and collection loss is estimated at 6.0%, based upon the allocation of multifamily, office, and retail space at the property.

**Concessions**

This analysis considers the market value of the subject as if stabilized. Similar to Block A, lease-up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

**Net Parking Income**

Block F is not expected to provide on-site parking. As discussed, Block D2 will offer a parking garage with up to 3,000 for-rent spaces. The parking garage is intended to service all properties within the Special Tax District boundary. As the parking garage is not tied to the subject site, no net parking income is estimated in this analysis. It is common among comparable properties for tenants to pay additional monthly rent for parking, and parking is therefore not included in our estimation of fair market rent for the subject property.

**Other Income**

The other income category includes any other income from the property including revenues from application fees, security deposits, and miscellaneous sources. Total other income is projected at \$200 per multifamily unit, net of vacancy and rent loss, based on our experience with multifamily projects in the local market.

**Effective Gross Income**

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated at \$16,450,979.

**Operating Expenses**

Operating expenses are estimated based on expense data from comparable properties, as summarized in table below.

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**Operating History and Projections - Block F**


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	IRR Projection
<b>Income</b>	
Rental Income - Apartments	\$13,844,220
Rental Income - Retail/Office	2,128,000
Expense Reimbursements - Apartments	530,806
Expense Reimbursements - Retail/Office	943,973
Potential Gross Income*	\$17,446,999
Vacancy & Collection Loss @ 6.0%	-1,046,820
Other Income	50,800
Effective Gross Income	\$16,450,979
<b>Expenses</b>	
Real Estate Taxes	\$2,547,277
Ad Valorem Tax - Residential Base Development Special Tax Offset	-1,026,689
Ad Valorem Tax - Office Base Development Special Tax Offset	-154,549
Insurance	222,900
Utilities (MRU and SFPUC)	944,300
Repairs/Maintenance	589,000
Payroll/Benefits	609,600
Advertising & Marketing	101,600
General/Administrative	321,180
Management	493,529
Replacement Reserves	63,500
Base Development Special Tax - Residential	1,026,689
Base Development Special Tax - Office	154,549
Base Contingent Services Special Tax - Residential	177,707
Base Contingent Services Special Tax - Office	35,310
Base Special Tax - Office	45,651
Base Shoreline Special Tax - Office	43,274
Ground Lease	0
Total Expenses	\$6,194,829
<b>Net Operating Income</b>	<b>\$10,256,150</b>
Operating Expense Ratio**	37.3%

\*IRR projected income is the total potential income attributable to the property before deduction of vacancy and collection loss.

\*\*Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

Please see the direct capitalization analysis for Block A for a summary of the expense comparables utilized in this projection.

## Capitalization Rate Selection

Capitalization rate comparables, market participant interviews, and national data were presented in the direct capitalization analysis for Block A. As discussed, the concluded capitalization rate of 4.75% for Block A was higher than a traditional multifamily project with ground floor retail due to the office component. As Block F also includes these components, we conclude to a rate of 4.75%, consistent Block A.

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### Capitalization Rate Conclusion

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Going-In Capitalization Rate	4.75%
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**Direct Capitalization Analysis – Block F**

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table that follows.

Direct Capitalization Analysis - Block F				
		Annual	\$/Unit	\$/SF
INCOME				
Rental Income - Apartments		\$13,844,220	\$54,505	\$66.72
Rental Income - Retail/Office		\$2,128,000	\$8,378	\$10.26
Expense Reimbursements - Apartments		\$530,806	\$2,090	\$2.56
Expense Reimbursements - Retail/Office		\$943,973	\$3,716	\$4.55
Potential Gross Income		\$17,446,999	\$68,689	\$84.08
Vacancy & Collection Loss	6.00%	-\$1,046,820	-\$4,121	-\$5.04
		\$50,800	\$200	\$0.24
Effective Gross Income		\$16,450,979	\$64,768	\$79.28
EXPENSES				
Real Estate Taxes		\$2,547,277	\$10,029	\$12.28
Ad Valorem Tax - Residential Base Development Special Tax Offset		-\$1,026,689	-\$4,042	-\$4.95
Ad Valorem Tax - Office Base Development Special Tax Offset		-\$154,549	-\$608	-\$0.74
Insurance		\$222,900	\$878	\$1.07
Utilities (MRU and SFPUC)		\$944,300	\$3,718	\$4.55
Repairs/Maintenance		\$589,000	\$2,319	\$2.84
Payroll/Benefits		\$609,600	\$2,400	\$2.94
Advertising & Marketing		\$101,600	\$400	\$0.49
General/Administrative		\$321,180	\$1,264	\$1.55
Management	3.00%	\$493,529	\$1,943	\$2.38
Replacement Reserves		\$63,500	\$250	\$0.31
Base Development Special Tax - Residential		\$1,026,689	\$4,042	\$4.95
Base Development Special Tax - Office		\$154,549	\$608	\$0.74
Base Contingent Services Special Tax - Residential		\$177,707	\$700	\$0.86
Base Contingent Services Special Tax - Office		\$35,310	\$139	\$0.17
Base Special Tax - Office		\$45,651	\$180	\$0.22
Base Shoreline Special Tax - Office		\$43,274	\$170	\$0.21
Total Expenses		\$6,194,829	\$24,389	\$29.85
NET OPERATING INCOME		\$10,256,150	\$40,379	\$49.43
Capitalization Rate		4.75%		
Indicated Value		\$215,918,946	\$850,075	\$1,040.58
Rounded		\$215,900,000	\$850,000	\$1,040.49

Lease up costs will be considered as part of the developer's costs in the upcoming extraction analysis.

A summary of the market value, as if stabilized, of the subject's Phase 1a residential improvements via the direct capitalization analyses is provided on the following page.

**Summary of Direct Capitalization Analyses - Residential Use - Phase 1a**

<b>Block</b>	<b>Value As If Stabilized</b>	<b>Number of Units</b>	<b>\$/Unit</b>
A	\$304,800,000	283	\$1,077,032
F	\$215,900,000	254	\$850,000

As further support for our improved value conclusions, we searched for multifamily residential transactions in Bay Area within the past four years. Our search included properties with at least 50 units.

As will be demonstrated, our value conclusion for Block F falls within the comparable range, while the conclusion for Block A fall just above the top of the comparable range. However, it is noted none of the comparables include office space.

**Summary of Comparable Improved Sales**

No.	Name/Address	Sale Date; Status	Yr. Blt.; # Stories; % Occ.	# Units; Rentable SF; Avg Unit SF	Effective Sale Price	\$/Unit; \$/SF	NOI/Unit; NOI/SF; Exp. Ratio	Cap Rate
1	Bell South City 400 Cypress Ave. South San Francisco San Mateo County CA	May-22 Closed	2019 6 93%	260 233,543 898	\$206,000,000	\$792,308 \$882.06	\$25,750 \$28.67 –	3.25%
<i>Comments: May 2022 sale of a 260-unit Class A apartment property in South San Francisco previously marketed as Cadance and renamed to Bell South City upon sale. Property does not have a ground floor commercial or BMR/affordable housing requirement. Broker reports the property went into contract prior to the significant increases in interest rates; however, the buyer did not want to risk compromising their reputation by re-trading. Property was reportedly stabilized and had some upside. Buyer was reportedly willing to pay a slightly above-market price given recent changes to market conditions. The going-in capitalization rate for the transaction was in the low 3.00% range (the broker did not confirm the actual rate), trending towards a mid-3.00% capitalization rate after correction of loss-to-lease.</i>								
2	Hillside Village 1797-1801 Shattuck Ave. Berkeley Alameda County CA	Jan-22 Closed	2005 4 97%	94 65,865 691	\$66,675,000	\$709,309 \$1,012.30	– – –	–
<i>Comments: Sale of a mixed-use building located at in the Gourmet Ghetto neighborhood of Berkeley, immediately northwest of the University of California Berkeley campus. Property includes 94 apartment units and 9,863 SF of ground floor commercial. The capitalization rate for the transaction was not disclosed.</i>								
3	Bell Mt. Tam 199 Tamal Vista Blvd. Corte Madera Marin County CA	Dec-21 Closed	2017 4 95%	180 186,520 1,036	\$156,000,000	\$866,667 \$836.37	\$26,000 \$25.09 –	3.00%
<i>Comments: December 2021 sale of a 180-unit Class A mixed-use property in Corte Madera. The property had a 3,100 SF retail space occupied by a local and boutique grocery store. There are 18 BMRs (10%). The broker opined that the grocery store was an amenity to the building, and added minimal value to the property overall. The going in capitalization rate was 3.00%; however, this was trending towards a 3.60% - 3.65% after correction of loss to lease.</i>								
4	Mosso 900 Folsom St. San Francisco San Francisco County CA	Oct-19 Closed	2014 8 94%	463 373,181 806	\$310,500,000	\$670,626 \$832.04	\$29,508 \$36.61 –	3.62%
<i>Comments: 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.</i>								
5	O&M 680 Indiana St. San Francisco San Francisco County CA	Sep-19 Closed	2017 5 98%	116 122,185 1,053	\$80,340,000	\$692,586 \$657.53	\$32,552 \$30.90 –	4.70%
<i>Comments: 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% occupied at the time of sale.</i>								
6	Jasper 45 Lansing St. San Francisco San Francisco County CA	May-19 Closed	2016 40 97%	320 303,826 949	\$306,500,000	\$957,813 \$1,008.80	– – –	–
<i>Comments: 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.</i>								



## Extraction Analysis – Phase 1a

Vertical development is underway on all Phase 1a Blocks. Extraction (residual) analyses are employed to determine the market value of the subject property by Block. An extraction (residual) analysis takes into account revenue, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of underlying value. As substantial vertical costs have been incurred, an extraction analysis will be conducted for each of the subject's Blocks. The elements of the extraction technique are discussed below.

### Revenue

The market value as if stabilized was provided in the previous sections for each of the Blocks within Phase 1a. A summary of the market value conclusions is provided below.

#### Summary of Direct Capitalization Analyses - Phase 1a

Block	Value as if Stabilized
B	\$259,300,000
G	\$323,300,000
A	\$304,800,000
F	\$215,900,000

### Direct and Indirect Construction Costs

The next step in the extraction technique is to estimate typical costs associated with the construction of office and multifamily improvements. Construction costs are generally classified into direct and indirect costs. As the improvements in Phase 1a are nearing completion, the Developer's budget provides the best estimate of remaining costs and is relied upon in the upcoming extraction analyses. A description of each cost category as it relates to Phase 1a is provided below and on the following pages, but further discussion of market conditions and comparable data will be provided in the following valuation of Phases 2 through 4 components.

**Direct Costs** - Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs. Recent conversations with builders confirm construction costs have increased over the last several years. The Developer has provided remaining direct costs applicable to each of the Blocks, which are nearing completion.

**Indirect Costs** Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies;
- Appraisal, consulting, accounting and legal fees;

- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered;
- All-risk insurance;
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved.

Indirect costs can vary widely as a percentage of the direct costs. The Developer has provided a budget of costs spent to date and remaining indirect costs for each Block within Phase 1a.

**Jobs Housing Equivalency Fees** - The subject project has site specific fees beyond typical city fees. San Francisco's Jobs Housing Linkage Fee (JHL) applies to development projects which increase any combination of commercial uses by 25,000 or more gross square feet. The developer may either pay the JHL fee, contribute land at an equivalent to value to the fee, or utilize the funds to construct housing units. In the case of the subject, Jobs Housing Equivalency Fees (JHEF) are categorized as office development costs; these fees offset some of the residential costs, as the subject property includes a substantial inclusionary housing component. The developer has provided the impact of Jobs Housing Equivalent Fees for all Blocks within Phase 1a; these fees are an additional cost to the office Blocks and an offsetting cost, or credit, to the residential Blocks.

**Parking Contribution** - each of the subject Blocks will also contribute to vertical construction of the D2 garage based upon the improvement's expected garage usage. The developer has provided the cost contribution to the garage of each of the four Blocks in Phase 1a. Remaining costs are considered in the upcoming analysis.

**Lease Up Costs** – generally includes tenant improvement allowances, leasing commissions, free rent/concessions, and expense recovery and rent loss over the absorption period prior to stabilization. The Developer's budget for remaining lease up costs is considered for Phase 1a, while appraiser estimates based upon market driven inputs is relied upon for the upcoming phases.

### **Accrued Depreciation**

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

### **Developer's Incentive**

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing,

as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include:

- Approved entitlements;
- Block G is preleased to Visa;
- Oracle Park and Bay views; walking distance to multiple recreation options;
- The improvements reflect new, highly amenitized, Class A construction;
- The San Francisco multifamily market continues to recover from the pandemic;
- The Mission Bay neighborhood has a reputation as desirable given it's location proximate to Oracle Park and newer commercial and residential development.

Weaknesses of the subject property include:

- Broader macroeconomic factors, such as (comparatively) high interest rates and high construction costs
- The current office market continues to be influenced by an abundance of sublease space, high vacancy rates, and a slow return of employees to the office.
- The subject has a large inclusionary housing component, which impacts the financial feasibility of the residential Blocks.
- Under current market conditions, and considering construction costs and the subject's inclusionary housing requirements, neither multifamily nor office construction is financially feasible on the subject sites as if vacant as of the effective appraisal date.

Based on the characteristics of the subject property, we estimate incentive at **10.0%** of costs.

A summary of remaining costs by Block for Phase 1a is provided below.

<b>Remaining Vertical Costs</b>				
Description	Block A	Block B	Block F	Block G
<b>Hard Costs</b>				
Direct Costs	\$19,934,000	\$20,086,000	\$80,192,000	\$14,195,000
<b>Soft Costs</b>				
Indirect Costs	\$11,960,000	\$13,417,000	\$17,941,000	\$329,000
Jobs Housing Equivalency Fee	\$0	\$0	\$0	\$0
Parking Contribution	\$0	\$3,597,000	\$0	\$31,000
Lease Up Costs	\$16,458,000	\$54,435,000	\$10,576,000	\$40,961,000
Total Costs	\$48,352,000	\$91,535,000	\$108,709,000	\$55,516,000
Profit at 10%	\$4,835,200	\$9,153,500	\$10,870,900	\$5,551,600
Total Costs	\$53,187,200	\$100,688,500	\$119,579,900	\$61,067,600
<b>Rounded</b>	<b>\$53,190,000</b>	<b>\$100,690,000</b>	<b>\$119,580,000</b>	<b>\$61,070,000</b>

## Conclusion

Our estimates of finished lot value for the subject's Blocks via the extraction analysis are presented below.

### Extraction Analysis - Block A - Residential Use

Market Value as if Stabilized	\$304,800,000
Less: Construction & Lease Up Costs	<u>(\$53,190,000)</u>
<b>Indicated Land Value</b>	<b>\$251,610,000</b>

### Extraction Analysis - Block B - Office Use

Market Value as if Stabilized	\$259,300,000
Less: Construction & Lease Up Costs	<u>(\$100,690,000)</u>
<b>Indicated Land Value</b>	<b>\$158,610,000</b>

### Extraction Analysis - Block F - Residential Use

Market Value as if Stabilized	\$215,900,000
Less: Construction & Lease Up Costs	<u>(\$119,580,000)</u>
<b>Indicated Land Value</b>	<b>\$96,320,000</b>

### Extraction Analysis - Block G - Office Use

Market Value as if Stabilized	\$323,300,000
Less: Construction & Lease Up Costs	<u>(\$61,070,000)</u>
<b>Indicated Value</b>	<b>\$262,230,000</b>

## Market Value by Ownership – Vertical Developer Component

The preceding analyses derived estimates of residual land value, as if all infrastructure, by Phase, was in place and available to serve the developable Blocks. As previously described, Blocks A, B, F and G, which comprise Phase 1a of the Mission Rock Project, have transferred to vertical developers and are in the process of vertical development commensurate with the entitlements and development plan for Mission Rock.

In order to estimate the market value of each Block (ownership), the remaining Phase 1a infrastructure costs to be completed will be deducted, on a pro rata share of each Block's improved land value, resulting in a residual market value for each Block (ownership).

According to the horizontal (infrastructure) cost information provided for use in this analysis, total horizontal infrastructure costs associated with Phase 1a of Mission Rock are \$218,500,000, including construction costs for the Mission Rock Utilities systems, which are being financed separately by bond anticipation notes. According to the current cost budget, \$68,501,351 in horizontal infrastructure costs remain and will be allocated to the four vertical development Blocks in Phase 1a.

As an example of the allocation of remaining costs assigned to each Block, the value for Block A is estimated at \$251,610,000 (Block value via extraction) ÷ \$768,770,000 (Phase 1a total value via extraction) = 32.73% x \$68,501,351 (remaining infrastructure costs) = \$22,419,742 (infrastructure costs allocated to Block A).

Based on the information above, the estimates of market value, per Block, for the Phase 1a component, by ownership, is shown in the following table.

<b>Phase 1a Residual Values</b>					
<b>Owner</b>	<b>Block</b>	<b>Use</b>	<b>Improved Value</b>	<b>Infrastructure Cost Allocation</b>	<b>Residual Market Value (Rd.)</b>
Mission Rock Parcel A Owner L.L.C.	A	Res./Office/Retail	\$251,610,000	(\$22,419,742)	\$229,190,000
Mission Rock Parcel B Owner L.L.C.	B	Office/Retail	\$158,610,000	(\$14,132,965)	\$144,480,000
Mission Rock Parcel F Owner L.L.C.	F	Res./Office/Retail	\$96,320,000	(\$8,582,606)	\$87,740,000
Mission Rock Parcel G Owner L.L.C.	G	Office/Retail	\$262,230,000	(\$23,366,038)	\$238,860,000
<b>Total</b>			\$768,770,000	(\$68,501,351)	<b>\$700,270,000</b>

## Master Developer Valuation

The master developer, Seawall Lot 337 Associates, L.L.C., retains ownership to the leasehold position in the underlying land identified as Phases 1b, 2, 3 and 4 of the Mission Rock Project, which comprise developable Blocks C, D1, E, H, I, J and K.

In order to estimate the market value in bulk of this ownership, the subdivision development method, a form of discounted cash flow analysis, will be employed; whereby, the expected revenue, absorption period, expenses, and discount rate associated with the sell-off of the future development Blocks will be taken into account. A discounted cash flow analysis is a procedure in which a discount rate is applied to a projected revenue stream generated from the sale of individual components of a project. In this method of valuation, the appraiser/analyst specifies the quantity, variability, timing and duration of the revenue streams and discounts each to its present value at a specified yield rate.

As a discounted cash flow analysis, the subdivision development method consists of four primary components summarized as follows:

**Revenue** – the gross income is based on the individual component values. To arrive at an estimate of underlying land value for the master developer components, the market value as if stabilized of the proposed improvements is determined. Similar to the Blocks in Phase 1a, the direct capitalization approach will be utilized. Then, an extraction analysis considering direct and indirect costs and entrepreneurial profit will be employed to arrive at estimates of market value of the underlying land.

**Absorption Analysis** – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

**Expenses** – the expenses associated with the sell-off of the underlying land are calculated in this section – including infrastructure costs, administration, marketing, and commission costs, as well as taxes and special taxes.

**Discount Rate** – an appropriate discount rate (internal rate of return) is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

### Revenue

It is again noted that the subject is unique in that it reflects Port-owned, ground leased land on the San Francisco Bay. These types of properties rarely transfer ownership and therefore comparable land sales data is not available for analysis. The market value as if stabilized was provided in the previous sections for each of the Blocks within Phase 1a utilizing the direct capitalization approach to value. Similarly, the direct capitalization approach is employed to determine the market value as if stabilized for each of the Blocks within Phases 2 through 4. While the direct capitalization methodology is the same for Phases 1a and 2 though 4, there are some notable differences in the assumptions we utilize.

In determining the market value of Phase 1a as of the effective appraisal date, current market conditions were considered. However, Phases 2 through 4 consist of undeveloped land owned by the master developer, rather than under-construction vertical improvements. Given the timeline of development, and the highest and best use as vacant presented earlier in this Appraisal Report, it is our opinion market participants would consider stable market conditions as the first step in determining the market value of the subject's land. Interviews with market participants affirm the timing of development will necessarily depend on stable, improving market conditions. A vertical developer is expected to anticipate timing the delivery of product (office or multifamily) to coincide with the market's anticipated demand. Consequently, for purposes of forecasting estimates of market value, by Block, upon completion of construction and stabilized occupancy, market inputs on rent, vacancy, expenses, and overall capitalization rates will be based on stabilized market data. The increased risk associated with current market conditions will be considered in our selection of an internal rate of return at the end of the analysis, rather than in the direct capitalization assumptions.

### Market Value Conclusions at Stabilization - Blocks C, E, I, & J

For the subject's office Blocks, the assumption of stable market conditions results in some key variations from the Phase 1a analysis. While the market rental rates of \$80 per square foot for office space and \$50 per square foot for retail space, triple net, remain reasonable, the San Francisco office market has historically offered lower TI allowances than the conclusions for Phase 1a. Therefore, we estimate TI allowances for office space at \$30 per square foot. A summary of our market rent conclusions for Phases 2 through 4 is provided below. This analysis assumes the Blocks will be leased to multiple tenants.

#### Concluded Market Lease Terms - Phases 2-4

Space Type	Market Rent	Measure	Rent Escalations	Lease Type	Lease Term (Mos.)	Free Rent (Mos.)	TI/SF New	TI/SF Renew
Office	\$80.00	\$/SF/Yr	3% annually	Triple Net	120	6	\$30.00	\$15.00
Retail	\$50.00	\$/SF/Yr	3% annually	Triple Net	36	3	\$30.00	\$15.00

In addition, stabilized vacancy and collection loss has historically been anywhere from 5% to 8%. We have selected a stabilized vacancy rate of 5% in the upcoming direct capitalization analyses.

We also utilize a stabilized capitalization rate of 5.0% in the upcoming analysis. Expenses are consistent with the previous Phase 1a analyses; though, since the ground lease for Blocks in Phases 2 through 4 are not yet prepaid, ground lease payments are also considered. Using the parameters above, stabilized values for future buildings are summarized as follows (again, the presumption is stable market conditions at a future date):

### Summary of Direct Capitalization Analyses - Office Use - Phases 2-4

Block	Value As If Stabilized	Rentable Building Area	\$/SF
C	\$453,700,000	327,250	\$1,386.40
E	\$173,800,000	127,198	\$1,366.37
I	\$183,900,000	136,739	\$1,344.90
J	\$182,300,000	136,783	\$1,332.77

### Market Value Conclusions at Stabilization - Blocks D1, H, & K

Blocks D1, H, and K encompass the subject's remaining residential Blocks. As current multifamily market conditions are less volatile than office market conditions, assumptions from the previous multifamily analysis are considered on the following pages. It is important to note, however, development of the multifamily residential Blocks D1, H, and K necessarily depend on the timing of development of the office Blocks C, E, I and J, which are each obligated to pay the previously discussed JHEF impact fee to offset the cost obligations associated with providing below-market rate housing on site. The residential overview table is recreated below.

### Residential Overview

Block	Phase	Rentable SF	Rentable Residential SF	Number of Units	Market Rate Units	BMR Units	% BMR	Acreage
D1	2	188,963	188,963	264	115	149	56%	0.58
H	4	156,973	85,175	126	80	46	37%	0.72
K	4	97,852	89,461	131	92	39	30%	0.41

Detailed unit mix information, beyond what is provided above, is not yet available for Blocks D1, H, and K, which will be in Phases 2 and 4. It is therefore difficult to conduct a direct capitalization analysis, as the value is heavily reliant on unit mix and income potential. However, because we have been provided the number of below market units for each Block, as well as the expected retail square footage, we have conducted an income analysis for Blocks D1, H, and K assuming a weighted average rent per market rate unit and below market unit similar to Block F. In addition, plans for Block H have recently been revised to include 50,000 square feet of office space and 21,798 square feet of retail space. The previous concluded market leasing assumptions are utilized in the analysis of Block H's office space.

These three income analyses, which include an approximation of the special taxes attributable to each Block, are retained in our work file. To determine the market value of these three residential Blocks, we also consider the improved sales presented in the previous section. The sales ranged from \$670,626 to \$957,813 per unit. The following table presents our market value conclusions for Blocks D1, H, and K.



**Market Value As If Stabilized - Blocks D, H, K**

Block	Acreage	Number of Units	Rentable Residential SF	% Office/ Retail	Rentable Office/ Retail SF	BMR Units	% BMR	Value per Unit	Market Value	Rounded
D1	0.58	264	188,963	-	-	149	56%	<b>\$715,000</b>	\$188,760,000	<b>\$188,800,000</b>
H	0.72	126	85,175	45.7%	71,798	46	37%	<b>\$1,395,000</b>	\$175,770,000	<b>\$175,800,000</b>
K	0.41	131	89,461	8.6%	8,391	39	30%	<b>\$865,000</b>	\$113,315,000	<b>\$113,300,000</b>

Block D1 does not include any retail space and includes the highest ratio of below market rate units, at 56%. This will heavily impact the value of the property as if stabilized. Below market rate units for the previous sale comparables range from 9% to 15%. Based on our income analysis, and given the impact of the below market rate units, we have selected a value of \$715,000 per unit, toward the low end of the comparable range and consistent with our income analysis.

Block H offers 21,798 square feet of retail space and 50,000 square feet of office space, with 37% of residential units designated below market rate. This reflects a similar percentage of BMR units compared to Block F, but also a substantially higher percentage of commercial space (45.7%). For this reason, the value per unit for Block H is higher than the conclusion for Block F, but lower on a per square foot basis than the conclusion for the other office Blocks in Phases 2 through 4. 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 \$1,395,000 for Block H, which is above the comparable range due to the sizeable office/commercial component.

Block K includes only 8,391 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 \$865,000. This falls within the range of improved comparables and considers our income analysis.

A summary of the conclusions of market value as if stabilized for the subject's residential Blocks in Phases 2 through 4 are as follows.

**Summary of Direct Capitalization Analyses - Residential Use - Phases 2 to 4**

Block	Value As If Stabilized	Number of Units	\$/Unit
D1	\$188,800,000	264	\$715,152
H	\$175,800,000	126	\$1,395,238
K	\$113,300,000	131	\$864,885

**Extraction Analysis – Phases 2 - 4**

As discussed, an extraction (residual) analysis takes into account direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of underlying value. The revenue component of the extraction analyses is comprised of the market value as if stabilized of the proposed improvements for Phases 2 through 4. The next steps of the extraction technique are discussed below.

**Direct and Indirect Construction Costs**

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs. Recent conversations with builders confirm construction costs have increased over the last several years.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys, and environmental studies;
- Appraisal, consulting, accounting, and legal fees;
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered;
- All-risk insurance;
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved.

Indirect costs can vary widely as a percentage of the direct costs, as indicated in the comparable expense tables below and on the following page.

The subject reflects a unique, ground leased project with a mix of office, retail, and multifamily residential uses. The similarities between Bay Area construction cost comparables and the subject improvements are limited. The developer's budget best considers the intricacies of the subject proposal. Bay Area cost comparables will be presented for comparison purposes, followed by the developer's budget.

**Multifamily Cost Comparables**

Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
Alameda	70,000 - 79,999	\$379	\$104	27%	\$483	LIHTC
Oakland	120,000 - 129,999	\$359	\$131	36%	\$490	LIHTC
San Jose	20,000 - 29,999	\$354	\$149	42%	\$503	LIHTC
Cupertino	10,000 - 19,999	\$342	\$206	60%	\$548	LIHTC
Redwood City	130,000 - 139,000	\$416	\$153	37%	\$569	LIHTC
San Jose	100,000 - 109,999	\$463	\$109	24%	\$572	LIHTC
Oakland	30,000 - 39,999	\$462	\$184	40%	\$646	LIHTC
San Francisco	110,000 - 119,999	\$438	\$145	33%	\$583	LIHTC
Fairfax	40,000 - 49,999	\$582	\$111	19%	\$693	LIHTC
San Francisco	100,000 - 109,999	\$509	\$134	26%	\$643	LIHTC
San Francisco	140,000 - 149,999	\$795	\$150	19%	\$945	Market
San Francisco	300,000 - 309,999	\$410	NA	NA	NA	Market
San Carlos	30,000 - 39,999	\$428	\$42	10%	\$470	Market
San Jose	190,000 - 199,999	\$641	\$159	25%	\$800	Market

The previous comparables reflect a mix of for-rent and for-sale attached product. Direct costs vary substantially, with a median of \$433 per square foot. Indirect costs range from 10% to 60%, with a median of 30%.

**Office Cost Comparables**

Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
San Francisco	360,000 - 369,999	\$310	NA	NA	-	General Office
Walnut Creek	5,000 - 9,999	\$440	\$153	35%	\$593	Mixed Use Retail/Office
Menlo Park	40,000 - 49,999	\$825	\$262	32%	\$1,087	Mixed Use Retail/Office/Residential
Sunnyvale	880,000 - 889,999	\$380	\$87	23%	\$467	General Office
San Jose	570,000 - 579,999	\$565	\$109	19%	\$674	General Office

Direct costs for the office comparables range from \$310 to \$825 per square foot, with indirect costs ranging from 19% to 35% of direct costs.

The developer's budget was provided by Block for Phase 1a. Depending on the use, the developer's direct cost estimates range from approximately \$400 to \$650 per square foot. Based on the comparable data previously presented, and our review of the developer's budget, we have selected a market driven direct cost of **\$415** per square foot for the subject's office/retail space, and **\$630** per square foot for the subject's residential space.

The developer's estimate of indirect costs as a percentage of direct costs also varies by use. Office development, for example, includes substantially higher city permits and fees on a per square foot of building area basis than residential use. In addition, the lower direct cost per square foot associated with office space means indirect costs reflect a higher percentage of direct costs. Based upon the developer's budget, which best considers the intricacies of the subject property, and the cost

comparables previously presented, we estimate indirect costs at **21%** of direct costs for residential properties and **41%** of direct cost for office properties.

There are several other costs, in addition to direct and indirect costs, which must be considered in the analysis of the subject property. The subject project has site specific fees beyond typical city fees. San Francisco's Jobs Housing Linkage Fee (JHL) applies to development projects which increase any combination of commercial uses by 25,000 or more gross square feet. The developer may either pay the JHL fee, contribute land at an equivalent to value to the fee, or utilize the funds to construct housing units. In the case of the subject, Jobs Housing Equivalency Fees (JHEF) are categorized as office development costs; these fees offset some of the residential costs, as the subject property includes a substantial inclusionary housing component. The developer has provided the impact of Jobs Housing Equivalent Fees for all Blocks within Phase 1a; these fees are an additional cost to the office Blocks and an offsetting cost, or credit, to the residential Blocks. For Phase 2, 3, and 4 Blocks, we have calculated the weighted average JHEF per square foot of building area for Phase 1a and applied this cost as either a positive or negative cost to each of the remaining Blocks depending on the use. It should be noted it is possible JHEF fees may vary in future phases, though future changes are not known at this time.

In addition, each of the subject Blocks will also contribute to vertical construction of the D2 garage based upon the improvement's expected garage usage. The developer has provided the cost contribution to the garage of each of the four Blocks in Phase 1a. To calculate the cost contribution for Blocks in forthcoming phases, we consider the typical cost per square foot of building area for Phase 1a office and residential Blocks.

Finally, lease up costs must be considered. Our calculation of lease up costs varies by use. For office Blocks, we consider the lease-up period needed for the improvements to reach stabilized occupancy. Although it is our opinion lease up of the proposed office improvements could take as long as 36 months under current market conditions, this analysis assumes stable market conditions. Historically, scarcity of office space in San Francisco meant office buildings were often delivered to the market preleased. In this analysis, we assume twelve months for lease up. Rent loss during the absorption period is considered based upon market rent conclusions. In addition, rent concessions, tenant improvements, leasing commission, and lost expense recoveries are considered. We have projected office tenants will receive 6 months of free rent and a \$30 per square foot tenant improvement allowance and retail tenants will receive 3 months of free rent and a \$30 per square foot tenant improvement allowance. In addition, we estimate leasing commissions at 6%. Calculations for lease up costs by Block are retained in our workfile. However, lease up costs for Block C are presented as an example.

Lease-Up Costs														
Tenant	SF/Units	Months Vacant	Assumptions						Costs					
			Annual Rent/SF/Unit	Expense Recovery/SF/Unit	Lease Term (Mos.)	Free Rent (Mos.)	TI's/SF	LC %	Fore-gone Rent	Expense Recovery Loss	TI's	LC	Free Rent	Total
Vacant	75,000	3	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$1,500,000	\$468,750	\$2,250,000	\$3,600,000	\$3,000,000	\$10,818,750
Vacant	75,000	6	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$3,000,000	\$937,500	\$2,250,000	\$3,600,000	\$3,000,000	\$12,787,500
Vacant	75,000	9	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$4,500,000	\$1,406,250	\$2,250,000	\$3,600,000	\$3,000,000	\$14,756,250
Vacant	45,000	12	\$80.00	\$25.00	120	6	\$30.00	6.0%	\$3,600,000	\$1,125,000	\$1,350,000	\$2,160,000	\$1,800,000	\$10,035,000
Vacant	24,525	12	\$50.00	\$25.00	36	3	\$30.00	6.0%	\$1,226,250	\$613,125	\$735,750	\$220,725	\$306,563	\$3,102,413
Total														\$51,499,913
Rounded														\$51,500,000

Similarly, for the subject's residential space, we estimate the lease-up period for the improvements to reach stabilized occupancy. For the majority of the subject's residential improvements, we have estimated a lease-up period of 12 months for market rate units. Below market rate units are expected to be leased at a substantially faster rate, as these units often have waiting lists prior to completion of construction. Though, sometimes there can be delays in reviewing income requirements and processing applications. Still, lease up costs are less substantial for BMR units compared to market rate units. Our analysis assumes units will be leased evenly over the absorption periods. For residential Blocks beyond Phase 1a, we have estimated lease up costs based upon an average cost per unit for the subject's Phase 1a residential Blocks, which is approximately \$30,000 per market rate unit for Blocks D1 and K and \$75,000 per unit for Block H due to the substantial office component.

### **Accrued Depreciation**

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.

### **Developer's Incentive**

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%, with a predominate range of 5% to 15%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new subdivisions in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

As in the Phase 1a analysis, we estimate incentive at **10.0%** of costs for Phases 2 through 4.

### **Conclusion**

Our estimates of finished lot value for the subject's Blocks via the extraction analysis are presented below and on the following page.

**Cost Analysis - Block C**

Direct Costs	352,088 SF	at	\$415 /SF	\$146,116,520
Plus JHEF Offset to Residential		at	\$265 /SF	\$93,303,320
Indirect Costs		at	41% of directs	\$59,907,773
Lease-Up Costs				\$51,500,000
Parking Contribution		at	\$12.45 /SF	\$4,383,496
<b>Total Direct &amp; Indirect Costs</b>				<b>\$355,211,109</b>
Developer's Incentive		at	10%	\$35,521,111
<b>Total Project Costs</b>				<b>\$390,732,220</b>
<b>Rounded</b>				<b>\$390,700,000</b>

**Extraction Analysis - Block C - Office Use**

Market Value as if Stabilized	\$453,700,000
Less: Construction & Lease Up Costs	<b>(\$390,700,000)</b>
<b>Indicated Land Value</b>	<b>\$63,000,000</b>

**Cost Analysis - Block E**

Direct Costs	137,091 SF	at	\$415 /SF	\$56,892,765
Plus JHEF Offset to Residential		at	\$265 /SF	\$36,329,115
Indirect Costs		at	41% of directs	\$23,326,034
Lease-Up Costs				\$19,850,000
Parking Contribution		at	\$12.45 /SF	\$1,706,783
<b>Total Direct &amp; Indirect Costs</b>				<b>\$138,104,697</b>
Developer's Incentive		at	10%	\$13,810,470
<b>Total Project Costs</b>				<b>\$151,915,166</b>
<b>Rounded</b>				<b>\$151,900,000</b>

**Extraction Analysis - Block E - Office Use**

Market Value as if Stabilized	\$173,800,000
Less: Construction & Lease Up Costs	<b>(\$151,900,000)</b>
<b>Indicated Land Value</b>	<b>\$21,900,000</b>

**Cost Analysis - Block I**

Direct Costs	147,374 SF	at	\$415 /SF	\$61,160,210
Plus JHEF Offset to Residential		at	\$265 /SF	\$39,054,110
Indirect Costs		at	41% of directs	\$25,075,686
Lease-Up Costs				\$21,100,000
Parking Contribution		at	\$12.45 /SF	\$1,834,806
<b>Total Direct &amp; Indirect Costs</b>				<b>\$148,224,812</b>
Developer's Incentive		at	10%	\$14,822,481
<b>Total Project Costs</b>				<b>\$163,047,294</b>
<b>Rounded</b>				<b>\$163,000,000</b>

**Extraction Analysis - Block I - Office Use**

Market Value as if Stabilized	\$183,900,000
Less: Construction & Lease Up Costs	<u>(\$163,000,000)</u>
<b>Indicated Land Value</b>	<b>\$20,900,000</b>

**Cost Analysis - Block J**

Direct Costs	147,421 SF	at	\$415 /SF	\$61,179,715
Plus JHEF Offset to Residential		at	\$265 /SF	\$39,066,565
Indirect Costs		at	41% of directs	\$25,083,683
Lease-Up Costs				\$20,800,000
Parking Contribution		at	\$12.45 /SF	\$1,835,391
<b>Total Direct &amp; Indirect Costs</b>				<b>\$147,965,355</b>
Developer's Incentive		at	10%	\$14,796,535
<b>Total Project Costs</b>				<b>\$162,761,890</b>
<b>Rounded</b>				<b>\$162,800,000</b>

**Extraction Analysis - Block J - Office Use**

Market Value as if Stabilized	\$182,300,000
Less: Construction & Lease Up Costs	<u>(\$162,800,000)</u>
<b>Indicated Land Value</b>	<b>\$19,500,000</b>

**Cost Analysis - Block D1**

Direct Costs	235,905 SF	at	\$630 /SF	\$148,620,150
Less JHEF Offset to Residential		at	(\$265) /SF	(\$62,514,825)
Indirect Costs		at	21% of directs	\$31,210,232
Lease Up Costs		at	\$30,000 per unit (market)	\$3,249,000
Parking Contribution		at	\$9.15 /SF	\$2,158,531
<b>Total Direct &amp; Indirect Costs</b>				<b>\$122,723,087</b>
Developer's Incentive		at	10%	\$12,272,309
<b>Total Project Costs</b>				<b>\$134,995,396</b>
<b>Rounded</b>				<b>\$135,000,000</b>

**Extraction Analysis - Block D1 - Residential Use**

Market Value as if Stabilized	\$188,800,000
Less: Construction & Lease Up Costs	(\$135,000,000)
<b>Indicated Land Value</b>	<b>\$53,800,000</b>

**Cost Analysis - Block H**

Direct Costs	195,032 SF	at	\$630 /SF	\$122,870,160
Less JHEF Offset to Residential		at	(\$265) /SF	(\$51,683,480)
Indirect Costs		at	21% of directs	\$25,802,734
Lease Up Costs		at	\$75,000 per unit (market)	\$8,407,500
Parking Contribution		at	\$9.15 /SF	\$1,784,543
<b>Total Direct &amp; Indirect Costs</b>				<b>\$107,181,456</b>
Developer's Incentive		at	10%	\$10,718,146
<b>Total Project Costs</b>				<b>\$117,899,602</b>
<b>Rounded</b>				<b>\$117,900,000</b>

**Extraction Analysis - Block H - Residential Use**

Market Value as if Stabilized	\$175,800,000
Less: Construction & Lease Up Costs	(\$117,900,000)
<b>Indicated Land Value</b>	<b>\$57,900,000</b>



**Cost Analysis - Block K**

Direct Costs	122,641 SF	at	\$630 /SF	\$77,263,830
Less JHEF Offset to Residential		at	(\$265) /SF	(\$32,499,865)
Indirect Costs		at	21% of directs	\$16,225,404
Lease Up Costs		at	\$30,000 per unit (market)	\$2,622,000
Parking Contribution		at	\$9.15 /SF	\$1,122,165
<b>Total Direct &amp; Indirect Costs</b>				
Developer's Incentive		at	10%	\$6,473,353
<b>Total Project Costs</b>				\$71,206,888
<b>Rounded</b>				<b>\$71,200,000</b>

**Extraction Analysis - Block K - Residential Use**

Market Value as if Stabilized	\$113,300,000
Less: Construction & Lease Up Costs	(\$71,200,000)
<b>Indicated Land Value</b>	<b>\$42,100,000</b>

The preceding analyses were used to estimate the anticipated revenue component associated with the subject, including the values for the various office and multifamily Blocks. These value conclusions are summarized below.

<b>Summary of Master Developer Land Values - Phases 2 - 4</b>		
<b>Block</b>	<b>Residual Land Value</b>	<b>Use</b>
C	\$63,000,000	Office
D1	\$53,800,000	Residential
E	\$21,900,000	Office
H	\$57,900,000	Residential
I	\$20,900,000	Office
J	\$19,500,000	Office
K	<u>\$42,100,000</u>	Residential
<b>Total</b>	<b>\$279,100,000</b>	

## Absorption

Absorption rates are best measured by looking at historic absorption rates for similar properties in the region. In developing an appropriate absorption period for the disposition of the parcels, we have considered historic absorption rates for similar properties and also attempted to consider the impacts of present market conditions, as well as the anticipated changes in the market. Real estate is cyclical in nature, and it is difficult to accurately forecast specific demand over a projected absorption period.

A number of assumptions are made in the discounted cash flow analysis, not the least of which is the forecast of absorption, or disposition, of the various land use components comprising the subject properties. It is common for surveys of market participants to reveal different estimations of anticipated absorption periods for the sell-off of multiple components comprising a master planned development, or large land holding, with some developers preferring to hasten the holding period in favor of mitigating exposures to fluctuations in market conditions; whereas, other developers prefer to manage the sell-off of the property over an extended period of time so as to minimize direct competition of product within the master planned project.

At build out, Mission Rock will include approximately 1,400,000 square feet of office space, 222,175 square feet of retail space, and 1,118 for-rent multifamily residential units within eleven taxable Blocks. The boundaries of the Special Tax District will also include multiple parks, open space, and a parking garage; these components are excluded from the valuation because they are not subject to the Lien of the Special Tax. The seven development Blocks comprising Phases 2 through 4 will be developed commensurate with the overall development plan for the Mission Rock Project, with development of additional backbone infrastructure expected to commence in Year 4 and continue through Year 8 of the discounted cash flow.

## Expense Projections

### Changes in Expenses (Expense Increases or Decreases)

Market participants widely expect expenses to increase either from inflation or labor increases. General and administrative and marketing and sale expenses are calculated in this section as a fixed percentage of revenue. Property tax expenses are trended upward, as will be discussed in a later section.

**General and Administrative**

General and administrative expenses would include management of project entitlements and Special Tax District financing, as well as coordination with others. This expense category typically ranges from 1.0% to 4.0%, depending on length of the project and if all of the categories are included in a builder's budget. Given the complexity of the proposed development and the holding period of the subject, we have estimated this expense at 1.0% of revenue, which is spread evenly over the sell-off period.

**Marketing and Sale**

The costs associated with marketing, commissions and closing costs relative to the disposition of the subjects' components are estimated at 2% of the total gross sale proceeds. Although this rate is somewhat negotiable, it is consistent with current industry trends. Larger transactions, such as the subject, typically have a lower sales commission as a percentage of sale price. For the sell-off of individual Blocks (Units) to builders, marketing costs would be negligible, since master developers often contact builders directly and indicate development Blocks are available, rather than openly list properties and have marketing costs.

**Property Taxes (Ad Valorem and Special Taxes)**

This appraisal is predicated on, and assumes, a sale of the appraised property in bulk. Interim ad valorem real estate taxes are based on a tax rate of 1.17973782%. This rate is applied to the estimated market value (in bulk) and divided by the total acreage to yield an estimate of ad valorem taxes/acreage/year. The ad valorem taxes are appreciated by 2% per year and the total tax expense is gradually reduced over the absorption period, as the land components are sold off.

The appraised properties are within the boundary of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services). According to the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Maximum Development Special Tax Revenues and Projected Development Special Tax Levies, provided by Goodwin Consulting Group, Inc., a summary of the special taxes by Tax Zone is presented in the following table.

For purposes of this analysis, the Special Taxes applicable to the Tax Zone 2 (master developer held Blocks) property will be commensurate with the total amounts reflected in the following table.

<b>Max Special Assessments - Mission Rock Special Tax District No. 2020-1</b>		<b>Max Escalation</b>
<b>Base Development Special Tax - Market Rate Residential - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$9.29 /SF	2.0%
<b>Base Development Special Tax - Office Use -Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$7.04 /SF	2.0%
<b>Base Office Special Tax - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.74 /SF	2.0%
<b>Base Shoreline Special Tax - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.97 /SF	2.0%
<b>Base Contingent Services Special Tax - Market-Rate Residential - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.61 /SF	2.0%
<b>Base Contingent Services Special Tax - Office - Tax Zone 2</b>		
Mission Rock Special Tax District No. 2020-1	\$1.61 /SF	2.0%

### Ground Lease Payment

The land within Special Tax District No. 2020-1 is encumbered with a ground lease between the Port of San Francisco and the master developer, which escalates 3.0% per year; though, the ground lease payment is reduced as the land components are sold off, as the Port will enter into a new lease with the vertical developer at that time. In addition, Block D2's pro-rata share of the ground lease payment is excluded in the upcoming analysis, in accordance with the allocation below.

<b>Ground Lease Allocation</b>							
<b>Block</b>	<b>Phase</b>	<b>Tax</b>	<b>Acreage</b>	<b>Square Feet</b>	<b>% of Land</b>	<b>Ground Lease Rent</b>	
A	1a	1	0.96	41,818	10.1%	\$238,229	Prepaid
B	1a	1	0.93	40,511	9.8%	\$230,784	Prepaid
F	1a	1	0.58	25,265	6.1%	\$143,930	Prepaid
G	1a	1	0.78	33,977	8.2%	\$193,561	Prepaid
C	2	2	0.90	39,204	9.4%	\$223,340	
D1	2	2	0.58	25,265	6.1%	\$143,930	
E	3	2	0.58	25,265	6.1%	\$143,930	
H	4	2	0.72	31,363	7.6%	\$178,672	
I	4	2	0.75	32,670	7.9%	\$186,116	
J	4	2	0.72	31,363	7.6%	\$178,672	
K	4	2	0.41	17,860	4.3%	\$101,744	
D2	2	2	1.62	70,567	17.0%	\$402,011	
<b>Totals</b>			<b>9.53</b>	<b>415,127</b>	<b>100%</b>	<b>\$2,364,919</b>	
<b>Total Ground Lease Rent less D2</b>						<b>\$1,962,908</b>	

Excluding the Phase 1a Blocks (Tax Zone 1), which prepaid the allocable ground lease, the total second year ground lease payment associated with the master developer held Blocks above, Tax Zone 2, is \$1,962,908.

### Backbone Infrastructure

According to the master developer, total remaining infrastructure costs for Phases 2 through 4 are \$186,000,000, which includes both hard costs and soft costs. Phase 1b costs associated with China Basin Park are \$33,395,980, of which \$23,136,180 remain; these costs are also reflected in the master developer's remaining horizontal cost obligation. The total costs cited above will be disbursed during the development and sell-off period commensurate with the development timeline provided; however, since the discounted cash flow analysis calculates soft (indirect) costs separately, the development costs for Phases 2 through 4 will only consider the hard costs reported, or \$152,400,000.

### Internal Rate of Return

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the "base" equity position when a portion of the development is financed. The "base" equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the

threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey<sup>[1]</sup>, discount rates for land development projects ranged from 12.00% to 30.00%, with an average of 19.2% during the Second Quarter 2023, which is 50 basis points higher than the average reported in the Fourth Quarter 2022, 100 basis points higher than a year ago, and assumes entitlements are in place. Without entitlements in place, certain investors will increase the discount rate an average of 125 basis points.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

"Development land investors continue to search for opportunities, especially in the apartment and industrial sectors of the industry. They note, however, that holding costs are dramatically higher due to the rise in interest rates over the past year, which could change their strategies for the near term and keep their acquisitions to a minimum. 'Deals are requiring further due diligence to meet projected returns,' states an investor. Unfortunately, the current stress in the financial sector is adding additional challenges. 'We are looking closely at our banking relationships,' says another. Growth rates for development expenses, such as amenities, real estate taxes, advertising, and administration, range from 0.00% to 10.00% and average 4.71%. For lot pricing, investors indicate a range from 2.00% to 5.00%; the average growth rate is 3.13%." (Second Quarter 2023)

"Confronted with inflation, rising interest rates, economic uncertainty, and a slowdown in tenant demand, it is not surprising that most surveyed investors expect property values to decline over the next 12 months...When looking at macro development prospects for the five major commercial real estate sectors included in *Emerging Trends*, only the hotel sector shows an improvement in its rating from last year... Although the industrial/distribution and multi-family sectors boast the highest ratings for 2023, they both slip this year among respondents... From a micro standpoint, the top-five property types for development prospects in 2023 are datacenters, fulfillment, moderate-income/workforce apartments, life-science facilities, and single-family

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[1] [PwC Real Estate Investor Survey](#), PricewaterhouseCoopers, 2<sup>nd</sup> Quarter 2023.

rental housing.” Labor costs and availability as well as material costs are among the top three reported development issues for 2023. (Fourth Quarter 2022)

“Based on our Survey results, the industrial and multifamily sectors of the U.S. commercial real estate industry offer the best development land investment opportunities due to strong tenant demand. Investors also see opportunities in the single-family residential sector...However, many are mindful that rising interest rates could dampen demand even though U.S. homebuilding unexpectedly rose in March 2022. Still, record low housing supply should continue to support homebuilding this year...Over the next 12 months, surveyed investors are mostly optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +7.0%. This average is better than where it was both six months ago, as well as a year ago (+5.8% for both time periods).” (Second Quarter 2022)

“Compared to five years ago, both the apartment and industrial sectors show strong gains in their ratings, while the other three sectors [retail, office, hotel] see their ratings decline...From a micro standpoint, the top five property types for development prospects in 2022 are fulfillment, life science facilities, warehouse, single-family rental housing, and moderate-income/workforce apartments.” Among the top five development issues as reported among *Emerging Trends* Respondents are construction material costs, construction labor costs, construction labor availability, land costs and state & local regulations. (Fourth Quarter 2021)

“2020 revealed that where people work and where people live can be very far apart,” says a development land participant. This philosophy is a driving force behind a resurgence of new-home construction in the United States. In the nonresidential sector, each segment reported year-over-year declines in spending as of March 2021. Over the next 12 months, surveyed investors are most optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +5.8%. This average is better than where it was six months ago (+4.9%), as well as a year ago (-6.9%). (Second Quarter 2021)

For 2021, most *Emerging Trends* respondents (53.0%) believe that debt capital for development and redevelopment will be undersupplied. This percentage is more than twice the figure from last year’s report and is likely due to the uncertainty tied to the pandemic. Interestingly, the percentage of respondents that feel debt capital for such projects will be “in balance” drops this year to 35.0% – down from 57.0% in 2020. (Fourth Quarter 2020)

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. “These are highly uncertain times, and we are moving in a direction no one thought we’d be headed a few months ago,” shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

<b>Project Yield Rate Survey</b>	
<b>Data Source</b>	<b>Yield / IRR Expectations (Inclusive of Profit)</b>
PwC Real Estate Investor Survey - Second Quarter 2023 (updated semi-annually)	Range of 12.0% to 30.0%, with an average of 19.20%, on an unleveraged basis, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

According to industry sources, project yield rates historically have ranged anywhere from 5% to 30%, with a predominate range of 10% to 20%. A yield rate is based on the perceived risk associated with the development.

As noted in Phase 1a, there are multiple positive attributes associated with the subject property that we consider in our selection of a discount rate, including:

- Approved entitlements;
- Oracle Park and Bay views; walking distance to multiple recreation options;
- The lack of developable land in San Francisco.

Large and otherwise complex developments like Mission Rock are often associated with public and private partnerships or alliances. In an effort to achieve each parties' respective objectives, both groups work to create incentives that are linked to the development project that become part of the



contributors to value for the development as a whole, are now part of the real estate that is offered as the Mission Rock project. For instance, The City and County of San Francisco (Port of San Francisco) established an infrastructure financing plan (Infrastructure Finance District, or IFD) to aid in the financing of necessary infrastructure improvements to the Port of San Francisco property, which is to be achieved through a tax increment financing program. In the case of the subject property, in order to generate near term sources of capital to facilitate the completion of necessary infrastructure, a Special Tax District—City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) was also formed. Under the IFD for Mission Rock, up to 65% of the ad valorem taxes will be pledged to pay (offset) the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Base Development Special Taxes for both office and multifamily residential land uses. The abovementioned attributes now run with the development.

The subject property comprises the leasehold interest of the developable land subject to the Lien of the Special Tax securing the Bonds, which is a substantial portion of the Mission Rock mixed-use redevelopment with the City and County of San Francisco. The project represents a substantial high-density, infill development. Although the development is fully entitled, which mitigates substantial risk for urban development in California, there remains significant risk associated with the estimates of presumed sell-off of the developable components (Blocks), as well as the anticipated revenue associated with such developable Blocks. While the multifamily residential market has largely recovered from the pandemic, the San Francisco office market has been heavily impacted by remote work policies and a reduced demand for office space by major employers. There also remains risk associated with unforeseen factors such as broad macroeconomic declines. Additionally, all backbone infrastructure must be completed during the sell-off period, which is expected to span the disposition timeline.

As part of the appraisal process, we conducted a survey of market participants familiar with land development in both urban and suburban locations throughout California, many of which indicated a reconsideration of the development timeline would likely be precipitated by the effects of current market/economic conditions.

Considering these factors, the magnitude and complexity of the subject project, and the strengths and weaknesses previously described, a discount rate of **24%** is estimated for the leasehold interest in the subject property.

## Conclusion

The subdivision development method is presented on the following page.

Subdivision Development Method - Seawall Lot 337 Associates, LLC (master developer)										
Inputs										
Revenue & Expenses				Ad Valorem Tax Table						
Taxable Land Acreage - All Blocks				4.66		Annual Increase in Property Taxes		2.0%		
Total Land Revenue				\$279,100,000		First Year Annual Taxes/Acre		\$3,721		
Total Revenue per Acre				\$59,892,704						
Phase 2 - Blocks C & D1				Max Special Assessments - Mission Rock Special Tax District No. 2020-1					Max Escalation	
Phase 2 Land Acreage				1.48		Base Development Special Tax - Market Rate Residential - Tax Zone				
Phase 2 Revenue				\$116,800,000		Mission Rock Special Tax District No. 2020-1		\$9.29 /SF		2.0%
Phase 3 - Block E				Base Development Special Tax - Office Use -Tax Zone 2						
Phase 3 Land Acreage				0.58		Mission Rock Special Tax District No. 2020-1		\$7.04 /SF		2.0%
Phase 3 Revenue				\$21,900,000						
Phase 4 - Blocks H, I, J, & K				Base Office Special Tax - Tax Zone 2						
Phase 4 Land Acreage				2.60		Mission Rock Special Tax District No. 2020-1		\$1.74 /SF		2.0%
Phase 4 Revenue				\$140,400,000		Base Shoreline Special Tax - Tax Zone 2				
						Mission Rock Special Tax District No. 2020-1		\$1.97 /SF		2.0%
Annual Revenue Appreciation				1.000		Base Contingent Services Special Tax - Market-Rate Residential - Tax Zone 2				
General & Administrative				1.0%		Mission Rock Special Tax District No. 2020-1		\$1.61 /SF		2.0%
Marketing & Commissions				2.0%						
Phase 1b				\$23,136,180						
Phases 2-4 Infrastructure Costs				\$152,400,000		Base Contingent Services Special Tax - Office - Tax Zone 2				
Phase 2				\$70,185,830		Mission Rock Special Tax District No. 2020-1		\$1.61 /SF		2.0%
Phase 3				\$20,762,560						
Phase 4				\$61,451,610		Ground Lease Payment per Acre		\$248,155 /Acre		3.0%
Revenue, Expenses and Valuation										
Revenue	Period (1 year)	1	2	3	4	5	6	7	8	Total
Sales (Acreage):										
Phase 2		0.00	0.00	0.00	1.48	0.00	0.00	0.00	0.00	1.48
Phase 3		0.00	0.00	0.00	0.00	0.58	0.00	0.00	0.00	0.58
Phase 4		0.00	0.00	0.00	0.00	0.00	0.00	1.30	1.30	2.60
Total Sales		0.00	0.00	0.00	1.48	0.58	0.00	1.30	1.30	4.66
End of Period Inventory		4.66	4.66	4.66	3.18	2.60	2.60	1.30	0.00	
Total Period Inventory (acres)		4.66	4.66	4.66	4.66	3.18	2.60	2.60	1.30	
Land Sales Revenue Unappreciated										
Phase 2		\$0	\$0	\$0	\$0	\$116,800,000	\$0	\$0	\$0	\$116,800,000
Phase 3		\$0	\$0	\$0	\$0	\$0	\$21,900,000	\$0	\$0	\$21,900,000
Phase 4		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$140,400,000	\$140,400,000
Total Revenue		\$0	\$0	\$0	\$0	\$116,800,000	\$21,900,000	\$0	\$140,400,000	\$279,100,000
Revenue Appreciated		\$0	\$0	\$0	\$0	\$116,800,000	\$21,900,000	\$0	\$140,400,000	\$279,100,000
Total Revenue		\$0	\$0	\$0	\$0	\$116,800,000	\$21,900,000	\$0	\$140,400,000	\$279,100,000
Expenses	All Categories									
General & Administrative		(\$348,875)	(\$348,875)	(\$348,875)	(\$348,875)	(\$348,875)	(\$348,875)	(\$348,875)	(\$348,875)	(\$2,791,000)
Marketing/Commissions		\$0	\$0	\$0	\$0	(\$2,336,000)	(\$438,000)	\$0	(\$2,808,000)	(\$5,582,000)
Backbone Infrastructure										
Phase 1b		\$0	(\$23,136,180)	\$0	\$0	\$0	\$0	\$0	\$0	(\$23,136,180)
Phase 2		\$0	\$0	\$0	(\$35,092,915)	(\$35,092,915)	\$0	\$0	\$0	(\$70,185,830)
Phase 3		\$0	\$0	\$0	\$0	(\$10,381,280)	(\$10,381,280)	\$0	\$0	(\$20,762,560)
Phase 4		\$0	\$0	\$0	\$0	\$0	(\$20,483,870)	(\$20,483,870)	(\$20,483,870)	(\$61,451,610)
Total Infrastructure		\$0	(\$23,136,180)	\$0	(\$35,092,915)	(\$45,474,195)	(\$30,865,150)	(\$20,483,870)	(\$20,483,870)	(\$175,536,180)
Ad Valorem Taxes		(\$17,342)	(\$17,689)	(\$18,043)	(\$18,404)	(\$12,810)	(\$10,683)	(\$10,897)	(\$5,557)	(\$111,424)
Mission Rock District No. 2020-1		(\$1,236,424)	(\$178,510)	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,414,934)
Ground Lease Payment		(\$1,156,403)	(\$1,191,095)	(\$1,226,828)	(\$1,263,633)	(\$888,177)	(\$747,968)	(\$770,407)	(\$396,759)	(\$7,641,271)
Total Expenses		(\$2,759,044)	(\$24,872,349)	(\$1,593,746)	(\$36,723,827)	(\$49,060,057)	(\$32,410,676)	(\$21,614,048)	(\$24,043,062)	(\$193,076,809)
Net Income		(\$2,759,044)	(\$24,872,349)	(\$1,593,746)	(\$36,723,827)	\$67,739,943	(\$10,510,676)	(\$21,614,048)	\$116,356,938	\$86,023,191
Internal Rate of Return	24.00%	0.80645	0.65036	0.52449	0.42297	0.34111	0.27509	0.22184	0.17891	
Discounted Cash Flow		(\$2,225,036)	(\$16,176,086)	(\$835,899)	(\$15,533,209)	\$23,106,619	(\$2,891,349)	(\$4,794,953)	\$20,817,032	\$1,467,119
Net Present Value		\$1,467,119								
Conclusion of Market Value, in Bulk (Rd.)										\$1,470,000

The preceding analysis considers the subject property (future phases) as if developed commensurate with the existing entitlements and development agreement. As discussed in the Phase 1a valuation, the multifamily residential components of the Mission Rock project rely on significant impact fee contributions from the non-residential (office) components to finance the onerous inclusionary housing requirements on site. Given the current state of the office market detailed earlier in this Appraisal Report, the feasibility and timing of future office demand is considered speculative at this time. While the implied residual value derived herein is positive, the number of assumptions employed to derive the value, not the least of which is the timeline not only of the absorption of

future office space, but the correlation between the implied residual value for each future development Block and the disposition (sell off) of these Blocks to future vertical developers, has a direct impact on residual land value.

It is our opinion, continued use of the land comprising the future Phases 2 through 4 as surface parking, which is income generating, is the highest and best interim use. Further, the existing entitlements and planned development uses may also warrant reconsideration in light of current market conditions described herein; this suggests the subject property is in a transitional state, and the most probable buyer may be a speculator seeking future development opportunities for a significant site along the San Francisco Bay waterfront. Therefore, it is our opinion a nominal value of **\$1,000,000** is considered reasonable as a speculative, transitional leasehold land position.

## Conclusion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinions of market value, by ownership, of the appraised properties, subject to the hypothetical condition cited herein, is as follows:

### Value Conclusions

#### Appraisal Premise - Market Value, Subject to a Hypothetical Condition, by Ownership

Ownership	Tax Zone / Phase	Interest Appraised	Date of Value	Value Conclusion
Mission Rock Parcel A Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$229,190,000
Mission Rock Parcel B Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$144,480,000
Mission Rock Parcel F Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$87,740,000
Mission Rock Parcel G Owner L.L.C.	1 / 1a	Leasehold	September 15, 2023	\$238,860,000
Seawall Lot 337 Associates, L.L.C	2 / 1b - 4	Leasehold	September 15, 2023	\$1,000,000
<b>Total Aggregate, or Cumulative, Value</b>				<b>\$701,270,000</b>

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

## Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local development site market, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 12 months.

**Marketing Time**

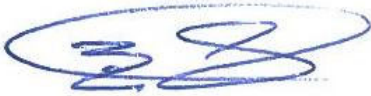
Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Given the current environment, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be similar to the exposure time. Accordingly, we estimate the subject's marketing period at 12 months.

## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have prepared two previous appraisals of the subject property for the current client. We have provided no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, Kevin Ziegenmeyer, MAI, and Laura Diaz, MAI have made personal inspections of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

14. As of the date of this report, Eric Segal, MAI, Kevin Ziegenmeyer, MAI, and Laura Diaz, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
15. As of the date of this report, Laura Diaz, MAI, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567



Laura Diaz, MAI  
Certified General Real Estate Appraiser  
California Certificate # 3005037

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal



covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

1. None

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of September 15, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain capital improvements.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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## **Addendum A**

### **Appraiser Qualifications**



## 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 as well as Integra-Sacramento office.

### Professional Activities & Affiliations

Appraisal Institute, Member (MAI) Appraisal Institute, January 2016

### Licenses

California, Certified General Real Estate Appraiser, AG026558, Expires February 2023

Nevada, Certified General, A.0207666-CG, Expires January 2025

Arizona, Certified General, CGA - 1006422, Expires January 2024

Washington, Certified General, 20100611, Expires June 2023

### 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:

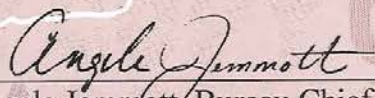
“Certified General Real Estate Appraiser”

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, 2023

Date Expires: February 18, 2025

  
Angela Jemmott, Bureau Chief, BREA

3069186

# 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 state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). 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 and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation.

## Licenses

California, California Certified General Real Estate Appraiser, AG013567, Expires June 2025

## 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 (Yellowbook)

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

## Integra Realty Resources - Sacramento

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## Kevin Ziegenmeyer, MAI

### Education (Cont'd)

Advanced Sales Comparison & Cost Approaches  
2004 Central CA Market Update  
Computer-Enhanced Cash Flow Modeling  
Forecast 2000, 2001, 2002, 2003 & 2004  
Land Valuation Assignments  
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:

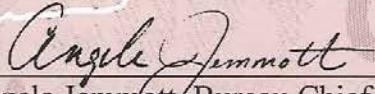
“Certified General Real Estate Appraiser”

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, 2023

Date Expires: June 4, 2025

  
Angela Jemmott, Bureau Chief, BREA

3070756

# Laura Diaz, MAI

## Experience

Ms. Diaz is a licensed certified general real estate appraiser. She began her career in real estate in 2013 as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office. She has experience 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, data centers, hotels, and airport properties. 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. She specializes in the appraisal of residential subdivisions and master planned communities, as well as Mello Roos and Assessment Districts for land-secured municipal financings.

## Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2024  
Kentucky, Certified General Real Estate Appraiser, 5233, Expires June 2023

## 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  
Basics Income Capitalization  
General Appraiser Report Writing and Case Studies  
Expert Witness for Commercial Appraisers  
Quantitative Analysis  
Advanced Market Analysis and Highest and Best Use  
Advanced Income Capitalization  
Advanced Concepts and Case Studies  
Business Practice and Ethics

## Integra Realty Resources San Francisco

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[ldiaz@irr.com](mailto:ldiaz@irr.com) - 408.299.0444







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, 2022

Date Expires: January 2, 2024

Loretta Dillon, Deputy Bureau Chief, BREA

3061654

## 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*

*profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

**Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

**Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

**Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

**Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

**Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)



3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

**Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

**Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

**Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

## **Addendum C**

### **Comparable Data**



# Office Lease Profile

## Location & Property Identification

Property Name:	555 California St.
Sub-Property Type:	General Purpose, Mid/High Rise
Address:	555 California St.
City/State/Zip:	San Francisco, CA 94104
County:	San Francisco
Submarket:	Financial District
Market Orientation:	CBD
IRR Event ID:	3039363



## Space Information

Space Type:	Office
Full Building Lease:	No
Leased Area:	89,560

## Lease Information

Lease Status:	Signed Lease
Lessee:	Goldman Sachs
Lease Signed Date:	12/15/2020
Start/Available Date:	07/01/2021
Expiration Date:	07/31/2026
Term of Lease:	61 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$110.00
Effective Rental Rate:	\$109.23
Escalation Type:	Fixed Percentage
Escalation Desc.:	2.25% annually
TI Allowance (\$/SF):	\$45.00
TI Type:	Renewal Tenant
Free Rent (Months):	3.00

## Improvement and Site Data

MSA:	San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	0259-026, -027, -028 & -029
GBA-SF:	2,029,749
NRA-SF:	1,789,041
Acres(Usable/Gross):	2.62/2.62
Land-SF(Usable/Gross):	114,100/114,100
Usable/Gross Ratio:	1.00
Year Built:	1969
Most Recent Renovation:	1996
Property Class:	A
M&S Class:	A
Construction Quality:	Excellent
Improvements Cond.:	Excellent
Construction Desc.:	Steel frame
No. of Buildings/Stories:	3/52
Total Parking Spaces:	450
Park. Ratio 1000 SF GLA:	0.25
Park. Structure Space:	450
Park. Ratio 1000 SF GBA:	0.22
Bldg. to Land Ratio FAR:	17.79
Bldg. Phy. Info. Source:	Other
Source of Land Info.:	Past Appraisal

## Lease Expense Information

Reimbursement Method:	Full Service
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## Comments

555 California St.



## Office Lease Profile

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### Comments (Cont'd)

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This is a five-year lease renewal; tenant received three months of free rent and a \$45 psf TI allowance.

# Office Lease Profile

## Location & Property Identification

Property Name:	One Market Plaza - Spear Tower
Sub-Property Type:	General Purpose, Mid/High Rise
Address:	49 Spear St.
City/State/Zip:	San Francisco, CA 94105
County:	San Francisco
Submarket:	Financial District
Market Orientation:	CBD
IRR Event ID:	3039362



## Space Information

Space Type:	Office
Full Building Lease:	No
Leased Area:	76,439

## Lease Information

Lease Status:	Signed Lease
Lessee:	Citigroup
Lease Signed Date:	09/24/2021
Start/Available Date:	01/01/2023
Expiration Date:	12/31/2034
Term of Lease:	144 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$110.00
Effective Rental Rate:	\$119.70
Escalation Type:	Fixed Percentage
Escalation Desc.:	3% annually
TI Allowance (\$/SF):	\$120.00
Free Rent (Months):	12.00

## Improvement and Site Data

MSA:	San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	3713-007
NRA-SF:	883,778
Acres(Gross):	2.60
Land-SF(Gross):	113,198
Year Built:	1976
Most Recent Renovation:	1996
Property Class:	A
M&S Class:	A
Total Parking Spaces:	165
Park. Ratio 1000 SF GLA:	0.19
Source of Land Info.:	Public Records

## Comments

Tenant is downsizing from 105,000 SF and received a \$120 psf TI allowance and 12 months of free rent. Escalations are 3% annually in the first five years and 2.5% annually after.

## Lease Expense Information

Reimbursement Method:	Full Service
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## One Market Plaza - Spear Tower



# Office Lease Profile

## Location & Property Identification

Property Name:	Foundry Square II
Sub-Property Type:	General Purpose, Mid/High Rise
Address:	405 Howard St.
City/State/Zip:	San Francisco, CA 94105
County:	San Francisco
Submarket:	Financial District
Market Orientation:	CBD
IRR Event ID:	3039361



## Space Information

Space Type:	Office
Full Building Lease:	No
Leased Area:	60,000

## Lease Information

Lease Status:	Signed Lease
Lessee:	Fremont Group
Lease Signed Date:	11/08/2021
Start/Available Date:	09/01/2022
Expiration Date:	08/31/2034
Term of Lease:	144 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$91.00
Effective Rental Rate:	\$103.32
Escalation Type:	Fixed Percentage
Escalation Desc.:	3% annually
TI Allowance (\$/SF):	\$110.00
TI Type:	New Tenant
Free Rent (Months):	6.00

## Lease Expense Information

Reimbursement Method:	Full Service
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## Improvement and Site Data

MSA:	San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	3737-030
GBA-SF:	665,148
NRA-SF:	521,555
Acres(Usable/Gross):	1.74/1.74
Land-SF(Usable/Gross):	75,659/75,659
Usable/Gross Ratio:	1.00
Year Built:	2002
Property Class:	A
M&S Class:	B
Improvements Cond.:	Excellent
Construction Desc.:	10-story steel-frame building...
No. of Buildings/Stories:	1/10
Multi-Tenant/Condo.:	Yes/No
Total Parking Spaces:	182
Park. Ratio 1000 SF GLA:	0.35
Park. Structure Space:	182
Park. Ratio 1000 SF GBA:	0.27
Elevators Count:	Yes/10
Fire Sprinkler Type:	Wet
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes

## Foundry Square II



# Office Lease Profile

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## Improvement and Site Data (Cont'd)

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Bldg. to Land Ratio FAR:	8.79
Excess/Surplus Land:	No
Zoning Code:	C-3-0 SD
Zoning Desc.:	Downtown Commercial
Flood Plain:	No
Utilities:	Electricity, Water Public, Sewer, Gas, Telephone
Bldg. Phy. Info. Source:	Other
Source of Land Info.:	Public Records

## Comments

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Tenant signed lease for second floor space and received a TI allowance of \$110 psf and six months of free rent.



# Office Lease Profile

## Location & Property Identification

Property Name:	One Market Plaza - Spear Tower
Sub-Property Type:	General Purpose, Mid/High Rise
Address:	49 Spear St.
City/State/Zip:	San Francisco, CA 94105
County:	San Francisco
Submarket:	Financial District
Market Orientation:	CBD
IRR Event ID:	3039360



## Space Information

Space Type:	Office
Full Building Lease:	No
Leased Area:	42,730

## Lease Information

Lease Status:	Signed Lease
Lessee:	Thoma Bravo
Lease Signed Date:	12/01/2021
Start/Available Date:	10/01/2022
Expiration Date:	09/30/2032
Term of Lease:	120 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$110.00
Effective Rental Rate:	\$116.94
Escalation Type:	Fixed Percentage
Escalation Desc.:	3% annually
TI Allowance (\$/SF):	\$120.00
TI Type:	New Tenant
Free Rent (Months):	10.00

Reimbursement Method: Full Service

## Improvement and Site Data

MSA:	San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	3713-007
NRA-SF:	883,778
Acres(Gross):	2.60
Land-SF(Gross):	113,198
Year Built:	1976
Most Recent Renovation:	1996
Property Class:	A
M&S Class:	A
Total Parking Spaces:	165
Park. Ratio 1000 SF GLA:	0.19
Source of Land Info.:	Public Records

## Comments

Tenant received a \$120 psf TI allowance and ten months of free rent.

## Lease Expense Information

One Market Plaza - Spear Tower



# Office Lease Profile

## Location & Property Identification

Property Name:	4 Embarcadero Center
Sub-Property Type:	General Purpose, Mid/High Rise
Address:	4 Embarcadero Center
City/State/Zip:	San Francisco, CA 94111
County:	San Francisco
Submarket:	North Beach
Market Orientation:	CBD
IRR Event ID:	3039359



## Space Information

Space Type:	Office
Full Building Lease:	No
Leased Area:	44,476

## Lease Information

Lease Status:	Signed Lease
Lessee:	Vista Equity Partners, LLC
Lease Signed Date:	08/01/2022
Start/Available Date:	12/01/2022
Expiration Date:	05/31/2033
Term of Lease:	126 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$105.00
Effective Rental Rate:	\$105.77
Escalation Type:	Fixed Percentage
Escalation Desc.:	2.5% annually
TI Allowance (\$/SF):	\$118.00
TI Type:	New Tenant
Free Rent (Months):	6.00

## Improvement and Site Data

MSA:	San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area
Legal/Tax/Parcel ID:	0168-056
GBA-SF:	933,813
NRA-SF:	933,813
Acres(Gross):	1.91
Land-SF(Gross):	83,199
Year Built:	1979
Bldg. to Land Ratio FAR:	11.22
Source of Land Info.:	Public Records

## Comments

Tenant is renewing their 20th floor lease of 21,860 SF and expanding onto the 30th floor with an additional 22,616 SF. The renewal space is renting for \$107.63 psf, full service, while the expansion space is renting for \$105 psf, full service. The average TI allowance for both spaces is \$118 psf (\$100 psf for renewal space and \$136 psf for the expansion space). The lease for the expansion space commenced in December 2022, while the renewal will commence in October 2024.

## Lease Expense Information

Reimbursement Method:	Full Service
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## 4 Embarcadero Center



# Office Lease Profile

## Location & Property Identification

Property Name:	5M
Sub-Property Type:	General Purpose
Address:	415 Natoma St.
City/State/Zip:	San Francisco, CA 94103
County:	San Francisco
Submarket:	Financial District South
Market Orientation:	Urban
IRR Event ID:	3039358



## Space Information

Space Type:	Office
Full Building Lease:	No
Leased Area:	20,300

## Lease Information

Lease Status:	Signed Lease
Lessee:	Thumbtack
Lease Signed Date:	02/01/2022
Start/Available Date:	07/01/2022
Expiration Date:	06/30/2026
Term of Lease:	48 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$100.00
Effective Rental Rate:	\$102.31
Escalation Type:	Fixed Percentage
Escalation Desc.:	3% annually
TI Allowance (\$/SF):	\$175.00
TI Type:	New Tenant
Free Rent (Months):	1.00

## Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	3725-129
GBA-SF:	653,900
NRA-SF:	653,900
Acres(Usable/Gross):	0.87/0.87
Land-SF(Usable/Gross):	37,897/37,897
Usable/Gross Ratio:	1.00
Year Built:	2022
Property Class:	A
M&S Class:	A
No. of Buildings/Stories:	1/25
Bldg. to Land Ratio FAR:	17.25
Zoning Code:	C3S
Source of Land Info.:	Public Records

## Comments

Thumbtack is downsizing from space at 1355 Market St and leasing space on the 13th floor of 5M. TIs are estimated between \$175 and \$200 psf. The building was completed in 2022 and Brookfield (owner) is also building space out on a speculative basis with asking rents of \$72 NNN.

## Lease Expense Information

Reimbursement Method:	Full Service
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5M



# Retail Lease Profile

## Location & Property Identification

Property Name:	1430 Van Ness Ave.
Address:	1430 Van Ness Ave.
City/State/Zip:	San Francisco, CA 94109
County:	San Francisco
Submarket:	North Beach
Market Orientation:	Urban



IRR Event ID: 3032468

## Space Information

Space Type:	Retail
Full Building Lease:	No
Leased Area:	4,255

## Lease Information

Lease Status:	Asking Rent
Lessor:	Owner
Lessee:	Active Listing
Start/Available Date:	07/31/2023
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$55.00
Effective Rental Rate:	\$55.00
Escalation Type:	Fixed Percentage

Land-SF(Gross):	10,458
Year Built:	1913
Improvements Cond.:	Average
No. of Buildings/Stories:	1/1
Shape:	Irregular
Topography:	Level
Corner Lot:	Yes
Frontage Feet:	70
Bldg. to Land Ratio FAR:	0.40
Zoning Code:	RC-4
Zoning Desc.:	RC-4
Flood Plain:	No
Improve. Info. Source:	Public Records
Source of Land Info.:	Public Records

## Comments

Listing of street-level retail space located at the corner of Van Ness and Austin Alley. Listing brokers with JLL did not respond to requests for additional information.

## Lease Expense Information

Reimbursement Method:	Triple Net
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## Improvement and Site Data

MSA:	San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area
GBA-SF:	4,255
GLA-SF:	4,255
Acres(Gross):	0.24

**1430 Van Ness Ave.**



# Multifamily Lease Profile

## Location & Property Identification

Property Name:	2195-2199 Market Street
Sub-Property Type:	Mixed Use
Address:	2195-2199 Market St.
City/State/Zip:	San Francisco, CA 94114
County:	San Francisco
Submarket:	Haight/Castro
Market Orientation:	CBD
IRR Event ID:	2965584



## Space Information

Space Type:	Retail
Full Building Lease:	No
Leased Area:	1,510

## Lease Information

Lease Status:	Signed Lease
Lessee:	Custom Sofa Co.
Start/Available Date:	08/01/2022
Expiration Date:	07/31/2025
Term of Lease:	36 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$49.32
Effective Rental Rate:	\$49.32
Escalation Type:	Fixed Steps

Property Class:	C
M&S Class:	D
Construction Quality:	Average
Improvements Cond.:	Average
Exterior Walls:	Stucco
Construction Desc.:	Wood frame
No. of Buildings/Stories:	1/3
Bldg. to Land Ratio FAR:	2.49
Bldg. Phy. Info. Source:	Public Records
Source of Land Info.:	Public Records

## Comments

New lease for a ground floor retail suite. The unit has a new paint job and new vinyl plank flooring. There is basement space for storage. The broker did not confirm if tenant improvements were built into the lease.

## Lease Expense Information

Reimbursement Method:	Modified Gross
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## Improvement and Site Data

Legal/Tax/Parcel ID:	3558-036
GBA-SF:	6,495
NRA-SF:	6,495
Acres(Gross):	0.06
Land-SF(Gross):	2,613
Year Built:	1906

**2195-2199 Market Street**





# Retail Lease Profile

## Location & Property Identification

Property Name:	2301-2309 Webster St.
Sub-Property Type:	Mixed Use
Address:	2301-2309 Webster St.
City/State/Zip:	San Francisco, CA 94115
County:	San Francisco
Submarket:	Pac Heights/Presidio Heights
Market Orientation:	CBD
IRR Event ID:	2930336



## Space Information

Space Type:	Retail
Full Building Lease:	No
Leased Area:	911

## Lease Information

Lease Status:	Signed Lease
Lessee:	Confidential
Start/Available Date:	07/01/2022
Expiration Date:	06/30/2025
Term of Lease:	36 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$49.40
Effective Rental Rate:	\$49.40
Escalation Type:	Fixed Percentage

Year Built:	1900
Property Class:	C
Construction Quality:	Average
Improvements Cond.:	Average
Exterior Walls:	Stucco
No. of Buildings/Stories:	1/2
No. of Units / Unit Type:	4/Apt. Units
Density-Unit/Gross Acre:	66.67
Bldg. to Land Ratio FAR:	2.02
Improve. Info. Source:	Public Records
Source of Land Info.:	Public Records

## Comments

Recent lease of a ground floor retail suite. The unit was in average condition. No TI allowance or free rent was included in the rent.

## Lease Expense Information

Reimbursement Method:	Modified Gross
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## Improvement and Site Data

Legal/Tax/Parcel ID:	0605-008
GBA-SF:	5,276
GLA-SF:	4,147
Acres(Gross):	0.06
Land-SF(Gross):	2,613

**2301-2309 Webster St.**



# Multifamily Lease Profile

## Location & Property Identification

Property Name:	188 Octavia Street
Sub-Property Type:	Mixed Use
Address:	188 Octavia St.
City/State/Zip:	San Francisco, CA 94102
County:	San Francisco
Submarket:	Marina/Pac Heights
Market Orientation:	Suburban
IRR Event ID:	2905038



## Space Information

Space Type:	Retail
Suite #:	1B
Leased Area:	1,037

## Lease Information

Lease Status:	Signed Lease
Lessee:	DM Development Partners, LLC
Start/Available Date:	08/01/2021
Expiration Date:	07/31/2026
Term of Lease:	60 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$48.00
Effective Rental Rate:	\$48.00

Usable/Gross Ratio:	1.00
Year Built:	2020
Property Class:	A
M&S Class:	B
Construction Quality:	Good
Improvements Cond.:	Excellent
No. of Buildings/Stories:	1/5
Elevators Count:	Yes/1
Fire Sprinkler Type:	Wet
Air-Conditioning Type:	Central
Roof,Heating,AC Comments:	Flat, built-up, roof deck
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Frontage Desc.:	Octavia
Density-Unit/Gross Acre:	219.52
Density-Unit/Usable Acre:	219.52
Bldg. to Land Ratio FAR:	5.23
Zoning Code:	NCT - Hayes NCT
Source of Land Info.:	Public Records

## Lease Expense Information

Reimbursement Method:	Triple Net
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## Improvement and Site Data

Legal/Tax/Parcel ID:	0853-034
GBA-SF:	29,040
NRA-SF:	20,603
Acres(Usable/Gross):	0.13/0.13
Land-SF(Usable/Gross):	5,556/5,556

## Unit Mix

No. of Bed-Room	No. of Bath-Room	No. of Units	Approx. Units SF	Total Units SF	% of Total
		16			0%
		12			0%
		28			

188 Octavia Street



# Multifamily Lease Profile

## Location & Property Identification

Property Name:	201-211 Steiner Street
Sub-Property Type:	Mixed Use
Address:	201-211 Steiner St.
City/State/Zip:	San Francisco, CA 94117
County:	San Francisco
Submarket:	Haight/Castro
Market Orientation:	Suburban
IRR Event ID:	2780350



## Space Information

Space Type:	Retail
Suite #:	520
Leased Area:	905

## Lease Information

Lease Status:	Signed Lease
Lessee:	MX3 Fitness
Start/Available Date:	09/01/2021
Expiration Date:	08/31/2026
Term of Lease:	60 months
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$67.90
Effective Rental Rate:	\$67.90

## Lease Expense Information

Reimbursement Method:	Modified Gross
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## Improvement and Site Data

Legal/Tax/Parcel ID:	0861-007
GBA-SF:	14,910
NRA-SF:	12,410
Acres(Usable/Gross):	0.12/0.12
Land-SF(Usable/Gross):	5,313/5,313
Usable/Gross Ratio:	1.00

Year Built:	1900
Property Class:	C
M&S Class:	C
Construction Quality:	Good
Improvements Cond.:	Average
Exterior Walls:	Block
No. of Buildings/Stories:	1/3
Elevators Count:	None
Fire Sprinkler Type:	None
Roof,Heating,AC Comments:	Rolled composition
Shape:	Rectangular
Topography:	Level
Corner Lot:	Yes
Frontage Desc.:	Steiner Street
Density-Unit/Gross Acre:	81.99
Density-Unit/Usable Acre:	81.99
Bldg. to Land Ratio FAR:	2.81
Zoning Code:	RM-1
Zoning Desc.:	Residential - Mixed, Low Density
Flood Zone Designation:	D
Source of Land Info.:	Public Records

## Comments

There was no TI allowance or free rent included in the lease.

**201-211 Steiner Street**





# Multifamily Lease Profile

## Location & Property Identification

Property Name:	Potrero Launch
Sub-Property Type:	Mixed Use, Multifamily-Retail
Address:	2235 3rd St.
City/State/Zip:	San Francisco, CA 94107
County:	San Francisco
Submarket:	South Park/Bayview
Market Orientation:	Urban
IRR Event ID:	2693182



## Space Information

Space Type:	Street Retail
Full Building Lease:	No
Leased Area:	1,840

## Lease Information

Lease Status:	Signed Lease
Lessee:	Not Disclosed
Lease Signed Date:	06/22/2021
Start/Available Date:	07/22/2021
Lease Measure:	\$/SF/Yr
Face Rental Rate:	\$52.00
Effective Rental Rate:	\$52.00
Escalation Type:	Fixed Percentage

## Lease Expense Information

Reimbursement Method:	Modified Gross
Reimbursement Desc.:	Industrial Gross

## Improvement and Site Data

MSA:	San Francisco-Oakland-Hayward, CA
Legal/Tax/Parcel ID:	4058-010
GBA-SF:	242,185
NRA-SF:	242,185
Acres(Usable/Gross):	1.15/1.15
Land-SF(Usable/Gross):	50,094/50,094
Usable/Gross Ratio:	1.00
Year Built:	2012
Property Class:	A
Construction Quality:	Good
Improvements Cond.:	Good
No. of Buildings/Stories:	1/4
No. of Units / Unit Type:	196/Apt. Units
Density-Unit/Gross Acre:	170.43
Density-Unit/Usable Acre:	170.43
Bldg. to Land Ratio FAR:	4.83
Source of Land Info.:	Public Records

## Project & Unit Amenities

## Comments

New lease for ground floor commercial suite in the Potrero Launch mixed-use apartment/commercial building.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name:	The Canyon
Sub-Property Type:	Mixed Use
Address:	1023 3rd St.
City/State/Zip:	San Francisco, CA 94158
County:	San Francisco
Submarket:	South Park/Bayview
Market Orientation:	Urban
IRR Event ID:	3037140



## Property Data

Survey Date:	08/14/2023
No. of Buildings/Stories:	1/23
No. of Units/Unit Type:	283/Apt. Units
Multi-Tenant/Condo.:	Yes/No
Property Class:	A
Vacancy @ Survey:	90.00%
Yr. Built/Yr. Renov.:	2023/
Land Size (Ac.):	0.97

## Project & Unit Amenities

Project Amenities:	Bike Storage Room, Co-Working Space, Dog Run/Spa, Electric Car Charging Station, Fitness Center, Resident Lounge, Roofdeck/Sundeck, Security/Door Staff
Tenant Pays:	Trash, In-Unit Electric, Sewer, Water, Gas
Survey Comp./Contact:	Leasing Manager/

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0	17	INA	549	\$3534	\$6.44	
1 BD/1 BA	/1/1.0	155	INA	605	\$4569	\$7.55	
2 BD/2 BA	/2/2.0	93	INA	903	\$6500	\$7.20	
3 BD/2 BA	/3/2.0	18	INA	1,262	\$7750	\$6.14	

## Comments

Class A mixed use property with 283 residential units, approximately 85,000 SF of office space, and 58,000 SF of retail space; 102 of the apartments are BMR units. The property is currently in lease-up, with the first move-in occurring on 6/1/23. Management is offering 8 weeks of free rent plus \$1,500 for a look and lease.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: Fifteen Fifty  
Sub-Property Type: Mixed Use  
Address: 1500 Mission St.  
City/State/Zip: San Francisco, CA 94103  
County: San Francisco  
Submarket: SOMA  
Market Orientation: Urban  
  
IRR Event ID: 3036756



## Property Data

Survey Date: 08/11/2023  
No. of Buildings/Stories: 1/40  
Property Class: A  
Vacancy @ Survey: 2.00%  
Yr. Built/Yr. Renov.: 2020/  
Land Size (Ac.): 2.57

## Project & Unit Amenities

Project Amenities: BBQ Grill/Picnic Area, Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Recreational Amenities, Resident Lounge, Roofdeck/Sundeck, Swimming Pool, Library, Screening Room

Unit Amenities: Dishwasher, Granite/Quartz Counters, Range - Gas, Refrigerator, Stainless Steel Appliances, Washer/Dryer In Unit, Window Blinds/Shades, Wood Floors

Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	416	\$3325	\$7.99	
1 BD/1 BA	/1/1.0		INA	650	\$4300	\$6.62	
2 BD/ 2 BA	/2/2.0		INA	1,105	\$6500	\$5.88	
3 BD/2 BA	/3/2.0		INA	1,445	\$8200	\$5.67	

# Multifamily Rent Survey Profile

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## Comments

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Management is offering 6 weeks free plus 2 additional weeks for a look and lease. Tenant is responsible for all utilities. Project includes approximately 38,000 SF of ground floor retail space. Twenty percent of the residential units are affordable.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: The George  
Sub-Property Type: Conventional  
Address: 434 Minna St.  
City/State/Zip: San Francisco, CA 94103  
County: San Francisco  
Submarket: SOMA  
Market Orientation: Urban  
  
IRR Event ID: 3036707



## Property Data

Survey Date: 08/11/2023  
No. of Buildings/Stories: 1/20  
No. of Units/Unit Type: 302/Apt. Units  
Multi-Tenant/Condo.: Yes/No  
Property Class: A  
Vacancy @ Survey: 5.00%  
Yr. Built/Yr. Renov.: 2022/  
Land Size (Ac.): 5.13

## Project & Unit Amenities

Project Amenities: Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Resident Lounge, Pet Grooming Stations, Clubroom, Private Bar, Library

Unit Amenities: Dishwasher, Granite/Quartz Counters, Microwave, Patio/Balcony/Deck, Range - Gas, Refrigerator, Stainless Steel Appliances, Vinyl Plank Floors (LVT/LVP), Washer/Dryer In Unit, Window Blinds/Shades

Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	467	\$2860	\$6.12	
1 BD/ 1 BA	/1/1.0		INA	885	\$4445	\$5.02	
2 BD/2 BA	/2/1.0		INA	983	\$5210	\$5.30	

## Comments

The George



# Multifamily Rent Survey Profile

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## Comments (Cont'd)

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Management is offering up to two months of free rent for move-ins before the end of August. Garage parking is \$500 per month.

New 20-story Class A apartment building in SOMA within the 5M development. The project includes 4,600 SF of ground floor retail and two levels of below grade garage parking with 52 spaces. There are 91 BMR units.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: Chorus  
Sub-Property Type: Conventional, Mid/High-Rise  
Address: 30 Otis St.  
City/State/Zip: San Francisco, CA 94103  
Submarket: SOMA  
Market Orientation: Urban  
IRR Event ID: 3036411



## Property Data

Survey Date: 08/10/2023  
No. of Buildings/Stories: 1/20  
No. of Units/Unit Type: 416/Apt. Units  
Property Class: A  
Vacancy @ Survey: 6.00%  
Yr. Built/Yr. Renov.: 2021/  
Land Size (Ac.): 0.82

## Project & Unit Amenities

Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	467	\$3130	\$6.70	
1 BD/1 BA	/1/1.0		INA	692	\$3679	\$5.32	
2 BD/2 BA	/2/2.0		INA	999	\$6837	\$6.84	
3 BD/2 BA	/3/2.0		INA	1,146	\$6495	\$5.67	

## Comments

New Class A high-rise luxury property with good quality, modern finishes and features. Amenities include rooftop terrace and pool, hot tub, fitness center, outdoor training area, lobby restaurant/cafe, coworking space, lounge, game room, rooftop solarium, valet parking, on-demand housekeeping, concierge. Currently offering \$2,000 look and lease special. The property opened in August 2021.

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## APPENDIX H

### INFRASTRUCTURE FINANCING DISTRICT

#### General

**Relevance of the IFD.** Under the Rate and Method, with respect to each fiscal year, the Development Special Taxes required to be levied in the District with respect to certain parcels will be reduced in the amount of certain tax increment that was allocated to the IFD during the prior fiscal year (“Parcel Increment”). Parcel Increment will only be available to reduce Development Special Taxes that otherwise would have been levied on “Assessed Parcels” under the Rate and Method. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” to this Official Statement. Under the Rate and Method, only the Development Special Tax levy, not the other special taxes under the Rate and Method, may be offset by any revenue from Parcel Increment.

**IFD Law.** Under Chapter 2.8 of Part 1 of Division 2 Title 5 of the California Government Code (the “IFD Law”), cities and counties are authorized to establish tax increment financing districts known as infrastructure financing districts, allocate incremental tax property tax revenues to the district, and approve infrastructure financing plans. The infrastructure financing plans must include certain tax increment limits, including a maximum amount of tax increment that may be allocated to the infrastructure financing district and a maximum period in which tax increment revenue may be allocated.

Under provisions of the IFD Law that apply only to the City, the City may establish one or more “waterfront districts” on land under San Francisco Port Commission jurisdiction along the San Francisco waterfront and may establish project areas within a waterfront district. The purpose of project areas is to allow the tax increment limits established by the infrastructure financing plan to apply only to portions of the territory within the IFD, typically corresponding with phases of a development project.

#### IFD No. 2; Project Area I; Sub-Project Areas

Under the IFD Law, the Board of Supervisors formed City and County of San Francisco Infrastructure Financing District No. 2 (Port of San Francisco) (the “IFD”) as a “waterfront district” and approved an Infrastructure Financing Plan (the “IFP”) for the IFD pursuant to Ordinance No. 27-16, which was adopted by the Board of Supervisors on March 1, 2016, and approved by the Mayor on March 11, 2016.

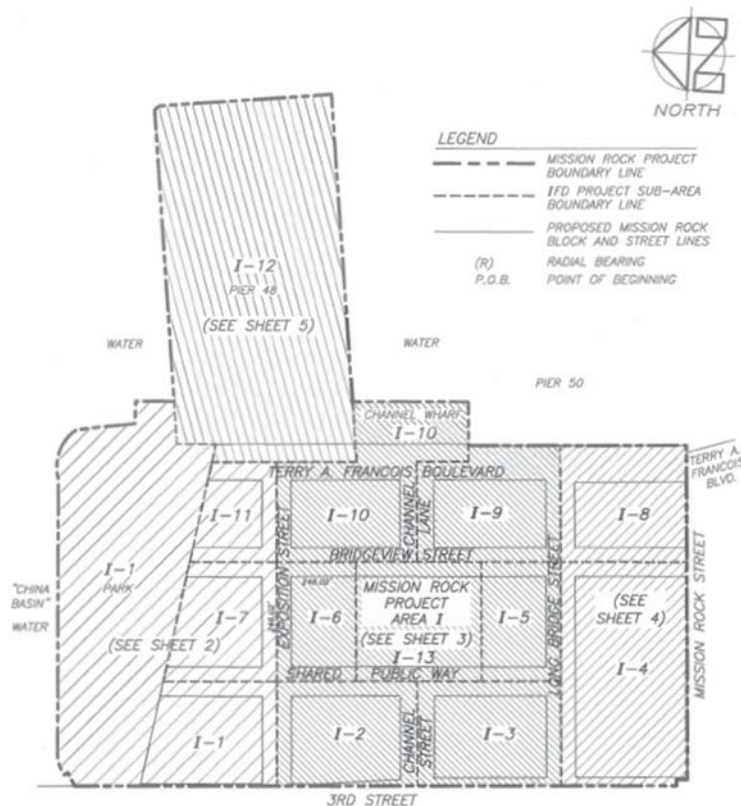
In a judicial validation action (Case No. CGC-16-551235), under Code of Civil Procedure Section 860 et seq. (the “Validating Act”), the San Francisco Superior Court ruled on July 26, 2016 that the IFD was validly established and that the IFP, when delivered, was legal, valid and binding.

**Project Area I; Sub-Project Areas.** Under the IFD Law, the Board of Supervisors formed Project Area I as a “waterfront district,” including Sub-Project Areas I-1 through I-13 (the “Sub-Project Areas”), and approved Appendix I to the IFP pursuant to Ordinance No. 34-18, which was adopted by the Board of Supervisors on February 27, 2018, and approved by the Mayor on March 6, 2018. The boundary of Project Area I substantially aligns with the District boundary (but also includes the Future Annexation Area). Each Sub-Project Area I-1 through I-13 substantially aligns with a development block in the District. (Sub-Project Area I-1 corresponds with Parcel A, Sub-Project Area I-2 corresponds with Parcel B, Sub-Project Area I-3 corresponds with Parcel C, Sub-Project Area I-4 corresponds with Parcel D, Sub-Project Area I-5 corresponds with Parcel E, Sub-Project Area I-6 corresponds with Parcel F, Sub-Project Area I-7 corresponds with Parcel G, Sub-Project Area I-8 corresponds with Parcel H, Sub-Project Area I-9 corresponds with Parcel I, Sub-Project Area I-10 corresponds with Parcel J, Sub-Project Area I-11

corresponds with Parcel K and Sub-Project Area I-12 corresponds with Pier 48 (in the Future Annexation Area).)

In a judicial validation action under the Validating Act (Case No. CGC-18-565561), the San Francisco Superior Court ruled on October 17, 2019, that Project Area I and the Sub-Project Areas were validly established as “waterfront districts” and that Appendix I and the Pledge Agreement, when delivered, were legal, valid and binding.

The map below illustrates the IFD.



## Allocation of Allocated Tax Increment

**General.** Appendix I to the IFP is the infrastructure financing plan for Project Area I, including the Sub-Project Areas.

In Appendix I, the City irrevocably allocates the “Allocated Tax Increment” from the Sub-Project Areas to the IFD to the extent that the Allocated Tax Increment is necessary to repay bonds, notes or related agreements or to meet contractual obligations that the IFD or the Port is obligated to satisfy with Allocated Tax Increment, in each case to the extent such bonds, notes, agreements or obligations have been approved by the Board of Supervisors.

Appendix I defines the following relevant terms:

“Allocated Tax Increment” is, for each of the Sub-Project Areas, the City Share of Tax Increment.

“City Share of Tax Increment” is 64.588206% of Gross Tax Increment.

“Gross Tax Increment” is, for each of the Sub-Project Areas, 100% of the revenue produced by the application of the 1% ad valorem tax rate to the Incremental Assessed Property Value of property within each Sub-Project Area.

“Incremental Assessed Property Value” is, in any year, for each Sub-Project Area, the difference between the assessed value of the property within such Sub-Project Area for that fiscal year and the assessed value of the property within such Sub-Project Area in the Base Year, to the extent that the difference is a positive number.

“Base Year” for each of the Sub-Project Areas is the fiscal year in which the assessed value of taxable property in such Sub-Project Area was last equalized prior to the effective date of the ordinance adopted to create the Sub-Project Areas or a subsequent fiscal year. The Base Year for each Sub-Project Area is fiscal year 2017-18.

***Tax Increment Limits Established by Appendix I.*** Appendix I established the 45th fiscal year after the fiscal year in which the IFD actually receives \$100,000 of Allocated Tax Increment from each Sub-Project Area as (i) the final date on which the allocation of tax increment from each Sub-Project Areas will end and (ii) the date after which the IFD may no longer repay indebtedness with tax increment generated in each Sub-Project Area.

Tax increment may begin to be allocated to the IFD from each Sub-Project Area beginning in the fiscal year following the Base Year, provided that no tax increment will be allocated to the IFD from a Sub-Project Area until (i) assessor parcels for the development parcels within the Sub-Project Area have been created and (ii) the amount of increment available to be allocated from the Sub-Project Area in the fiscal year is equal to at least \$100,000. The IFD has not received \$100,000 of Allocated Tax Increment from any of the Sub-Project Areas as of the date of this Official Statement.

Appendix I establishes the following limits on the amount of tax increment that may be allocated to the IFD from each Sub-Project Area:

<b>Sub-Project Area</b>	<b>Tax Increment Limit</b>
Sub-Project Area I-1	\$370,000,000
Sub-Project Area I-2	236,000,000
Sub-Project Area I-3	384,000,000
Sub-Project Area I-4	829,000,000
Sub-Project Area I-5	170,000,000
Sub-Project Area I-6	411,000,000
Sub-Project Area I-7	266,000,000
Sub-Project Area I-8	182,000,000
Sub-Project Area I-9	280,000,000
Sub-Project Area I-10	204,000,000
Sub-Project Area I-11	130,000,000
Sub-Project Area I-12	240,000,000
Sub-Project Area I-13	143,000,000

***Waterfront Set-Aside.*** The IFD Law requires not less than 20 percent of the amount allocated to the IFD from Project Area I to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront. In the Pledge Agreement, the amount to be set aside for shoreline restoration, removal of bay fill, or waterfront public access to or environmental remediation of the San Francisco waterfront is referred to as “Waterfront Set-Aside.” In Appendix I, the Board of Supervisors estimates that approximately 37.5% of the Allocated Tax Increment to the IFD from the Sub-Project Areas will be used for authorized Waterfront Set-Aside uses.

With respect to the Development Special Tax Bonds, the amount of the IFD Payment Amount that can be funded from the Waterfront Set-Aside will be determined based on the percentage of the net proceeds of the Development Special Tax Bonds that will be used for Waterfront Set-Aside uses.

## **Pledge Agreement**

Under the IFD Law, the IFD is authorized to pledge Allocated Tax Increment to support payment of the principal of, and interest on, bonds (such as the Development Special Tax Bonds) issued under the Act, the proceeds of which have been or will be used entirely for allowable purposes of the IFD.

Under the IFD Law, the City, for and on behalf of the District, has entered into a Pledge Agreement, dated as of May 1, 2021 (as defined earlier herein, the “Pledge Agreement”), with the IFD and the Fiscal Agent, pursuant to which the IFD has agreed to make certain payments to the Fiscal Agent from Allocated Tax Increment. Under the Pledge Agreement, the IFD pledges Pledged Tax Increment as security for and a source of payment of the IFD Payment Amount by the IFD to the Fiscal Agent. The pledge of Pledged Tax Increment under the Pledge Agreement is senior to any other pledge of Allocated Tax Increment. The “IFD Payment Amount” represents the payment of a portion of the tax increment (if any) generated in Project Area I (including Sub-Project Areas I-1 through I-13) of the IFD to the Fiscal Agent by the IFD pursuant to the Pledge Agreement.

The Pledge Agreement defines “Pledged Tax Increment,” for each IFD Payment Date (i.e., each July 1), as the Allocated Tax Increment received by the IFD as of such date that is attributable to the levy of the 1% ad valorem tax rate during the preceding Fiscal Year, but excluding the Waterfront Set-Aside except to the extent that the Waterfront Set-Aside may be used by the IFD under the IFD Law for its payment obligations hereunder based on the use of proceeds of the Special Tax District Bonds. Allocated Tax Increment that is not Pledged Tax Increment cannot be used to pay the IFD Payment Amount because of the limitations on the authorized uses of Waterfront Set-Aside. The obligations of the IFD with respect to Allocated Tax Increment set forth in the Pledge Agreement do not apply to any Allocated Tax Increment applied by the Treasurer-Tax Collector to pay its costs of collecting the Allocated Tax Increment.

The Port has determined that Pledged Tax Increment is the equivalent of the Parcel Increment described in the Rate and Method.

The Pledge Agreement defines or incorporates the following terms:

“IFD Payment Amount” means, as of the IFD Payment Date, an amount equal to the lesser of (A) the Potential Development Special Tax Levy on all Current Parcels for the current Fiscal Year and (B) the amount of Pledged Tax Increment available to pay the IFD Payment Amount pursuant to the Pledge Agreement.

“Current Parcel” is defined in the Financing Plan as an Assessed Parcel in the Mission Rock CFD that is identified in the Payment Report as being current on payment of ad valorem taxes.

“Assessed Parcel” is defined in the Financing Plan as a Taxable Parcel that meets all of the following conditions:

- (i) one or more buildings have been constructed or rehabilitated on the Taxable Parcel for which the Port has issued a TCO;
- (ii) the buildings have been finally assessed; and
- (iii) the Assessor has levied ad valorem taxes on the Taxable Parcel covering a full City Fiscal Year.

“Potential Development Special Tax Levy” means the amount of the Development Special Tax levy on each Assessed Parcel:

- (i) after applying capitalized interest, delinquency collections, and other sources in the RMA; and
- (ii) before applying the Development Special Tax Credit.

As a result of these definitions, because Allocated Tax Increment will be generated when there are increases in the assessed value of the Leasehold Interests resulting from new construction, and because the IFP provides that tax increment will not be allocated to the IFD from a Sub-Project Area until the increment available to be allocated from the Sub-Project Area in a fiscal year is equal to at least \$100,000, the City does not expect there to be an IFD Payment Amount available to offset Development Special Taxes until Fiscal Year 2025-26 at the earliest.

Under the Pledge Agreement, the IFD is required to establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Tax Increment Fund,” and to establish the following accounts (among others) within the Tax Increment Fund: the “Waterfront Set-Aside Account” and the “Project Account.” The IFD Law requires the IFD to deposited Allocated Tax Increment in a special account, and the Tax Increment Fund and the accounts therein are the required special account.

The Pledge Agreement provides that, promptly upon receipt thereof, the IFD will deposit 80% of the Allocated Tax Increment received in any Bond Year in the Project Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel) and 20% of such Allocated Tax Increment in the Waterfront Set-Aside Account (or such greater or lesser amount permitted to be deposited therein pursuant to an opinion of nationally-recognized bond counsel).

The Pledge Agreement provides that the IFD will also establish a fund to be held by or on behalf of the IFD under the Special Fund Administration Agreement as a separate restricted account, to be known as the “Bonds Fund,” a separate restricted account within the Bonds Fund known as the “Mello-Roos Bonds Account (Tax Increment).”

The Pledge Agreement provides that, during each Fiscal Year, the IFD may transfer funds from the Project Account or the Waterfront Set-Aside Account to the Mello-Roos Bonds Account (Tax Increment) in an amount equal to the IFD Payment Amount due on the following IFD Payment Date. On each IFD Payment Date (or such earlier date determined by the IFD), the IFD will transfer (or cause to be transferred)

Pledged Tax Increment from the accounts in the Tax Increment Fund and the Mello-Roos Bonds Account (Tax Increment) to the Fiscal Agent for deposit into the IFD Payment Amount Fund established and held by the Fiscal Agent under the Fiscal Agent Agreement, in an amount equal to the IFD Payment Amount.

*Significant amounts of Pledged Tax Increment are unlikely to be generated unless and until the property in Project Area I is developed. No assurance is given that Pledged Tax Increment will be available in any given amount or at any given time.*

### **Development Special Tax Bonds Fiscal Agent Agreement**

The moneys in the IFD Payment Amount Fund will be distributed in the following order of priority:

(i) at least seven (7) Business Days prior to each Interest Payment Date, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund to the Bond Fund established and held by the Fiscal Agent under the Development Special Tax Bonds Fiscal Agent Agreement in an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2021A Reserve Fund, the 2021B Reserve Fund and any reserve account (including the 2023A Reserve Fund) for Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, any capitalized interest account for the Development Special Tax Bonds, and the Development Special Tax Prepayments Account to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Development Special Tax Bonds on such Interest Payment Date and any past due principal or interest on the Development Special Tax Bonds; and

(ii) at least seven (7) Business Days prior to each Interest Payment Date without preference or priority, the Fiscal Agent will transfer moneys in the IFD Payment Amount Fund (a) to the 2021A Reserve Fund an amount, taking into account amounts then on deposit in the 2021A Reserve Fund, such that the amount in the 2021A Reserve Fund is equal to the 2021A Reserve Requirement, (b) to the 2021B Reserve Fund an amount, taking into account amounts then on deposit in the 2021B Reserve Fund, such that the amount in the 2021B Reserve Fund is equal to the 2021B Reserve Requirement, and (c) to the reserve account (including the 2023A Reserve Fund) for any Development Special Tax Parity Bonds that are not 2021A Related Parity Bonds or 2021B Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the IFD Payment Amount Fund and any Development Special Taxes available for that purpose are not sufficient for the purposes of this subparagraph, such amounts will be applied to the 2021A Reserve Fund, the 2021B Reserve Fund and any other reserve accounts (including the 2023A Reserve Fund) ratably based on the then Outstanding principal amount of the Development Special Tax Bonds).

On each October 1, the Fiscal Agent will transfer all of the moneys remaining in the IFD Payment Amount Fund to the Special Fund Trustee for deposit in the IFD Remainder Account of the Tax Increment Fund established and held by the Special Fund Trustee under the Special Fund Administration Agreement. Funds in the IFD Remainder Account are not security for the Development Special Tax Bonds.



