



*The interest on the 2017C Bonds is not intended by the Successor Agency to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the 2017C Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.*

Underlying Rating: Standard & Poor's: "A"  
Insured Rating for Insured Bonds: Standard & Poor's: "AA"  
(See "RATINGS" herein)

**\$43,400,000**

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
2017 Series C  
Taxable Subordinate Tax Allocation Bonds  
(Mission Bay New Money and Refunding Housing Projects)**

**Dated: Date of Delivery**

**Due: August 1, as shown on the inside front cover**

**This cover page contains information for quick reference only. It is *not* intended to be a complete summary of all factors relevant to an investment in the 2017C Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

The 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the "**2017C Bonds**") are being issued by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "**Successor Agency**") pursuant to an Indenture of Trust, dated as of March 1, 2017 (the "**Indenture**"), by and between the Successor Agency and U.S. Bank National Association, as trustee (the "**Trustee**"), and sold by the City and County of San Francisco Redevelopment Financing Authority (the "**Authority**") on behalf of the Successor Agency to the Underwriters (defined herein) for the purposes described herein.

Interest on the 2017C Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2017. Principal of the 2017C Bonds will be payable on the dates and in the principal amounts set forth on the inside cover page.

The scheduled payment of principal of and interest on the 2017C Bonds maturing on August 1 of the years 2024 through 2032 inclusive, August 1, 2037 and August 1, 2043 (the "**Insured Bonds**"), when due will be guaranteed under an insurance policy (the "**Insurance Policy**") to be issued concurrently with the delivery of the Insured Bonds by **ASSURED GUARANTY MUNICIPAL CORP. ("AGM")**. *No 2017C Bonds, other than the Insured Bonds, will be insured.* See "BOND INSURANCE."



The 2017C Bonds will be issued in book-entry form, without coupons, initially 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 for the 2017C Bonds. Beneficial ownership interests in the 2017C Bonds may initially be purchased, in denominations of \$5,000 or any integral multiple thereof, in book-entry only form as described herein. So long as Cede & Co. is the registered owner of the 2017C Bonds, payments of principal and interest will be made to Cede & Co., as nominee for DTC. DTC is required in turn to remit such payments to DTC Participants for subsequent disbursements to Beneficial Owners. Disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Direct Participants and Indirect Participants as more fully described herein. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

**The 2017C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE 2017C BONDS – Redemption Provisions."**

The proceeds of the 2017C Bonds will be used to (i) finance a portion of the affordable housing required by the MB South OPA (defined herein) in the Mission Bay South Redevelopment Project Area, as further described herein under "PLAN OF FINANCE," (ii) pay the premium for a municipal bond debt service reserve insurance policy (the "**Reserve Policy**") from AGM to satisfy the Reserve Requirement for the 2017C Bonds, and (iii) pay costs associated with the issuance of the 2017C Bonds, including the premium for the Insurance Policy to be issued by AGM insuring the Insured Bonds. See "INTRODUCTION – Authority and Purpose," "– Reserve Account" and "– Bond Insurance." The 2017C Bonds are also being issued for the purpose of providing funds, together with certain other available monies, to refund certain obligations of the Former Agency, as described herein under "THE REFUNDING PLAN."

The 2017C Bonds are payable from and secured by Tax Revenues (defined herein), consisting primarily of twenty percent (20%) of the revenues generated from taxes on the property within the Mission Bay North Redevelopment Project Area and the Mission Bay South Redevelopment Project Area (together, the "**Mission Bay Project Areas**") on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll and from any unobligated amounts in the Redevelopment Property Tax Trust Fund, as more fully described herein. See "TAX REVENUES AND DEBT SERVICE – Projected Tax Revenues and Debt Service Coverage." No funds or properties of the Successor Agency, other than the Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the 2017C Bonds. The Successor Agency has outstanding indebtedness that is payable on a senior priority from the same tax revenues pledged for payment of the 2017C Bonds. The Successor Agency may incur additional indebtedness that is payable on an equal priority basis from the same tax revenues as the 2017C Bonds so long as certain conditions precedent have been met at the time such indebtedness is incurred, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Senior Existing Loan Agreements" and "– Limitations on Additional Indebtedness – Parity Debt."

*The 2017C Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2017C Bonds are not a debt of the Authority, the City and County of San Francisco (the "City"), the State of California (the "State") or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2017C Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues or property or its full faith and credit to the payment of debt service on the 2017C Bonds. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power.*

**MATURITY SCHEDULE**  
(see inside cover)

The 2017C Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Curlls Bartling P.C., Oakland, California is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by its General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the 2017C Bonds will be delivered to the Underwriters through the facilities of DTC in New York, New York on or about March 29, 2017.

**Piper Jaffray & Co.**

**Stinson Securities, LLC**

## MATURITY SCHEDULE

**\$43,400,000**

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
OF THE CITY AND COUNTY OF SAN FRANCISCO  
2017 Series C Taxable Subordinate Tax Allocation Bonds  
(Mission Bay New Money and Refunding Housing Projects)**

**\$30,790,000 Serial Bonds**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No. (Base: 79770G)<sup>†</sup></u>
2017	\$2,235,000	1.450%	1.450%	100.000	FF8
2018	3,770,000	1.847	1.847	100.000	FG6
2019	375,000	2.226	2.226	100.000	FH4
2020	1,935,000	2.507	2.507	100.000	FJ0
2021	1,850,000	2.796	2.796	100.000	FK7
2022	1,990,000	3.000	3.096	99.528	FL5
2023	2,140,000	3.000	3.235	98.660	FM3
2024 <sup>i</sup>	2,350,000	3.125	3.385	98.320	FN1
2025 <sup>i</sup>	1,005,000	3.250	3.514	98.102	FP6
2026 <sup>i</sup>	1,935,000	3.375	3.584	98.350	FQ4
2027 <sup>i</sup>	2,020,000	3.500	3.704	98.257	FR2
2028 <sup>i</sup>	2,115,000	3.500	3.834	96.948	FS0
2029 <sup>i</sup>	2,205,000	3.625	3.934	96.998	FT8
2030 <sup>i</sup>	2,305,000	3.750	4.004	97.390	FU5
2031 <sup>i</sup>	1,800,000	3.875	4.034	98.277	FV3
2032 <sup>i</sup>	760,000	4.000	4.084	99.045	FW1

\$4,335,000 4.250% Term Bonds due August 1, 2037<sup>i</sup>, Yield 4.356%, Price 98.574, CUSIP<sup>†</sup> No. 79770G FX9

\$8,275,000 4.375% Term Bonds due August 1, 2043<sup>i</sup>, Yield 4.486%, Price 98.289, CUSIP<sup>†</sup> No. 79770G FY7

<sup>i</sup> Insured Bonds.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein is provided by CUSIP Global Services (CGS). CGS is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2017 CUSIP Global Services. All rights reserved. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CGS database and are included solely for convenience. None of the Successor Agency, the Authority or the Underwriters assume any responsibility for the accuracy of the CUSIP data.

## Mission Bay North and South



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**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
OF THE CITY AND COUNTY OF SAN FRANCISCO**

**Commission Members**

Mara Rosales, *Chairperson*  
Miguel Bustos  
Marily Mondejar  
Darshan Singh  
Leah Pimentel

**Successor Agency Staff**

Nadia Sesay, *Interim Executive Director*  
Bree Mawhorter, *Deputy Director of Finance and Administration*  
James Morales, *Deputy Director and General Counsel*  
Sally Oerth, *Deputy Director, Projects and Programs*

**CITY AND COUNTY OF SAN FRANCISCO**

Edwin M. Lee, *Mayor*

Dennis J. Herrera, *City Attorney*  
Benjamin Rosenfield, *Controller*  
José Cisneros, *Treasurer*

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Katy Tang, <i>District 4</i>	Malia Cohen, <i>District 10</i>
Jane Kim, <i>District 6</i>	Ahsha Safai, <i>District 11</i>

**SPECIAL SERVICES**

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Kitahata & Company  
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**Trustee**

U.S. Bank National Association  
San Francisco, California

**Disclosure Counsel**

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**Fiscal Consultant**

Urban Analytics LLC  
San Francisco, California

**Verification Agent**

Causey Demgen & Moore P.C.  
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the Successor Agency, the Authority or the City to give any information or to make any representations in connection with the offer or sale of the 2017C Bonds other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2017C Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful. This Official Statement is not to be construed as a contract with the purchasers of the 2017C Bonds.

The information set forth herein has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Successor Agency, the Authority or the City. Neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency, the Authority or the City since the date hereof. The information and expressions of opinion stated herein are subject to change without notice.

**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 words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the Successor Agency in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The Successor Agency disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Successor Agency with regard thereto or any change in events, conditions or circumstances on which any such statement is based.**

All summaries of the Indenture (as defined herein) and of statutes and other documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such statute and document. This Official Statement, including any amendment or supplement hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) website.

The Successor Agency and the City maintain a website. However, the information presented therein is not a part of this Official Statement and must not be relied upon in making an investment decision with respect to the 2017C Bonds.

The issuance and sale of the 2017C Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their 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 THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017C BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the 2017C Bonds or the advisability of investing in the 2017C Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.

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## OFFICIAL STATEMENT

**\$43,400,000**

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
2017 Series C**

**Taxable Subordinate Tax Allocation Bonds  
(Mission Bay New Money and Refunding Housing Projects)**

## INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the 2017C Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the 2017C Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions of such documents. Capitalized terms used in this Official Statement and not defined herein shall have the meanings assigned to them in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”*

### Authority and Purpose

The purpose of this Official Statement, which includes the cover page, table of contents and appendices hereto (collectively, the “**Official Statement**”), is to provide certain information in connection with the offering by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “**Successor Agency**”) of its \$43,400,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the “**2017C Bonds**”), which will be sold by the City and County of San Francisco Redevelopment Financing Authority (the “**Authority**”) on behalf of the Successor Agency for the purposes described herein.

The 2017C Bonds are being issued in accordance with resolutions of the Successor Agency adopted on December 6, 2016 and February 21, 2017 (together, the “**Resolution**”), and an Indenture of Trust, dated as of March 1, 2017 (the “**Indenture**”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”), and, as applicable, pursuant to authority contained in the Redevelopment Law (defined below), Sections 34177.5(a)(1) and 34177.7(a)(1) of the Redevelopment Dissolution Act (defined below), and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “**Refunding Law**”). See also “– The Successor Agency.”

The Successor Agency will use the proceeds of the 2017C Bonds to: (i) finance certain affordable housing in the Mission Bay South Redevelopment Project Area required by the MB South OPA (defined herein) as described under “PLAN OF FINANCE;” (ii) pay the premium for a municipal bond debt service reserve insurance policy (the “**Reserve Policy**”) from Assured Guaranty Municipal Corp. (“**AGM**”) to satisfy the Reserve Requirement for the 2017C Bonds; and (iii) pay costs associated with the issuance of the 2017C Bonds, including the premium for the municipal bond insurance policy (the “**Insurance Policy**”) insuring the Insured Bonds (defined herein) to be issued concurrently with the delivery of the Insured Bonds by AGM. See “– Reserve Account” and “– Bond Insurance.” The 2017C Bonds are also being issued for

the purpose of providing funds, together with certain other available monies, to refund certain obligations of the Former Agency (defined herein), as described herein. See “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

## **The City and County of San Francisco**

The City and County of San Francisco (the “**City**”) is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay. The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the San Francisco Bay to the east, the entrance to the San Francisco Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about 45 miles to the south, and the wine country is about 65 miles to the north. The California Department of Finance Demographic Research Unit estimated the City’s population at 866,583 as of January 1, 2016.

**The 2017C Bonds are not a debt of the City and the General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the 2017C Bonds. Neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2017C Bonds. The 2017C Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City.**

## **The Successor Agency**

As described below, the Successor Agency is the successor to the former Redevelopment Agency of the City and County of San Francisco (the “**Former Agency**”). The Former Agency was organized by the Board of Supervisors of the City and County of San Francisco (the “**Board of Supervisors**”) in 1948, to exercise the powers granted by the California Community Redevelopment Law (Sections 33000 et seq. of the California Health and Safety Code) (as amended, the “**Redevelopment Law**”).

As a result of Assembly Bill No. X126 (“**AB 26**”) enacted on June 29, 2011, and the decision of the State Supreme Court in *California Redevelopment Association, et al. v. Matosantos, et al.* (the “**California Redevelopment Association Case**”), as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies. The California legislature has amended AB 26 several times, including on June 27, 2012 by Assembly Bill No. 1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012, and on September 22, 2015 by Senate Bill No. 107 (“**SB 107**”), enacted as Chapter 325, Statutes of 2015.

The primary provisions enacted by AB 26 relating to the dissolution and wind down of former redevelopment agency affairs are codified in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended by AB 1484 and SB 107 (as further amended from time to time, the “**Redevelopment Dissolution Act**”). See also “THE SUCCESSOR AGENCY” for further discussion of the Redevelopment Dissolution Act, the formation of the Successor Agency and the current powers, and limitations thereon, of the Successor Agency. The Redevelopment Law, and the acts amendatory thereof and supplemental thereto, including the Redevelopment Dissolution Act, is collectively referred to herein as the “**Law**.”

In amending the Redevelopment Dissolution Act, SB 107 (i) clarified the Successor Agency’s authority to issue bonds for affordable housing and certain infrastructure (California Health & Safety Code § 34177.7) in certain of its project areas, (ii) removed certain time limits that had previously applied to the issuance of debt and collection of tax increment by former redevelopment agencies (California Health &

Safety Code § 34189(a)), and (iii) authorized the Successor Agency to secure new debt with the property tax revenues (former tax increment) from project areas that had generated tax increment upon the dissolution of the Former Agency on February 1, 2012 (Stats. 2015, ch. 325, § 27(e)). Significantly, these project areas include those with redevelopment plans that may have expired for other purposes but that continue to be a source of funds for repayment of indebtedness.

Section 34177.7(a)(1)(A) of the Redevelopment Dissolution Act authorizes the Successor Agency to issue bonds and other indebtedness to finance affordable housing required by certain of its enforceable obligations, including under the Mission Bay South Owner Participation Agreement dated as of November 16, 1998, as heretofore amended and as hereafter may be amended, by and between the Successor Agency, as successor to the Former Agency, and FOCIL-MB, LLC, as the successor developer (“**FOCIL**”) (the “**MB South OPA**”).

The Successor Agency is issuing the 2017C Bonds to provide funds to finance certain affordable housing in the Mission Bay South Redevelopment Project Area as required by the MB South OPA. See “PLAN OF FINANCE.”

The Successor Agency is also issuing the 2017C Bonds to refinance certain loan agreements entered into by the Former Agency in connection with bonds issued by the Authority to finance low and moderate income housing within or of benefit to the Mission Bay Project Areas (defined herein). The refinancing of the loan agreements will cause the redemption of a portion of those Authority bonds. See “THE REFUNDING PLAN.” Section 34177.5(a)(1) of the Redevelopment Dissolution Act authorizes the Successor Agency to issue bonds and other indebtedness for refunding purposes, if certain criteria are met.

The issuance of the 2017C Bonds was subject to the approval of the Successor Agency Commission (as defined herein), the Successor Agency’s oversight board (the “**Oversight Board**”) and the Department of Finance of the State of California (the “**California Department of Finance**”) pursuant to the Redevelopment Dissolution Act. All such approvals have been obtained. See “THE 2017C BONDS – Authority for Issuance.”

## **The Authority**

The Authority is a joint powers authority originally formed in 1989 pursuant to a Joint Power Agreement between the Former Agency and the City to facilitate the long-term financing of the Former Agency’s redevelopment activity by issuing bonds to provide financing assistance to the Former Agency. Pursuant to the Law and the Joint Powers Agreement, the Authority has the power to purchase bonds of the Successor Agency and has the further power to sell bonds so purchased to public or private purchasers at a public or negotiated sale. Pursuant to the Redevelopment Dissolution Act, the Successor Agency assumed the rights and obligations of the Former Agency under the Joint Powers Agreement.

## **The Mission Bay Project Areas**

The Mission Bay South Redevelopment Project Area (the “**MB South Project Area**”) is an approximately 238-acre area located approximately two (2) miles south of the financial district of the City, not all of which generates tax revenue. See “– Tax Allocation Financing” below. The Redevelopment Plan for the MB South Project Area was adopted by ordinance of the Board of Supervisors on November 2, 1998, as heretofore amended and as hereafter may be amended (the “**MB South Redevelopment Plan**”). The MB South Project Area is subject to the MB South OPA.

The Mission Bay North Redevelopment Project Area (the “**MB North Project Area**” and together with the MB South Project Area, the “**Mission Bay Project Areas**”) is an approximately 65-acre area

located approximately two (2) miles south of the financial district of the City, not all of which generates tax revenue. See “– Tax Allocation Financing” below. The Redevelopment Plan for the MB North Project Area was adopted by ordinance of the Board of Supervisors on October 26, 1998, as amended (the “**MB North Redevelopment Plan**”). The MB North Project Area is subject to that Mission Bay North Owner Participation Agreement, dated as of November 16, 1998, by and between the Successor Agency, as successor to the Former Agency, and FOCIL (the “**MB North OPA**”).

The MB North OPA and the MB South OPA each pledge and irrevocably commit tax revenues from the MB North Project Area and the MB South Project Area, respectively, to specific purposes, including affordable housing. Accordingly, and pursuant to SB 107, tax increment from the Mission Bay Project Areas will provide the funds for debt service on the 2017C Bonds.

The City has other project areas in addition to the Mission Bay Project Areas. The tax increment revenues from such other project areas are not pledged to pay debt service on the 2017C Bonds and therefore the description of the project areas of the Former Agency set forth in this Official Statement is specifically limited to the Mission Bay Project Areas. Notwithstanding the foregoing, under the Indenture, in addition to the Tax Revenues, the 2017C Bonds are also secured by amounts in the RPTTF (defined below) not otherwise obligated or committed to the payment of other indebtedness that is now in existence or hereinafter executed. See “– Tax Allocation Financing” below and “TAX REVENUES AND DEBT SERVICE – Projected Tax Revenues and Debt Service Coverage.”

### **Tax Allocation Financing**

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described herein. See “CERTAIN RISK FACTORS.”

Prior to the enactment of AB 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of such agency’s obligations.

The Redevelopment Dissolution Act, as amended by SB 107, authorizes bonds, including the 2017C Bonds, to be secured by a pledge of, and to be payable from and further secured by property tax revenues deposited from time to time in the Redevelopment Property Tax Trust Fund held by the auditor-controller of the City and County of San Francisco (the “**City Controller**”) with respect to the Successor Agency (the “**Redevelopment Property Tax Trust Fund**” hereinafter referred to as “**RPTTF**”) if those revenues are not otherwise obligated. These funds are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT OR TAX REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE RPTTF AND NOT OBLIGATED FOR OTHER PURPOSES.**

Tax Revenues (as defined under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Security for the 2017C Bonds; Equal Security”) consist primarily of twenty percent (20%) of all tax increment generated with respect to the MB North Project Area and the MB South Project Area

on a subordinate basis to amounts payable pursuant to the Senior Existing Loan Agreements (defined herein) with respect to the Senior Existing Loans (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Security for the 2017C Bonds; Equal Security.”

### **Security and Sources of Payment for the 2017C Bonds**

The 2017C Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and payable from and secured by the Tax Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Security for the 2017C Bonds; Equal Security.”

The Redevelopment Dissolution Act requires the City Controller to determine the amount of property taxes that would have been allocated to the Former Agency had it not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit such amount in the RPTTF. The Redevelopment Dissolution Act further provides that Successor Agency bonds authorized under Section 34177.7 *“may be secured by property tax revenues available in the successor agency’s Redevelopment Property Tax Trust Fund from those project areas that generated tax increment for the Redevelopment Agency of the City and County of San Francisco upon its dissolution if the revenues are not otherwise obligated”* (Stats. 2015, ch. 325, § 27(e)). Such bonds will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the RPTTF. Property tax revenues pledged to any bonds authorized under the Redevelopment Dissolution Act are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law. Section 34177.7(g) of the Redevelopment Dissolution Act provides that the Successor Agency’s bonds will be considered indebtedness incurred by the Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB 26 and in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date. The Successor Agency must include debt service payments for such bonds on its Recognized Obligation Payment Schedule (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule.”

The Redevelopment Dissolution Act requires compliance by the Successor Agency with a procedure for preparation of a Recognized Obligation Payment Schedule in order to receive funds for payment of debt service and submission thereof to the Oversight Board and the California Department of Finance for approval. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act.” Taxes levied on the property within the Mission Bay Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various properties within the Mission Bay Project Areas, to the extent that such taxes constitute tax revenues, will be deposited in the RPTTF for transfer by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund (the “**Retirement Fund**”) on January 2 and June 1 of each year (adjusted for weekends and holidays) to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Redevelopment Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule.” Moneys deposited by the City Controller into the Retirement Fund representing Tax Revenues will first be deposited by the Successor Agency in the “Mission Bay Housing Projects 2017C Projects Special Fund” which is to be held by the Successor Agency within the Retirement Fund (the “**Special Fund**”) and will then be transferred by the Successor Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The 2017C Bonds are secured by and payable solely from the Tax Revenues and moneys on deposit in the Special Fund and the funds and accounts established under the Indenture. See “– Limited Obligation; Senior Debt,” “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Allocation of Taxes

Pursuant to the Redevelopment Dissolution Act,” “– Senior Existing Loan Agreements” and “TAX REVENUES AND DEBT SERVICE.” The Mission Bay Project Areas, and the real and personal property therein, do not serve as security for the 2017C Bonds.

*The 2017C Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2017C Bonds are not a debt of the Authority, the City, the State or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2017C Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues, property or its full faith and credit to the payment of debt service on the 2017C Bonds. None of the members of the Successor Agency, the Authority, the City, or any persons executing the 2017C Bonds are liable personally for the 2017C Bonds by reason of their issuance. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power. See “TAX REVENUES AND DEBT SERVICE.”*

### **Limited Obligation; Senior Debt**

The 2017C Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and are payable solely from and secured by a pledge of Tax Revenues derived from the Mission Bay Project Areas and amounts on deposit in the Special Fund and the funds and accounts established under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – General.” The pledge of Tax Revenues to secure the 2017C Bonds is subordinate to the debt service obligations of the Successor Agency related to certain loan agreements entered into between the Former Agency and the Authority pursuant to which the Authority issued bonds that are outstanding in the aggregate principal amount of approximately \$15.6 million, the proceeds of which were loaned to the Former Agency to fund low and moderate income housing in the Mission Bay Project Areas pursuant to the MB North OPA or the MB South OPA. See “THE REFUNDING PLAN” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Senior Existing Loan Agreements.”

### **Parity Debt**

The Successor Agency has the right to issue additional indebtedness payable on a parity with the 2017C Bonds from Tax Revenues upon the satisfaction of certain conditions set forth in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Limitations on Additional Indebtedness – *Parity Debt*.” Within the next 5-6 years, the Successor Agency currently anticipates issuing approximately \$140 million aggregate principal amount of additional bonds to finance affordable housing on a parity with the 2017C Bonds. The amounts and timing in the preceding sentence reflect current projections; no assurances can be given as to the exact timing or amount of any additional bond issuances.

### **Reserve Account**

The Indenture establishes a Reserve Account for all bonds issued thereunder to be held by the Trustee and to be maintained in an amount at least equal to the Reserve Requirement as defined therein and creates a 2017 Series C Reserve Subaccount therein with respect to the 2017C Bonds. Funds on deposit in the 2017 Series C Reserve Subaccount can only be used to pay debt service on the 2017C Bonds. AGM has committed to issue, simultaneously with the issuance of the 2017C Bonds the Reserve Policy for deposit in the 2017 Series C Reserve Subaccount. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Special Fund; Deposit of Tax Revenues – *Reserve Account*.”

## **Bond Insurance**

The scheduled payment of principal of and interest on the 2017C Bonds maturing on August 1 of the years 2024 through 2032 inclusive, August 1, 2037 and August 1, 2043 (the “**Insured Bonds**”), when due will be guaranteed under the Insurance Policy to be issued concurrently with the delivery of the Insured Bonds by AGM. *No 2017C Bonds other than the Insured Bonds will be insured by the Insurance Policy. See “BOND INSURANCE.”*

## **Certain Risk Factors**

Certain events could affect the ability of the Successor Agency to pay debt service on the 2017C Bonds when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2017C Bonds.

## **Continuing Disclosure**

The Successor Agency has covenanted for the benefit of Owners and Beneficial Owners to provide certain financial information and operating data relating to the Successor Agency not later than six (6) months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2017 (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the specified events will be filed with the Municipal Securities Rulemaking Board (the “**MSRB**”) through the Electronic Municipal Market Access website (“**EMMA**”) of the MSRB. The specific nature of the information to be contained in the Annual Report and the notice of events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

See “CONTINUING DISCLOSURE” for additional information.

## **Available Information**

This Official Statement contains brief descriptions of the 2017C Bonds, the security for the 2017C Bonds, the Indenture, the Successor Agency, the Former Agency, the Authority, the City, the Mission Bay Project Areas and certain other information relevant to the issuance of the 2017C Bonds. All references herein to the Indenture, the Refunding Law, the Redevelopment Law, the Redevelopment Dissolution Act, the Constitution and laws of the State are qualified in their entirety by reference to the complete text thereof and all references to the 2017C Bonds are further qualified by reference to the form thereof contained in the Indenture. Capitalized terms used and not otherwise defined in this Official Statement shall have the meanings given to such terms in the Indenture.

The Successor Agency’s audited financial statements for the period ended June 30, 2016 are included in APPENDIX A – “SUCCESSOR AGENCY’S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016.” Urban Analytics, LLC, San Francisco, California (the “**Fiscal Consultant**”) is providing consulting services to the Successor Agency with respect to the Mission Bay Project Areas and their projected taxable values and anticipated tax increment revenues. The Fiscal Consultant’s report is attached hereto as APPENDIX B – “REPORT OF FISCAL CONSULTANT.” The proposed form of legal opinion of Bond Counsel relating to the 2017C Bonds is set forth in APPENDIX E – “FORM OF BOND COUNSEL FINAL OPINION.”

The information set forth herein and in the Appendices hereto has been furnished by the Successor Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Successor Agency or the Underwriters



and is not to be construed as a representation by the Underwriters. Copies of documents referred to herein and information concerning the 2017C Bonds are available upon written request from the Trustee, U.S. Bank National Association, One California Street, Suite 1000, Mail Code: SF-CA-SFCT, San Francisco, California 94111. Within the City, the Successor Agency, which is constituted as the Office of Community Investment and Infrastructure or “OCII,” may be contacted at: Office of Community Investment and Infrastructure, One South Van Ness Avenue, 5<sup>th</sup> Floor, San Francisco, California 94103; telephone: (415) 749-2465. The Successor Agency will respond to requests by any Bondowner for public information. The Successor Agency may impose a charge for copying, mailing and handling.

## **PLAN OF FINANCE**

A portion of the net proceeds from the sale of the 2017C Bonds will be used by the Successor Agency to finance predevelopment, development and/or construction of affordable housing in the MB South Project Area required pursuant to the MB South OPA, including 3 multifamily rental housing developments that will be affordable housing dedicated to low-income families, formerly homeless families, formerly homeless veterans, and formerly homeless individuals. Each of the projects will have household incomes restricted to no more than 60% AMI (defined below), while some households will have income levels that are much lower. Collectively, these three projects will provide approximately 340 units. “**AMI**” is defined by the Successor Agency to mean the median gross income for the area, as determined in a manner consistent with determinations of area median gross income under Section 8 of the Housing Act and Section 3009a of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289, 122 Stat 2654), including adjustments for household size. Construction on the first of these developments is expected to begin in September 2017 with construction completion estimated for October 2019.

Proceeds of the 2017C Bonds are also being issued to refund the Refunded Loan Agreements (defined below) as described in “THE REFUNDING PLAN” below. Proceeds of the 2017C Bonds will also be used to pay costs associated with the issuance of the 2017C Bonds, including the premium for the Insurance Policy and Reserve Policy.

## **THE REFUNDING PLAN**

### **General**

A portion of the net proceeds of the 2017C Bonds are expected to be applied, together with certain other available funds, to pay the Refunded Loan Agreements (as defined below) pursuant to which the Authority made certain loans to the Former Agency with the proceeds of certain bonds issued by the Authority for the benefit of the Former Agency in connection with the Mission Bay Project Areas. The Former Agency used the loaned bond proceeds to finance and refinance its affordable housing obligations under the MB North OPA and/or the MB South OPA.

The Successor Agency and the Authority entered into the following loan agreements to finance low and moderate income housing within or of benefit to the MB North Project Area pursuant to the MB North OPA (the “**MB North Housing Loan Agreements**”), portions of which will be refinanced with proceeds of the 2017C Bonds:

- (i) Loan Agreement dated as of August 1, 2006 (the “**2006 MBN Loan Agreement**”), among the Former Agency, The Bank of New York Mellon Trust Company, N.A., as trustee, and the Authority, in the initial aggregate principal amount of \$3,900,000;

(ii) Loan Agreement dated as of December 1, 2009 (the “**2009 MBN Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$975,000; and

(iii) Loan Agreement dated as of April 1, 2011 (the “**2011 MBN Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$1,660,000.

The Successor Agency and the Authority entered into the following loan agreements to finance low and moderate income housing within or of benefit to the MB South Project Area pursuant to the MB South OPA (the “**MB South Housing Loan Agreements**”), portions of which will be refinanced with proceeds of the 2017C Bonds:

(i) Loan Agreement dated as of December 1, 2009 (the “**2009 MBS Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$5,230,000; and

(ii) Loan Agreement dated as of April 1, 2011 (the “**2011 MBS Loan Agreement**”), among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$7,795,000.

Together, the MB North Housing Loan Agreements and the MB South Housing Loan Agreements are referred to herein as the “**Refunded Loan Agreements**.”

#### **Payment of Refunded Loan Agreements and Refunding of the Authority Bonds**

The following table details the series, issue dates and principal amounts of the outstanding bonds of the Authority related to the Refunded Loan Agreements (“**Authority Bonds**” and, together with the Refunded Loan Agreements, the “**Refunded Obligations**”), that will be refunded with the proceeds of the 2017C Bonds.

<b>Refunded Obligations</b>				
<b>Series Designation</b>	<b>Issue Date</b>	<b>Principal Amount Outstanding<sup>(4)</sup></b>	<b>Principal Amount to be Refunded (Mission Bay Project Areas Portion Only)<sup>(5)</sup></b>	<b>Redemption Date</b>
2006 Series A <sup>(1)</sup>	08/10/2006	\$ 50,731,330.80	\$ 3,225,000.00	04/10/2017
2009 Series E <sup>(2)</sup>	12/03/2009	72,565,000.00	4,985,000.00	08/01/2019
2011 Series E <sup>(3)</sup>	04/18/2011	9,455,000.00	9,445,000.00	02/01/2021
<b>Total</b>		<b>\$132,751,330.80</b>	<b>\$17,655,000.00</b>	

<sup>(1)</sup> Debt service on these 2006 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) is payable from loan payments pursuant to the 2006 MBN Loan Agreement.

<sup>(2)</sup> Debt service on these 2009 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) is payable from loan payments pursuant to the 2009 MBN Loan Agreement and 2009 MBS Loan Agreement.

<sup>(3)</sup> Debt service on these 2011 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) is payable from loan payments pursuant to the 2011 MBN Loan Agreement and 2011 MBS Loan Agreement.

<sup>(4)</sup> As of 08/02/2016. Reflects total amount outstanding on these bonds which includes amounts attributable to other project areas.

<sup>(5)</sup> As of 08/02/2016.

The refunding of each series of Refunded Obligations will be effected by depositing a portion of the net proceeds of the 2017C Bonds, together with other available monies, into a special and irrevocable escrow fund (each, an “**Escrow Fund**”) established for such series of Refunded Obligations in accordance

with an Agreement regarding Redemption, Defeasance and Payment of such Refunded Obligations (each, a “**Redemption Agreement**”). Each Redemption Agreement will be dated as of March 1, 2017 and will be entered into by and among the Authority, the Successor Agency and the trustee for the applicable series of Refunded Obligations, as escrow trustee thereunder (the “**Escrow Trustee**”). The amounts deposited in each Escrow Fund will be held as cash or will be invested in direct noncallable obligations of, or unconditionally guaranteed by, the United States of America (“**Escrowed Securities**”). The Escrowed Securities will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that such amounts together with any amounts held as cash in such Escrow Funds, will provide sufficient monies to pay interest on the series of Refunded Obligations to which it relates as the same shall become due and to pay the redemption price (i.e., 100% of the principal amount of such series of Authority Bonds) so refunded on the redemption date therefor.

Upon such deposit and investment and compliance with or provision for compliance with certain notice requirements set forth in the indenture related to a series of Refunded Obligations, the liability of the Authority and the Successor Agency therefor will cease and the series of Refunded Obligations will no longer be outstanding under said indenture, except that the owners of such Refunded Obligations will be entitled to payment thereof solely from the amounts on deposit in the applicable Escrow Fund held by the Escrow Trustee.

Upon the payment of the Refunded Loan Agreements, there will remain outstanding approximately \$15.6 million in aggregate principal amount of other Senior Existing Loan Agreements (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Senior Existing Loan Agreements.”

### **Verification**

Causey Demgen & Moore P.C., independent certified public accountants, has verified, from the information provided to them, the mathematical accuracy, as of the date of delivery of the 2017C Bonds, of computations relating to the adequacy of the maturing principal amounts of the Escrowed Securities deposited into an Escrow Fund pursuant to each Redemption Agreement and the interest to be earned thereon, together with any amounts held as cash in such Escrow Fund, to pay the interest coming due on the related series of Authority Bonds and to pay, on the redemption date therefor, the redemption price of such Refunded Obligations. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

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## ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2017C Bonds are as follows:

<i>Sources:</i>	<i>2017C Bonds</i>
Par Amount	\$43,400,000.00
Original Issue Discount	(596,338.55)
Plus Other Money <sup>(1)</sup>	1,053,575.28
<b>Total Sources</b>	<b><u>\$43,857,236.73</u></b>
<i>Uses:</i>	
2017 Series C Project Fund	\$22,000,000.00
Refunding Fund <sup>(2)</sup>	20,904,892.38
Costs of Issuance <sup>(3)</sup>	713,644.35
Underwriters' Discount	238,700.00
<b>Total Uses</b>	<b><u>\$43,857,236.73</u></b>

<sup>(1)</sup> Reflects money held in funds and accounts relating to the Refunded Obligations.

<sup>(2)</sup> Money from this fund will be transferred to the Escrow Funds for the Refunded Obligations.

<sup>(3)</sup> Amounts deposited into this fund will be used to pay legal, financing and consultant fees, rating agency fee, verification agent fees, the fees for the Reserve Policy and the Insurance Policy, and other miscellaneous expenses incurred in connection with the issuance of the 2017C Bonds.

## THE 2017C BONDS

### Authority for Issuance

The 2017C Bonds were authorized for issuance pursuant to the Indenture, the Refunding Law, the Redevelopment Law and the Redevelopment Dissolution Act. See "INTRODUCTION – The Successor Agency." Issuance of the 2017C Bonds and the execution of the related documents were authorized by the Successor Agency pursuant to the Resolution, and approved by the Oversight Board pursuant to a resolution of the Oversight Board adopted on December 12, 2016 (the "**Oversight Board Resolution**").

Written notice of the Oversight Board Resolution was provided to the California Department of Finance, as required by the Redevelopment Dissolution Act, on December 12, 2016. On February 14, 2017, which is within the time period allotted under the Redevelopment Dissolution Act for the California Department of Finance to review the Oversight Board Resolution, the California Department of Finance provided a letter to the Successor Agency stating that, based on the California Department of Finance's review of the Oversight Board Resolution and application of applicable law, the California Department of Finance approved of the issuance of the 2017C Bonds. A copy of the California Department of Finance's letter is attached hereto as APPENDIX G.

### Description of the 2017C Bonds

The 2017C Bonds will be issued in the form of fully registered bonds without coupons and in principal denominations of \$5,000 or any integral multiple thereof. No 2017C Bond shall have more than one maturity date.

The 2017C Bonds will be dated, and shall bear interest from, their date of delivery to the original purchasers thereof. The 2017C Bonds will be issued in the respective aggregate amounts, will bear interest at the respective rates and will mature, subject to redemption provisions set forth hereinafter, on the respective dates and in the amounts all as set forth on the inside cover page hereof.

Interest on the 2017C Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2017 (each, an “**Interest Payment Date**”). Interest on the 2017C Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each 2017C Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated after the close of business on the fifteenth (15<sup>th</sup>) calendar day of the month preceding an Interest Payment Date, whether or not such fifteenth (15<sup>th</sup>) calendar day is a business day (the “**Record Date**”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to July 15, 2017, in which event it shall bear interest from the date of delivery of the 2017C Bonds to the original purchasers thereof, provided, however, that if at the time of authentication of a 2017C Bond, interest thereon is in default, such 2017C Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

### **Book-Entry Only System**

The 2017C Bonds will be initially issued as fully registered bonds without coupons for each maturity of the 2017C Bonds. Upon initial delivery, the ownership of the 2017C Bonds will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), New York, New York. DTC will act as a securities depository for the 2017C Bonds. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their beneficial ownership interest in the 2017C Bonds so purchased. So long as DTC, or its nominee, Cede & Co., is the registered owner of the 2017C Bonds, payments of principal, premium, if any, and interest evidenced by the 2017C Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 2017C Bonds and references herein and in the Indenture to the Owners or Bondowners mean Cede & Co. and do not mean the Beneficial Owners of the 2017C Bonds. In this Official Statement, the term “**Beneficial Owner**” means the person for whom a DTC Participant acquires an interest in the 2017C Bonds. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the Successor Agency or the Trustee with respect to the principal or redemption price of or interest on the 2017C Bonds to the extent of the sum or sums so paid. The Successor Agency and the Trustee cannot and do not give any assurance that DTC’s Direct Participants or Indirect Participants will distribute to Beneficial Owners (i) payments of interest, principal or premium, if any, with respect to the 2017C Bonds, (ii) confirmation of ownership interests in the 2017C Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the 2017C Bonds, or that DTC’s Direct Participants or Indirect Participants will do so on a timely basis.

*Neither the Successor Agency nor the Trustee will have any responsibility or obligation to DTC Direct Participants, Indirect Participants or Beneficial Owners with respect to the payments or the providing of notice to DTC Direct Participants, Indirect Participants or Beneficial Owners or the selection of the 2017C Bonds for redemption. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”*

In the event that either (i) DTC or a successor securities depository determines not to continue to act as a securities depository for the 2017C Bonds, or (ii) the Successor Agency determines to terminate DTC or a successor securities depository as such, then the Successor Agency shall discontinue the book-entry system. Thereupon, DTC or the then current securities depository shall furnish the Trustee with the names and addresses of the book-entry system Participants and their respective ownership interests thereof and the Trustee shall issue replacement 2017C Bonds thereto.

## Redemption Provisions

**Optional Redemption.** The 2017C Bonds maturing on or prior to August 1, 2027, are not subject to optional redemption. The 2017C Bonds maturing on or after August 1, 2028, are subject to optional redemption at the option of the Successor Agency, prior to their respective maturity dates as a whole, or in part by a lot, on any date on or after August 1, 2027, by such maturity or maturities as shall be directed by the Successor Agency (or in the absence of such direction, pro rata by maturity and by lot within a maturity), from any source of available funds. Such optional redemption shall be at a redemption price equal to 100% of the principal amount of the 2017C Bonds to be redeemed, plus accrued but unpaid interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The 2017C Bonds that are Term Bonds maturing on August 1, 2037 and August 1, 2043 are also subject to mandatory sinking fund redemption in whole, or in part by lot, on August 1 in each year, commencing on August 1, 2033 and August 1, 2038, respectively, as set forth below, from sinking fund payments made by the Successor Agency to the Principal Account pursuant to the Indenture at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years set forth in the following tables; provided, however, that (a) in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below, and (b) if some but not all of such Term Bonds have been redeemed by optional redemption as described above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

### 2017 Term Bonds maturing on August 1, 2037

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2033	\$ 810,000
2034	870,000
2035	925,000
2036	990,000
2037*	740,000

\* Maturity.

### 2017 Term Bonds maturing on August 1, 2043

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2038	\$1,235,000
2039	1,290,000
2040	1,345,000
2041	1,405,000
2042	1,470,000
2043*	1,530,000

\* Maturity.

***Purchase in Lieu of Redemption.*** In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, the Successor Agency may purchase such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the Successor Agency may in its discretion determine. The par amount of any of such Term Bonds so purchased by the Successor Agency in any twelve-month period ending on June 1 in any year shall be credited towards and shall reduce the par amount of such Term Bonds required to be redeemed on the next succeeding August 1.

***Selection of Bonds for Redemption.*** Whenever any 2017C Bonds or any Parity Debt (defined herein) issued pursuant to a supplement to the Indenture (such Parity Debt and 2017C Bonds hereinafter together referred to as, the “**Bonds**”) or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent 2017C Bonds are no longer held in book-entry form. In the event of redemption by lot of 2017C Bonds, the Trustee shall assign to each 2017C Bond then outstanding a distinctive number for each \$5,000 of the principal amount of each such 2017C Bond. The 2017C Bonds to be redeemed shall be the 2017C Bonds that were assigned the numbers so selected, but only so much of the principal amount of each such 2017C Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

***Notice of Redemption; Rescission.*** Notice of redemption will be mailed by the Trustee by first class mail no less than thirty (30) and nor more than sixty (60) days prior to the redemption date (i) to AGM and to the Owners of any 2017C Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and one or more Information Services designated in a Written Request of the Successor Agency filed with the Trustee; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2017C Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state, in the case of an optional redemption, that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the 2017C Bonds to be redeemed, shall state the individual number of each 2017C Bond to be redeemed or shall state that all 2017C Bonds between two stated numbers (both inclusive) or all of the 2017C Bonds Outstanding are to be redeemed, and shall require that such 2017C Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2017C Bonds will not accrue from and after the redemption date. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Successor Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption will be canceled 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 2017C Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. If any redemption is rescinded or canceled in accordance with the Indenture, the Trustee will mail notice of such rescission or cancellation in the same manner and to the same recipients as the original notice of such redemption was sent, and neither the Successor Agency nor Trustee shall have any liability to Owners or any other party related to or arising from such rescission of redemption.

***Partial Redemption of Bonds.*** In the event only a portion of any 2017C Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2017C Bond or 2017C Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2017C Bond to be redeemed.



***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of, the redemption price of and interest on the 2017C Bonds so called for redemption shall have been duly deposited with the Trustee, such 2017C Bonds so called shall be cancelled and cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

***Transfer and Exchange.*** The 2017C Bonds may be transferred or exchanged for a bond of the same tenor, maturity and principal amount at the Principal Corporate Trust Office of the Trustee by the person in whose name it is registered, provided that the Trustee shall not be required to register the transfer or exchange of (i) any 2017C Bonds during the period fifteen (15) days prior to the date established by the Trustee for selection of the 2017C Bonds for redemption, or (ii) any 2017C Bonds selected by the Trustee for redemption pursuant to the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” So long as Cede & Co. is the registered owner of the 2017C Bonds, transfers and exchanges of the 2017C Bonds will be subject to book-entry procedures. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

***Mutilated, Lost, Destroyed or Stolen Bonds.*** The Successor Agency and the Trustee will, under certain circumstances, replace 2017C Bonds which have been mutilated, lost, destroyed or stolen. The Successor Agency may require payment of a reasonable fee and of the expenses which may be incurred by the Successor Agency and the Trustee in connection with the issuance of a new 2017C Bond to replace a 2017C Bond which has been mutilated, lost, destroyed or stolen. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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## DEBT SERVICE SCHEDULE

Set forth below is a table showing scheduled principal, interest and total debt service for the 2017C Bonds.

Bond Year Ending August 1	Senior Existing Loan Agreements	2017C Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2017	\$ 2,858,386 <sup>(1)</sup>	\$ 2,235,000	\$ 495,944	\$ 2,730,944	\$ 5,589,330
2018	2,173,538	3,770,000	1,431,035	5,201,035	7,374,572
2019	2,173,945	375,000	1,361,403	1,736,403	3,910,348
2020	1,047,197	1,935,000	1,353,055	3,288,055	4,335,252
2021	1,047,672	1,850,000	1,304,545	3,154,545	4,202,217
2022	1,047,047	1,990,000	1,252,819	3,242,819	4,289,866
2023	1,045,322	2,140,000	1,193,119	3,333,119	4,378,441
2024	1,051,460	2,350,000	1,128,919	3,478,919	4,530,378
2025	1,830,872	1,005,000	1,055,481	2,060,481	3,891,353
2026	984,325	1,935,000	1,022,819	2,957,819	3,942,144
2027	985,863	2,020,000	957,513	2,977,513	3,963,375
2028	985,675	2,115,000	886,813	3,001,813	3,987,488
2029	983,763	2,205,000	812,788	3,017,788	4,001,550
2030	985,125	2,305,000	732,856	3,037,856	4,022,981
2031	984,475	1,800,000	646,419	2,446,419	3,430,894
2032	986,813	760,000	576,669	1,336,669	2,323,481
2033	981,850	810,000	546,269	1,356,269	2,338,119
2034	979,875	870,000	511,844	1,381,844	2,361,719
2035	980,600	925,000	474,869	1,399,869	2,380,469
2036	983,738	990,000	435,556	1,425,556	2,409,294
2037	1,269,000	740,000	393,481	1,133,481	2,402,481
2038	-	1,235,000	362,031	1,597,031	1,597,031
2039	-	1,290,000	308,000	1,598,000	1,598,000
2040	-	1,345,000	251,563	1,596,563	1,596,563
2041	-	1,405,000	192,719	1,597,719	1,597,719
2042	-	1,470,000	131,250	1,601,250	1,601,250
2043	-	1,530,000	66,938	1,596,938	1,596,938
<b>Total</b>	<b>\$26,366,539</b>	<b>\$43,400,000</b>	<b>\$19,886,713</b>	<b>\$63,286,713</b>	<b>\$89,653,252</b>

<sup>(1)</sup> Includes interest that was due on February 1, 2017.

Source: Piper, Jaffray and Co.

## SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS

### General

In accordance with the Indenture, and subject to the prior and senior pledge of and security interest in and lien on Tax Revenues in favor of the Senior Existing Loan Agreements as set forth in the definitions of Mission Bay North Tax Revenues and Mission Bay South Tax Revenues, the 2017C Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund, and the 2017C Bonds and any additional Bonds shall also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise be liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

The 2017C Bonds and any Parity Debt are also equally secured by the pledge and lien created with respect to the 2017C Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited or available for deposit from time to time in the RPTTF, provided however that such pledge and lien shall only be with respect to (i) the amounts on deposit in the RPTTF constituting Tax Revenues and (ii) any amounts that are available in the RPTTF after amounts on deposit therein have been set aside or reserved, as required by applicable loan agreements, indentures, owner participation agreements, development agreements and other relevant documents now in existence or hereinafter executed, to make payments due on the indebtedness of the Former Agency or Successor Agency. Except for the Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise be liable for, the payment of principal of or interest or redemption premium (if any) on the 2017C Bonds and any Parity Debt. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

**The 2017C Bonds are not a debt of the Authority, the City, the State, or any of its political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and neither the Authority, the City, the State, nor any of its political subdivisions is liable therefor, nor in any event will the 2017C Bonds be payable out of any funds or properties other than those of the Successor Agency and only to the limited extent set forth in the Indenture. *The 2017C Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. None of the members of the Successor Agency, the Authority, the City, or any persons executing the 2017C Bonds are liable personally for the 2017C Bonds by reason of their issuance. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power.***

### Tax Increment Financing Generally

Under the Redevelopment Law and Section 16 of Article XVI of the State Constitution, taxes on all taxable property in a project area levied by or for the benefit of the State, any city, county, district or other public corporation (the “**Taxing Agencies**”) when collected are divided as follows:

(a) To Taxing Agencies. An amount each year equal to the amount that would have been produced by the then current tax rates applied to the assessed valuation of such property within the project areas last equalized prior to the effective date of the ordinance approving the redevelopment plan, plus the portion of the levied taxes in excess of the foregoing amount sufficient to pay debt service on any voter-approved bonded indebtedness of the respective Taxing Agencies incurred for the acquisition or improvement of real property and approved on or after January 1, 1989, is paid into the funds of the respective Taxing Agencies; and

(b) To the Former Agency/Successor Agency. That portion of the levied taxes in excess of the amount described in paragraph (a) is deposited into a special fund of the applicable redevelopment agency to pay the principal of and interest on loans, moneys advanced to, or indebtedness incurred by, such agency to finance or refinance activities in or related to such project area.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Redevelopment Dissolution Act for permitted administrative costs of the City Controller, constitute the amounts required under the Redevelopment Dissolution Act to be deposited by the City Controller into the RPTTF. In addition, Section 34183 of the Redevelopment Dissolution Act effectively eliminates the “on or after January 1, 1989” reference from paragraph (a) above.

### **Allocation of Taxes Pursuant to the Redevelopment Dissolution Act**

Prior to the enactment of the Redevelopment Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects by permitting the pledge of tax increment revenues derived from the applicable project area to repayment of tax allocation bonds. After enactment of the Redevelopment Dissolution Act, the Redevelopment Law authorizes the financing of certain projects that are subject to irrevocable pledges of property tax revenues, including specific Successor Agency projects described in Section 34177.7(a) of the California Health and Safety Code, which include affordable housing projects pursuant to the MB South OPA. The Redevelopment Dissolution Act requires that all property tax increment derived from all former project areas be deposited in a RPTTF for the Successor Agency held and maintained by the City Controller. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT OR TAX REVENUES REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE RPTTF AND NOT OBLIGATED FOR OTHER PURPOSES.** Pursuant to the Redevelopment Dissolution Act, the pledge of the Tax Revenues (as defined herein) to pay the 2017C Bonds is made as if the 2017C Bonds had been issued prior to the effective date of the Redevelopment Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

The Redevelopment Dissolution Act authorizes bonds, including the 2017C Bonds, to be secured by property tax revenues available in the Successor Agency’s RPTTF from the Mission Bay Project Areas, which generated tax increment for the Former Agency upon its dissolution if those revenues are not otherwise obligated (Stats. 2015, ch. 325, § 27(e)). The Redevelopment Dissolution Law establishes that the funds in the RPTTF are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Redevelopment Dissolution Act for permitted administrative costs of the City Controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

The Redevelopment Dissolution Act requires the City Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the RPTTF for the Successor Agency established and held by the City Controller pursuant to the Redevelopment Dissolution Act. The Redevelopment Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Successor Agency in such amounts and on such dates to ensure the timely payment of debt service on the 2017C Bonds. Pursuant to the Redevelopment Dissolution Act, the Successor Agency has covenanted to take all actions necessary to ensure that the 2017C Bonds will be included in each of the Successor Agency’s Recognized Obligation

Payment Schedules as prepared from time to time under the Redevelopment Dissolution Act. See “– Recognized Obligation Payment Schedule” below.

The Successor Agency tax rate calculated by the City is one percent (1.000%) for the secured roll and the unsecured roll. See APPENDIX B – “REPORT OF FISCAL CONSULTANT” for more information. In accordance with Section 33670(e) of the Redevelopment Law, the Successor Agency tax rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City on or after January 1, 1989, and issued for the acquisition or improvement of real property. The Successor Agency receives, on an annual basis, only those tax increment revenues required by it to pay debt service or other enforceable obligations. See Table 1 under “THE MISSION BAY PROJECT AREAS – Historical and Current Assessed Valuation and Tax Revenues for the Mission Bay Project Areas.”

Taxes levied on the property within the Mission Bay Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Mission Bay Project Areas, to the extent they constitute tax revenues, less administrative costs, as described herein, will be deposited in the RPTTF for transfer by the City Controller to the Retirement Fund established pursuant to the Redevelopment Dissolution Act on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Redevelopment Dissolution Act. See “– Recognized Obligation Payment Schedule” below.

However, the Redevelopment Dissolution Act has only required that county auditor-controllers establish a single RPTTF with respect to each former redevelopment agency within the respective county. Additionally, the Redevelopment Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the RPTTF of the applicable successor agency. This requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated unless they are subject to a pledge agreement requiring the commitment of a particular project area’s funds to a certain project. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (such as the Former Agency) the Redevelopment Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the RPTTF, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency or a successor agency have pledged revenues derived from a specific project area, the Redevelopment Dissolution Act states: *“It is the intent that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.”*

**Teeter Plan.** The City has 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 State Revenue and Taxation Code. Generally, under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the county would receive and retain delinquent payments, penalties and interest, as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections, funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan remains in effect in the City unless and until the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year.

The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the 2017C Bonds.

As of October 8, 2016, the overall delinquency rate for Fiscal Year 2015-16 for all secured properties in the Mission Bay Project Areas was 0%. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

**Assembly Bill 1290; Statutory Pass-Throughs.** Assembly Bill 1290 (being Chapter 942, Statutes of 1993) (“**AB 1290**”) was adopted by the California Legislature and became law on January 1, 1994 (adding among other things, Sections 33607.5 and 33607.7 to the Redevelopment Law).

AB 1290 established, among other things, a mandatory statutory formula for sharing tax increment (“**Statutory Pass-Through Amounts**”) for project areas established, or amended in certain respects, on or after January 1, 1994, which applied to tax increment revenues net of the housing set-aside. Statutory Pass-Through Amounts are paid from the portion of tax increment available for infrastructure, not housing. Therefore, payment of Statutory Pass-Through Amounts are subordinate to the 2017C Bonds.

### **Security for the 2017C Bonds; Equal Security**

Pursuant to Section 34177.7(g) of the Redevelopment Dissolution Act, except as provided in the Indenture, the 2017C Bonds will be secured by a pledge of, security interest in and lien on all of the Tax Revenues, and all of the moneys in the Special Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The 2017C Bonds are also equally secured by the pledge and lien created with respect to the 2017C Bonds by Section 34177.7(g) of the California Health and Safety Code on moneys deposited or available for deposit from time to time in the RPTTF, provided however that such pledge and lien shall only be with respect to (i) the amounts on deposit in the RPTTF constituting Tax Revenues and (ii) any amounts that are available in the RPTTF after amounts on deposit therein have been set aside or reserved, as required by applicable loan agreements, indentures, owner participation agreements, development agreements and other relevant documents now in existence or hereinafter executed, to make payments due on the indebtedness of the Former Agency or Successor Agency. Except for the Tax Revenues and such moneys described in the funds and accounts referenced above, no funds or properties of the Successor Agency will be pledged to, or otherwise be liable for, the payment of principal of or interest on (or redemption premium, if any, on) the 2017C Bonds.

As defined in the Indenture, “**Tax Revenues**” means, collectively, the Mission Bay North Tax Revenues and the Mission Bay South Tax Revenues.

The “**Mission Bay North Tax Revenues**” means all taxes that were eligible for allocation to the Former Agency with respect to the Mission Bay North Project Area and are allocated to the Successor Agency, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the MB North Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the MB North Project Area pursuant to Section 16110 et seq. of the California Government Code), and formerly required to be deposited in the Low and Moderate Income Housing Fund of the Former Agency; provided, however, that such taxes shall (a) never be less than twenty percent (20%) of the taxes deposited in the RPTTF with respect to the MB North Project Area following the Closing Date and (b) exclude amounts payable pursuant to the Mission Bay North Senior Existing Loan Agreements.

The “**Mission Bay South Tax Revenues**” means all taxes that were eligible for allocation to the Former Agency with respect to the MB South Project Area and are allocated to the Successor Agency, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the MB South Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the MB South Project Area pursuant to Section 16110 et seq. of the California Government Code), and formerly required to be deposited in the Low and Moderate Income Housing Fund of the Former Agency; provided, however, that such taxes shall (a) never be less than twenty percent (20%) of the taxes deposited in the RPTTF with respect to the MB South Project Area following the Closing Date and (b) exclude amounts payable pursuant to the MB South Senior Existing Loan Agreements.

The Successor Agency’s collection of tax revenues in the Mission Bay Project Areas are subject to certain limitations set forth in their respective redevelopment plans. See “THE MISSION BAY PROJECT AREAS.”

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control (e.g., any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies) could affect the amount of Tax Revenues available to pay the principal of and interest on the 2017C Bonds. See “– Tax Increment Financing Generally,” “– Recognized Obligation Payment Schedule,” “LIMITATIONS ON TAX REVENUES” and “CERTAIN RISK FACTORS.”

In consideration of the acceptance of the 2017C Bonds by those who will hold the same from time to time, the Indenture constitutes a contract between the Successor Agency and the Owners from time to time of the 2017C Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all owners of the 2017C Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the bonds over any of the others by reason of the number or date thereof, or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the 2017C Bonds or in the Indenture.

### **Special Fund; Deposit of Tax Revenues**

The Indenture establishes the Special Fund to be held by the Successor Agency. Pursuant to the Indenture, the 2017C Bonds are equally secured with any Parity Debt by amounts on deposit in the Special Fund. The Successor Agency agrees to hold and maintain the Special Fund as long as any Bonds are Outstanding under the Indenture or any amounts are due and owing to AGM in respect of the Insurance Policy or the Reserve Policy or any other insurer with respect to any other insurance policy or financial guaranty with respect to Parity Debt (each an “**Insurer**”). The Successor Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Special Fund, and to the special funds, if any, created with respect to any additional Parity Debt, promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit into the Interest Account, the Principal Account, and the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture, and (ii) with respect to any Parity Debt (other than additional bonds issued pursuant to a Supplemental Indenture) pursuant to the applicable Parity Debt Instruments. If the amount of Tax Revenues available in such Bond Year will be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Successor Agency shall transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited. See “– Recognized Obligation Payment Schedule” below.



All Tax Revenues received by the Successor Agency with respect to any Bond Year in excess of the amount required to be deposited into the Special Fund and any other special funds mentioned in the preceding paragraph during such Bond Year will be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Successor Agency for any lawful purpose of the Successor Agency, including but not limited to the payment of Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

There has been established under the Indenture a fund to be known as the Debt Service Fund, which will be held by the Trustee in trust in accordance with the Indenture. The Indenture requires the Successor Agency to transfer from the Special Fund to the Trustee (i) on or before the fifth (5<sup>th</sup>) business day preceding each Interest Payment Date, commencing with the Interest Payment Date of August 1, 2017, the amount necessary to pay the interest becoming due on the Outstanding Bonds on such Interest Payment Date, (ii) on or before the fifth (5<sup>th</sup>) business day preceding August 1, in each year, beginning August 1, 2017 the amount then due to pay principal on the Outstanding Serial Bonds and Outstanding Term Bonds, (iii) at any time that the amount on deposit in the Reserve Account is less than the Reserve Requirement, the amount necessary to maintain the Reserve Requirement at the requisite amount, and (iv) on or before the business day preceding any date on which Bonds are to be optionally redeemed, the amount required to pay the principal of and premium, if any, on the 2017C Bonds and any other Bonds to be redeemed on such date pursuant to the Indenture or any Supplemental Indenture.

Upon receipt, the Trustee shall deposit the following amounts, at the times described herein, and in the following respective accounts, which are established in the Debt Service Fund, and in the following order of priority:

***Interest Account.*** The Trustee will deposit in the Interest Account the amount which, when added to the amount contained in the Interest Account on such date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

***Principal Account.*** The Trustee will deposit in the Principal Account the amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next August 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next August 1 on all of the Outstanding Serial Bonds and Outstanding Term Bonds. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and the Term Bonds, including by mandatory sinking account redemption, as it becomes due and payable.

***Reserve Account.*** The Indenture establishes a “**2017 Series C Reserve Subaccount**” to be held by the Trustee for the benefit of the Owners of the 2017C Bonds as a separate subaccount within the Reserve Account. The amount on deposit in the 2017 Series C Reserve Subaccount is required to be maintained at the Reserve Requirement, which is defined in the Indenture to mean, with respect to the 2017C Bonds and each series of Parity Debt issued in the form of Bonds, the lesser of (i) one hundred and twenty five percent (125%) of average Annual Debt Service with respect to that series of Bonds, (ii) Maximum Annual Debt

Service with respect to that series of the Bonds, or (iii) with respect to an individual series of Bonds, 10% of the original principal amount of a series of Bonds (or, if such series of Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of such series of Bonds), subject to certain conditions and limitations set forth in the Indenture.

The Reserve Requirement for the 2017C Bonds will be satisfied by the delivery of the Reserve Policy for the 2017C Bonds by AGM to the Trustee on the Closing Date for deposit in the 2017 Series C Reserve Subaccount for the 2017C Bonds. The Trustee will draw on the Reserve Policy in accordance with its terms and conditions and with the terms of the Indenture. Pursuant to the Indenture, in the event a Qualified Reserve Account Credit Instrument, such as the Reserve Policy, is delivered at any time to meet the entirety of the Reserve Requirement with respect to one or more series of Bonds, including the 2017C Bonds (that is, no cash is being deposited or will remain deposited in the Reserve Account with respect to those series of Bonds), then, notwithstanding the above definition of Reserve Requirement, the Reserve Requirement will, with respect to those series of Bonds, be determined only at the time of the delivery of the Qualified Reserve Account Credit Instrument and will not be subject to increase or decrease at a later date.

The amounts available under the Reserve Policy for the 2017C Bonds will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of the 2017C Bonds then Outstanding. The Trustee will comply with all documentation relating to the Reserve Policy as required to maintain the Reserve Policy in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. The Successor Agency has no obligation to replace the Reserve Policy or to fund the 2017 Series C Reserve Subaccount with cash if, at any time that any 2017C Bonds are outstanding, amounts are not available under the Reserve Policy. Additionally, the Successor Agency will have no obligation to replace the Reserve Policy or to deposit any cash in the 2017 Series C Reserve Subaccount in the event that any rating assigned to the surety provider by S&P or Moody's is lowered or withdrawn.

See "BOND INSURANCE" for more information about AGM. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for further information regarding the 2017 Series C Reserve Subaccount.

***Redemption Account.*** All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2017C Bonds and on such other Bonds to be optionally redeemed on the date set for such redemption. Interest due on the 2017C Bonds or such other Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such 2017C Bonds or such other Bonds, the Trustee may, at the direction of the Successor Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of all or a portion of the 2017C Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such 2017C Bonds or such other Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

### **Property Tax Administration Fees**

Pursuant to the Redevelopment Dissolution Act, the City Controller charges the Successor Agency a fee to recover property tax administration costs. This administration fee is approximately 0.017% of tax increment and is allocated among all of the Successor Agency's project areas as determined at the discretion of the Successor Agency. For Fiscal Year 2015-16, the County's administrative charge to the Successor Agency for all of its project areas, including the Mission Bay Project Areas, was \$34,000. For Fiscal Year

2016-17, it is expected to be approximately \$29,070. See also “LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedure – *Property Tax Administrative Costs.*”

## Senior Existing Loan Agreements

The pledge of tax revenues from the Mission Bay Project Areas under the Indenture to pay debt service on the 2017C Bonds is subordinate to the pledge thereof for payment of debt service on certain loans (the “**Senior Existing Loans**”) made to the Former Agency by the Authority pursuant to certain loan agreements between the Former Agency and the Authority to fund low and moderate housing in the Mission Bay Project Areas pursuant to the MB North OPA and the MB South OPA (the “**Senior Existing Loan Agreements**”). The loans made by the Authority to the Former Agency were made with proceeds of certain bonds issued by the Authority (the “**Authority Housing Bonds**”). The amounts outstanding under the Senior Existing Loan Agreements are set forth below, which list includes the Authority Housing Bonds to which such loan agreements relate.

Outstanding Authority Housing Bonds related to the <u>Mission Bay Project Areas</u>	Outstanding Principal Amount of the Existing Loans Relating Thereto ( <i>Mission Bay Project Areas Portion</i> ) (as of 08/02/16)
2007 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) <sup>(1)</sup>	\$11,915,000
2009 Series A Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) <sup>(2)</sup>	2,850,000
2009 Series E Taxable Tax Allocation Revenue Bonds (San Francisco Redevelopment Projects) <sup>(3)</sup>	835,000
	<hr/>
	<b>TOTAL</b> \$15,600,000

<sup>(1)</sup> Debt service on this series of bonds is payable from loan payments pursuant to a Loan Agreement, dated as of October 15, 2007, among the Former Agency, The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee, and the Authority, in the initial aggregate principal amount of \$14,225,000 for the MB North Project Area (the “**2007A MBN Loan Agreement**”).

<sup>(2)</sup> Debt service on this series of bonds is payable from loan payments pursuant to a Loan Agreement, dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$2,920,000 relating to the MB North Project Area (the “**2009A MBN Loan Agreement**”) and together with the 2007A MBN Loan, the “**MB North Senior Existing Loan Agreements**”) and a Loan Agreement, dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$4,680,000 relating to the MB South Project Area (the “**2009A MBS Loan Agreement**”).

<sup>(3)</sup> Debt service on this series of bonds is payable from loan payments pursuant to the 2009 MBS Loan Agreement (together with the 2009A MBS Loan Agreement, the “**MB South Senior Existing Loan Agreements**”).

Source: Piper, Jaffray and Co.

## Limitations on Additional Indebtedness

**Parity Debt.** In addition to the 2017C Bonds, the Successor Agency may issue additional bonds (including pursuant to a Supplemental Indenture) or incur other loans, advances or indebtedness, which are secured by and payable from Tax Revenues on a parity with the lien established under the Indenture for payment of the 2017C Bonds to finance or refinance low and moderate income housing in the Mission Bay Project Areas (“**Parity Debt**”) in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions which are all conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the Indenture or under any Parity Debt Instrument shall have occurred and be continuing;

(b) The Tax Revenues after adding back amounts payable pursuant to the Senior Existing Loan Agreements received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Mission Bay Project Areas as evidenced in a written document from an appropriate official of the City, exclusive of State subventions and taxes levied to pay voter approved outstanding general obligation bonded indebtedness, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on the Senior Existing Loan Agreements, the 2017C Bonds and any other Parity Debt that will be outstanding immediately following the issuance of such Parity Debt, provided that in the case of Parity Debt issued to refund, in whole or in part, the Senior Existing Loan Agreements, the 2017C Bonds or Parity Debt, such coverage requirement shall not apply as long as Maximum Annual Debt Service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt does not increase;

(c) In the event the Successor Agency issues additional bonds pursuant to a Supplemental Indenture, the Successor Agency shall cause the amount on deposit in the Reserve Account to equal the Reserve Requirement; and

(d) The Successor Agency shall deliver to the Trustee a written certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Within the next 5-6 years, the Successor Agency currently anticipates issuing approximately \$140 million aggregate principal amount of additional bonds to finance affordable housing on a parity with the 2017C Bonds. The amount and timing in the preceding sentence reflect current projections; no assurances can be given as to the exact timing or amount of any additional bond issuances.

**Subordinate Debt.** The Indenture permits the Successor Agency to issue and sell bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds and any Parity Debt (collectively, “**Subordinate Debt**”). The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency.

### **Recognized Obligation Payment Schedule**

The Redevelopment Dissolution Act requires successor agencies to annually prepare and approve, and submit to the successor agency’s oversight board, the county auditor-controller, and the California Department of Finance for approval, a Recognized Obligation Payment Schedule (the “**Recognized Obligation Payment Schedule**” hereinafter referred to as “**ROPS**”) pursuant to which “enforceable obligations” (as defined in the Redevelopment Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

A reserve may be included on the ROPS and held by the successor agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

Per SB 107, commencing on February 1, 2016, successor agencies transitioned to an annual ROPS process pursuant to which successor agencies are required to file their ROPS with their oversight board and the California Department of Finance for approval each February 1 for the July 1 through June 30 period immediately following such February 1. If the Successor Agency does not timely submit a ROPS to the Oversight Board and the California Department of Finance, then the Successor Agency will be subject to a \$10,000 per day civil penalty for every day the schedule is late. Additionally, if the Successor Agency does not submit a ROPS to the Oversight Board and the California Department of Finance within ten (10) days

of the deadline, then the Successor Agency's maximum administrative cost allowance may be reduced by up to twenty-five percent (25%). For additional information regarding procedures under the Redevelopment Dissolution Act relating to late ROPSs and implications thereof for the 2017C Bonds, see "CERTAIN RISK FACTORS – Recognized Obligation Payment Schedule." Also see "– Last and Final Recognized Obligation Payment Schedule" below for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Redevelopment Dissolution Act pursuant to SB 107.

In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Law and the Redevelopment Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Redevelopment Dissolution Act to assure compliance by the Successor Agency with its covenants under the Indenture.

Further, the Successor Agency covenants to take all actions required under the Redevelopment Dissolution Act to include:

- (i) scheduled debt service on the Senior Existing Loan Agreements and any amounts required to replenish any reserve account established under any Senior Existing Loan Agreement,
- (ii) scheduled debt service on the 2017C Bonds and any Parity Debt and any amount required under the Indenture or any Parity Debt Instrument to replenish the Reserve Account established under the Indenture or the reserve account established under any Parity Debt Instrument, and
- (iii) amounts due to any Insurer under an insurance or surety bond agreement, including the Insurance Policy and the Reserve Policy,

in each annual ROPS so as to enable the City Controller to distribute from the RPTTF to the Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period and to pay amounts owed to any Insurer, as well as the other amounts set forth above.

The Successor Agency further covenants and agrees that these actions will include, without limitation, placing on the periodic ROPS for approval by the Oversight Board and California Department of Finance the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Redevelopment Dissolution Act, that are necessary to comply with the Indenture. In particular, the Successor Agency shall, not later than April 30, 2017, submit to the California Department of Finance and to the City Controller an Oversight Board-approved amendment to the ROPS previously submitted by the Successor Agency relating to the June 1, 2017 and January 2, 2018 disbursement dates, amending the amounts to be distributed on (i) June 1, 2017 to include all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient for the payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on August 1, 2017 and (ii) January 2, 2018 to include all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient for the payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on February 1, 2018 and August 1, 2018. Not later than February 1, 2018 and each February 1 thereafter (or at such other time as may be required by the Redevelopment Dissolution Act) for so long as any of the Senior Existing Loan Agreements, the 2017C Bonds or any Parity Debt remains outstanding or any amounts owing to an Insurer remain unpaid, (a) the Successor Agency

will place on the ROPS relating to the January 2 disbursement date all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient to pay debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on the immediately succeeding August 1 and February 1, and (b) if the Successor Agency determines it is necessary to do so to ensure receiving sufficient amounts to pay debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on a timely basis, the Successor Agency will place on the ROPS relating to the June 1 disbursement date amounts required to pay debt service on the Senior Existing Loan Agreements, the 2017C Bonds and any Parity Debt on the next succeeding August 1. Additionally, if the Successor Agency determines it is necessary to ensure timely payment of debt service on the Senior Existing Loan Agreements, the 2017C and any Parity Debt, the Successor Agency may also collect on each January 1 a reserve to be held for debt service on the Senior Existing Loan Agreements, the 2017C and any Parity Debt on February 1 and August 1 of the next succeeding calendar year. Further, the Successor Agency will place any amounts required to replenish the Reserve Account established under the Indenture or the reserve account established under any Parity Debt Instrument and any amounts owing to any Insurer under an insurance or surety bond agreement, including the Insurance Policy and the Reserve Policy, on its next Recognized Obligation Payment Schedule upon any such amounts becoming owing.

The Successor Agency further covenants that it will, on or before May 1 and December 1 of each year, file a Notice of Insufficiency with the City Controller if the amount of Tax Revenues available to the Successor Agency from the RPTTF on the upcoming June 1 or January 2, as applicable, is insufficient to pay debt service on the 2017C Bonds, to pay debt service on any Parity Debt, to replenish the Reserve Account established under the Indenture or the reserve account established under any Parity Debt and to pay any insurer any amounts owing under the Indenture or under an insurance or surety bond agreement, including the Insurance Policy or Reserve Policy.

If any amounts then due and payable to AGM under the Indenture are not included on any current Recognized Obligation Payment Schedule and the Successor Agency is then legally permitted to amend such Recognized Obligation Payment Schedule, the Successor Agency will submit to the Oversight Board and the State Department of Finance a request to amend such Recognized Obligation Payment Schedule to include such amounts then due and payable to AGM.

The Successor Agency will not submit to the Oversight Board and the State Department of Finance a request for the final amendment permitted for its Last and Final Recognized Obligation Payment Schedule pursuant to Section 34191.6 of the Dissolution Act without the prior written consent of AGM, unless all amounts that could become due and payable to AGM under this Indenture would be included as a line item on the Last and Final Recognized Obligation Payment Schedule following approval of the requested amendment.

The Successor Agency also covenants to calculate the amount of Tax Revenues received during each six-month period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Special Fund, as required by this Indenture.

### **Last and Final Recognized Obligation Payment Schedule**

SB 107 amended the Redevelopment Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a “**Last and Final ROPS**”). In particular, successor agencies that have received a Finding of Completion and the concurrence of the California Department of Finance as to the items that qualify for payment, among other conditions, may at their option, file a Last and Final ROPS. If approved by the California Department of Finance, the Last and Final ROPS will be binding on all parties, and the successor agency will no longer submit a ROPS to the California Department of Finance or its oversight board. The county auditor-controller will continue to allocate moneys in the successor agency’s RPTTF pursuant to Section 34183 of the Redevelopment Dissolution Act; however, the

county auditor-controller will allocate such moneys in each fiscal period, after deducting the county auditor-controller's administrative costs, in the following order of priority: (A) pass-through payments pursuant to Section 34183(a)(1) of the Redevelopment Dissolution Act; (B) scheduled debt service payments on tax allocation bonds listed and approved in the Last and Final ROPS; (C) scheduled payments on revenue bonds listed and approved in the Last and Final ROPS, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the successor agency's tax increment revenues were also pledged for the repayment of bonds; (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the RPTTF; (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods; (F) repayment of loans and deferrals to the city that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets that are listed and approved on the Last and Final ROPS; and (G) any moneys remaining in the RPTTF after the payments and transfers described in (A) to (F), above, will be distributed to taxing entities in accordance with Section 34183(a)(4) of the Redevelopment Dissolution Act. A Last and Final ROPS may only be amended twice, and only with approval of the California Department of Finance and the county auditor-controller.

If the successor agency reports to the county auditor-controller that the total available amounts in the RPTTF will be insufficient to fund the successor agency's current or future fiscal year obligations, and if the county auditor-controller concurs that there are insufficient funds to pay the required obligations, the county auditor-controller may distribute funds pursuant to Section 34183(b) of the Redevelopment Dissolution Act. See "– Tax Increment Financing Generally."

The Successor Agency does not currently intend to submit a Last and Final ROPS.

## **BOND INSURANCE**

*The information under this section has been prepared by AGM for inclusion in this Official Statement. Neither the Successor Agency nor the Underwriters have reviewed this information, nor do the Successor Agency or the Underwriters make any representation with respect to the accuracy or completeness thereof.*

### **Bond Insurance Policy**

Concurrently with the issuance of the 2017C Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (which is referred to in this Official Statement as the "Insurance Policy") for the 2017C Bonds maturing on August 1 of the years 2024 through 2032 inclusive, August 1, 2037 and August 1, 2043 (which 2017C Bonds are referred to in this Official Statement as the "Insured Bonds"). The Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Insurance Policy included as APPENDIX H to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.



AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

#### *Capitalization of AGM*

At December 31, 2016, AGM's policyholders' surplus and contingency reserve were approximately \$3,557 million and its net unearned premium reserve was approximately \$1,328 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

#### *Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the

Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the 2017C Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “**AGM Information**”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the 2017C Bonds or the advisability of investing in the 2017C Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under this heading “BOND INSURANCE.”

### **THE SUCCESSOR AGENCY**

The Redevelopment Dissolution Act established, by operation of law, the Successor Agency with all authority, rights, powers, duties, and obligations previously vested with the Former Agency under the Redevelopment Law, as amended by the Redevelopment Dissolution Act. The Successor Agency is a separate public entity from the City, but the Board of Supervisors of the City serves as the legislative body of the Successor Agency and delegated, by Ordinance No. 215-12 adopted on Oct. 4, 2012, its authority under the Redevelopment Dissolution Act to the Successor Agency Commission. Within City government, the Successor Agency is titled “The Office of Community Investment and Infrastructure as the Successor to the San Francisco Redevelopment Agency.” Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Redevelopment Dissolution Act, and the limitations thereon.

The Successor Agency maintains a website at [www.sfocii.org](http://www.sfocii.org). The information presented therein is not incorporated herein by reference.

#### **Authority and Personnel**

The powers of the Successor Agency are vested in its governing board (the “**Successor Agency Commission**”), which in the City is referred to as the “**Commission on Community Investment and Infrastructure**” and which has five (5) members who are appointed by the Mayor of the City with the approval of the Board of Supervisors. Members are appointed to staggered four-year terms (provided that two (2) members had initial two-year terms). Once appointed, members serve until replaced or reappointed.

The current members of the Successor Agency Commission, together with their principal occupations, the years of their first appointment to the Commission and the expiration date of their current terms are as follows:

<u>Name</u>	<u>Occupation</u>	<u>First Appointed</u>	<u>Term Expires</u>
Marily Mondejar	Community Organizer	2012	November 3, 2018
Mara Rosales	Attorney	2012	November 3, 2018
Darshan Singh	Businessman	2012	November 3, 2020
Miguel Bustos	Banker	2014	November 3, 2020
Leah Pimentel	Consultant	2015	November 3, 2020

The Successor Agency has 47 full-time equivalent positions budgeted, approximately 40 of which are filled. The Successor Agency Commission appointed Nadia Sesay to serve as Interim Executive Director on January 17, 2017. The other principal full-time staff positions are: the Deputy Director of Finance and Administration; the Deputy Director of Project and Programs; and the General Counsel and Deputy Director. Each project area in which the Successor Agency continues to implement enforceable obligations is managed by a designated project manager. There are separate staff support divisions with real estate and housing development specialists as well as planning and other technical staff. The Successor Agency has its own fiscal, legal, and administrative staff.

### **Effect of the Redevelopment Dissolution Act**

**AB 26.** As a result of AB 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agencies all under the supervision of new oversight boards, the California Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 adopted by the Board of Supervisors on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors: (i) officially gave the following name to the Successor Agency: the “**Successor Agency to the Redevelopment Agency of the City and County of San Francisco**”; (ii) created the Successor Agency Commission as the policy body of the Successor Agency; (iii) delegated to the Successor Agency Commission the authority to act in place of the Former Agency’s Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the Successor Agency; and (iv) established the composition and terms of the members of the Successor Agency Commission. As discussed below, many actions of the Successor Agency are subject to approval by the Oversight Board and review or approval by the California Department of Finance, including the issuance of bonds such as the 2017C Bonds.

**AB 1484.** On June 27, 2012, the Redevelopment Dissolution Act was amended by AB 1484, which clarified that successor agencies are separate public entities from the city or counties in which they operate and that a successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation.

**SB 107.** On September 22, 2015, the Redevelopment Dissolution Act was further amended by SB 107, which, among other things: a) clarified the authority of the Successor Agency to issue bonds for affordable housing and certain infrastructure (California Health & Safety Code § 34177.7); b) removed, for purposes of payment of enforceable obligations, certain time limits that had previously applied to the issuance of debt, the receipt of tax increment, the repayment of debt and any other matters set forth in

Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law; and c) authorized the Successor Agency to secure new debt with the property tax revenues (former tax increment) from project areas that had generated tax increment upon the dissolution of the Former Agency on February 1, 2012 (Stats. 2015, ch. 325, § 27(e)). Significantly, these project areas include those with redevelopment plans that may have expired for other purposes but that continue to be a source of funds for repayment of indebtedness. Accordingly, the Successor Agency will continue to be allocated revenue from all former project areas until such time as all enforceable obligations have been repaid, even if such time extends beyond such project area plan's stated last day to repay indebtedness. SB 107 did not however change a redevelopment plan's limit on the amount of bonds that can be outstanding at any one time or restore or continue funding for projects whose contractual terms specified that project funding would cease once the limits in the Redevelopment Law were realized. See “– Continuing Activities” below for more information relating to Section 34177.7.

### **Oversight Board**

The Redevelopment Dissolution Act established special provisions for the composition of a seven-member oversight board operating in a jurisdiction that is both a charter city and a county, such as the City (California Health & Safety Code § 34179(a)(10)). These provisions require that four (4) members of the oversight board be appointed by the mayor, one of whom must represent the largest number of former redevelopment agency employees, one member appointed by the largest special district as determined by property tax share, one member appointed by the superintendent of education, and one member appointed by the chancellor of the state community colleges. The Successor Agency's Oversight Board is comprised of the four (4) members appointed by the Mayor, the one (1) member appointed by the Bay Area Rapid Transit District, the one (1) member appointed by the County Superintendent of Education, and the one (1) member appointed by the Chancellor of the California Community Colleges.

### **Department of Finance Finding of Completion**

The Redevelopment Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities. This determination process was required to be completed through the final step (review by the California Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affordable housing funds, determined by the California Department of Finance in the amount of \$10,577,932, plus \$1,916 in interest. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the California Department of Finance in the amount of \$959,147. The Successor Agency has made all payments required under AB 1484 and received its finding of completion from the California Department of Finance on May 29, 2013.

### **State Controller Asset Transfer Review**

The Redevelopment Dissolution Act requires that any asset of a former redevelopment agency transferred to a city, county or other local agency after January 1, 2011, be sent back to the successor agency. The Redevelopment Dissolution Act further requires that the State Controller review any such transfer. On September 23, 2014, the State Controller notified the Successor Agency of its review of such transfers by the Former Agency. Specifically, the State Controller found that \$660,830 (0.09%) of the assets transferred by the Former Agency after January 1, 2011 were unallowable and must be turned over to the Successor Agency. The Successor Agency received these funds back from the City in late November 2014.

## Continuing Activities

The Former Agency was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for fourteen (14) redevelopment project areas, of which only thirteen (13) continue, including the Mission Bay Project Areas. The Successor Agency only has the authority to complete work related to approved enforceable obligations.

These enforceable obligations are related to the following “**Major Approved Development Projects**”: (i) the Mission Bay Project Areas; (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1/Candlestick Point of the Bayview Hunters Point Project Area B; and (iii) the Transbay Redevelopment Project Area. Further, the Redevelopment Dissolution Act expressly provides (pursuant to Section 34177.7) for the issuance by the Successor Agency of bonds and any other obligations (not limited to refundings) and specifically states that the Successor Agency “*shall have the authority, rights, and powers of the Redevelopment Agency to which it succeeded solely for the purpose of issuing bonds or incurring other indebtedness to finance...the affordable housing required by the Mission Bay North Ownership Participation Agreement, the Mission Bay South Owner Participation Agreement, the Disposition and Development Agreement for Hunters Point Shipyard Phase I, the Candlestick Point Hunters Point Shipyard Phase 2 Disposition and Development Agreement and the Transbay Implementation Agreement,*” which documents, respectively, relate to the Major Approved Development Projects, for which the Successor Agency “*may pledge to [any such] bonds or other indebtedness the property tax revenues available in the...Redevelopment Property Tax Trust Fund that are not otherwise obligated.*”

In addition, the Successor Agency continues to manage the Former Agency's assets such as the Yerba Buena Center and other real property and assets of the Former Agency that ultimately must be disposed of, or transferred to the City, under a long range property management plan required by the Redevelopment Dissolution Act and approved by the California Department of Finance on December 7, 2015.

## THE MISSION BAY PROJECT AREAS

### General

Under the Redevelopment Law, a city or county that activated a redevelopment agency was required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency could only undertake those activities within a redevelopment project area specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a “plan” in the customary sense of the word.

As described above under “INTRODUCTION – The Mission Bay Project Areas,” the Former Agency adopted the MB North Redevelopment Plan with respect to the MB North Project Area and the MB South Redevelopment Plan with respect to the MB South Project Area, each of which originally included separate time and financial limitations applicable to the MB North Project Area and the MB South Project Area, respectively. SB 107 provides that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Successor Agency as set forth in these redevelopment plans are not effective for purposes of paying the Successor Agency's enforceable obligations. As a result, the projections set forth in this Official Statement (and in the Fiscal Consultant's Report attached to this Official Statement as APPENDIX B) were prepared without regard to the time and financial limitations set forth in the MB North Redevelopment Plan and the MB South

Redevelopment Plan. Certain information regarding these redevelopment plans can be found in the Report of Fiscal Consultant attached hereto as APPENDIX B.

### **Mission Bay North Project Area**

*General.* The MB North Project Area is an approximately 65-acre area located in the southeastern section of the City, bounded by Seventh Street on the west, Fourth and Third Streets on the east, Townsend and King Streets on the North and Mission Creek on the South. Of the approximately 65 acres that make up the MB North Project Area, tax increment revenue is generated from approximately 20 acres.

The MB North Project Area is a mixed-use, mixed-income neighborhood, served by public transit, including Caltrain and MUNI. The area includes a mix of market rate and affordable housing, new parks and open space, a new public library and retail to serve residents and the larger community.

Development in the MB North Project Area began in 2000 and, as of December 2016, the build-out of the MB North Project Area is nearly complete, with only a small amount of infrastructure remaining to be completed. All housing (affordable or market rate), office and retail development for the MB North Project Area has been built.

### **Mission Bay South Project Area**

*General.* The MB South Project Area consists of approximately 238 acres of land located approximately two miles south of the financial district of the City, and is adjacent to AT&T Park, the waterfront baseball stadium for the San Francisco Giants (which is not in the MB South Project Area). The MB South Project Area is bounded on the south by Mariposa Street, on the east by San Francisco Bay, on the north by Mission Creek, and on the west by Seventh Street and the Interstate 280 Freeway. Like the MB North Project Area, it is also served by public transit, including Caltrain and MUNI. Of the approximately 238 acres that make up the MB South Project Area, tax increment revenues are generated from approximately 51.4 acres.

At full build-out, the MB South Project Area will be anchored by the University of California, San Francisco (UCSF) Mission Bay campus (“**UCSF Mission Bay Campus**”) which is a life science research and academic campus that, when completed, will contain about 4.1 million square feet of university research facilities and a 550-bed medical center consisting of three specialty hospitals: (1) UCSF Benioff Children’s Hospital, (2) UCSF Women’s Specialty Hospital, and (3) UCSF Cancer Hospital (part of the Helen Diller Family Comprehensive Cancer Center). In addition to being the location of this major new medical campus for UCSF, the MB South Project Area has several major construction projects underway including the Golden State Warriors Event Center and Mixed-Use Development, commercial development on the Block 40 site and a vacant site recently purchased by Uber Technologies. Completed development that is expected to appear on the Fiscal Year 2017-18 rolls include 735 rental units built on three sites (1850 Channel Street, 1201 Fourth Street and 690 Long Bridge Street), a portion of the condominium sales at 718 Long Bridge Street (a portion has already been assessed for Fiscal Year 2016-17), a Kaiser Permanente office building at 1600 Owens Street and a vacant site purchased for hotel development on Channel Street. The MB South Redevelopment Plan also calls for a 250-room hotel, more than 35 acres of new parks and open space, a new public school and the recently built San Francisco Public Safety Building which includes the relocation of both the San Francisco Police Department Command Center Headquarters and the Southern District Police Station, as well as a new fire station for the Mission Bay community. The MB South Project Area will also contain approximately 3,440 housing units, inclusive of the housing described under “PLAN OF FINANCE,” of which approximately thirty-two percent (32%) will be affordable.

See also APPENDIX B – “REPORT OF FISCAL CONSULTANT” for more information relating to the Mission Bay Project Areas.

## Land Use

**Land Use Breakdown.** The table below shows the breakdown of land use for Fiscal Year 2016-17 by the number of parcels and secured assessed valuation.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO  
Land Use Breakdown for the Mission Bay Project Areas for Fiscal Year 2016-17**

<u>Land Use</u>	<u>Secured Assessed Valuation</u>	<u>% of Total Valuation</u>	<u>No. of Parcels</u>	<u>% of Total Parcels</u>
Commercial	\$1,270,002,353	28.2%	87	3.8%
Industrial	-	0.0	4	0.2
Residential				
Condominiums	1,674,589,706	37.2	1,867	82.2
Apartment	1,025,824,137	22.8	185	8.1
Vacant	399,565,424	8.9	30	1.3
Publicly-Owned/Other	133,170,322	3.0	97	4.3
<b>Total</b>	<b>\$4,503,151,942</b>	<b>100.0%</b>	<b>2,270</b>	<b>100.0%</b>

Sources: County Assessor; Urban Analytics.

**Land Use Entitlements.** The table below sets forth the land use entitlements in the Mission Bay Project Areas, as of January 9, 2017.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO  
Current Entitlements and Construction Status in the Mission Bay Project Areas**

<u>Entitlement</u>	<u>Completed</u>	<u>Under Construction</u>	<u>Total Completed or Under Construction</u>	<u>Total Size of Entitlement</u>	<u>% Completed or Under Construction</u>
<b>MB North Project Area</b>					
Residential	2,964 units	-	2,964 units	2,964 units	100%
Retail	130,000 s.f.	-	130,000 s.f.	130,000 s.f.	100
Office	60,000 s.f.	-	60,000 s.f.	60,000 s.f.	100
Open Space	6.55 acres	-	6.55 acres	6.55 acres	100
<b>MB South Project Area</b>					
University Research Facilities	2.2 million s.f.	-	2.2 million s.f.	4.1 million s.f.	54%
Medical Center	289 beds	-	289 beds	550 beds	53
Office/Lab Space	1.9 million s.f.	2.1 million s.f.	4 million s.f.	4 million s.f.	100
Residential Housing	2,132 units	693 units	2,825 units	3,440 units	82
Hotel	-	-	-	250 rooms	-
Retail Space	97,200 s.f.	64,700 s.f.	161,900 s.f.	289,000 s.f.*	56
Open Space	11.7 acres	6.1 acres	17.9 acres	35.9 acres	50

\* Total max retail entitlement is 320,000 s.f., some of which can be built as office instead. Of that flex amount, approximately 31,000 s.f. has been built as office space to date, reducing the retail max to 289,000 s.f.

Source: Successor Agency.

## Historical and Current Assessed Valuation and Tax Revenues for the Mission Bay Project Areas

The Successor Agency has retained the Fiscal Consultant to provide projections of taxable assessed valuation, tax increment revenue and Tax Revenues from developments in the Mission Bay Project Areas.

**General.** The tables below set forth the following information for the Mission Bay Project Areas: (i) the property taxable values and tax increment revenues received from the Mission Bay Project Areas for Fiscal Years 2012-2013 to 2016-2017 and (ii) information on the ten largest property owners based on assessed value for Fiscal Year 2016-17.

**Table 1**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF**  
**THE CITY AND COUNTY OF SAN FRANCISCO**  
**Mission Bay Project Areas**  
**Property Taxable Values and Tax Revenues**  
**(Dollars in Thousands)**

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
<b>Secured Property Assessed Values<sup>(1)</sup>:</b>					
Existing Properties:					
Real Property	\$2,965,829	\$3,150,812	\$3,496,934	\$3,977,281	\$4,503,152
SBE Rolls	—	—	—	—	—
Total Secured Assessed Value	\$2,965,829	\$3,150,812	\$3,496,934	\$3,977,281	\$4,503,152
Unsecured Assessed Value	159,791	168,093	185,800	234,661	230,238
Total Assessed Value	\$3,125,620	\$3,318,905	\$3,682,733	\$4,211,942	\$4,733,389
<b>Base Year Values:</b>					
Secured	\$ 110,640	\$ 110,640	\$ 110,640	\$ 110,640	\$ 110,640
Unsecured	13,446	13,446	13,446	13,446	13,446
<b>Increase Over Base-Year Values:</b>					
Secured	\$2,855,189	\$3,040,172	\$3,386,294	\$3,866,642	\$4,392,512
Unsecured	146,345	154,647	172,353	221,214	216,791
<b>Tax Rates:</b>					
Secured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
Unsecured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
<b>Tax Increment Revenue<sup>(2)</sup></b>					
Secured Property	\$ 28,552	\$ 30,402	\$ 33,863	\$ 38,666	\$ 43,925
Unsecured Property	1,463	1,546	1,724	2,212	2,168
Gross Tax Increment Revenue	\$ 30,015	\$ 31,948	\$ 35,586	\$ 40,879	\$ 46,093
Less: 80% Allocable to Infrastructure	24,012	25,559	28,469	32,703	36,874
Tax Increment Revenue	\$ 6,003	\$ 6,390	\$ 7,117	\$ 8,176	\$ 9,219

(1) Assessed valuations shown are “full cash value” and exclude homeowner subventions.

(2) Revenue numbers equal the tax rate times the increase over base year value and do not necessarily equal amounts collected.

Sources: City and County of San Francisco; Urban Analytics.



***Ten Largest Property Owners by Valuation.*** The table below summarizes the ten largest property owners based on Fiscal Year 2016-17 assessed valuation. See “REPORT OF FISCAL CONSULTANT” attached hereto as APPENDIX B for a brief summary regarding these property owners.

**Table 2**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF**  
**THE CITY AND COUNTY OF SAN FRANCISCO**  
**Mission Bay Project Areas**  
**Ten Largest Property Owners by Assessed Valuation for Fiscal Year 2016-17**

<u>Property Owner/Taxpayer</u>	<u>Assessed Value<sup>(1)</sup></u>	<u>% of Total Assessed Value</u>	<u>Land Use</u>
ALEXANDRIA REAL ESTATE SF* (3: 2016-17, 3: 2015:16)	\$ 645,744,215	13.6%	Office
BOSA DEVELOPMENT CA	263,435,475	5.6	Condominium
ESSEX PORTFOLIO* (1: 2016-17)	224,131,386	4.7	Apartment Bldg
GSW ARENA LLC	187,264,710	4.0	Vacant
HINES GLOBAL REIT 550 TERRY FR* (1: 2015-16, 1: 2013-14)	187,242,482	4.0	Office
MVP I LLC DELAWARE	143,330,699	3.0	Apartments/Retail
AVALONBAY COMMUNITIES INC	129,219,469	2.7	Apartments/Retail
UNITED DOMINION REALTY LP	127,681,555	2.7	Apartments/Retail
DCO MISSION BAY LP	122,976,808	2.6	Apartments/Retail
MISSION BAY NORTH FINCG LP	111,456,569	2.4	Apartments/Retail
<b>Total Ten Largest:</b>	<b>2,142,483,368</b>	<b>45.3%</b>	
All Other	2,590,906,096	54.7	
<b>Total for the Area:</b>	<b>\$4,733,389,464</b>	<b>100.0%</b>	
<i>Ten Largest as Percentage of Incremental Assessed Value:</i>		<i>46.5%</i>	

<sup>(1)</sup> Assessed valuations exclude homeowner subventions.

\* Owner has the indicated number of appeals pending in the years shown.

Sources: Assessor; Urban Analytics.

The Mission Bay Project Areas includes six (6) residential condominium buildings whose constituent condominium assessments would, if taken in the aggregate, be included among the ten largest properties for Fiscal Year 2016-17. The buildings and their aggregate valuations are: 260 King Street (the Beacon) (\$440.6 million), 330 Berry Street (\$211.2 million), 335 Berry Street (\$126.7 million), 255 Berry Street (\$212.0 million), 738 Long Bridge Street (\$189.9 million), and 480 Mission Bay Boulevard North (the Madrone) (\$440.5 million). See also “REPORT OF FISCAL CONSULTANT.”

## TAX REVENUES AND DEBT SERVICE

Pursuant to the Indenture, Tax Revenues are to be deposited by the Successor Agency into the Special Fund. Thereafter, moneys in the Special Fund shall be transferrable by the Successor Agency to the Trustee for deposit in the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the 2017C Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Special Fund; Deposit of Tax Revenues.”

Based on assessment roll data provided by the offices of the San Francisco Assessor, San Francisco Controller, and State Board of Equalization, the total assessed valuation for Fiscal Year 2016-17 in the Mission Bay Project Areas, after deducting all exemptions except the homeowner’s exemption which is

reimbursed by the State, is \$4.7 billion in the Mission Bay Project Areas. This represents a gain of 12.38% over Fiscal Year 2015-16.

### **Projected Tax Revenues and Debt Service Coverage**

Set forth below are tables showing projected gross tax increment revenue, projected Tax Revenues and estimated debt service coverage. The below projections assume annual growth calculated using the Proposition 13 inflation factor of 2.0% in Fiscal Year 2017-18 and subsequent years for real property, no growth in unsecured and personal property, and a tax levy of 1.0%, and assume no changes in assessed valuation due to new construction, property sales, Proposition 8 reductions, assessment appeals or other factors. The actual growth rate in the Mission Bay Project Areas may be different than that which is projected.

The Successor Agency believes that the assumptions (set forth in the footnotes below and in APPENDIX B – “REPORT OF FISCAL CONSULTANT”) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. See “CERTAIN RISK FACTORS.” Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material.

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**Table 3**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF**  
**THE CITY AND COUNTY OF SAN FRANCISCO**  
**Mission Bay Project Areas**  
**Projected Tax Revenues <sup>(1)</sup>**

Fiscal Year	Ending June 30	Gross Tax Increment <sup>(2)</sup>	Less Portion Applied to Infrastructure	Projected Tax Revenues
2017		\$ 46,093,035	\$ (36,874,428)	\$ 9,218,607
2018		46,991,885	(37,593,508)	9,398,377
2019		47,908,712	(38,326,970)	9,581,742
2020		48,843,876	(39,075,101)	9,768,775
2021		49,797,743	(39,838,195)	9,959,549
2022		50,770,688	(40,616,550)	10,154,138
2023		51,763,091	(41,410,473)	10,352,618
2024		52,775,343	(42,220,274)	10,555,069
2025		53,807,839	(43,046,271)	10,761,568
2026		54,860,986	(43,888,789)	10,972,197
2027		55,935,195	(44,748,156)	11,187,039
2028		57,030,889	(45,624,711)	11,406,178
2029		58,148,496	(46,518,797)	11,629,699
2030		59,288,456	(47,430,765)	11,857,691
2031		60,451,215	(48,360,972)	12,090,243
2032		61,637,228	(49,309,783)	12,327,446
2033		62,846,963	(50,277,570)	12,569,393
2034		64,080,892	(51,264,713)	12,816,178
2035		65,339,499	(52,271,599)	13,067,900
2036		66,623,279	(53,298,623)	13,324,656
2037		67,932,734	(54,346,187)	13,586,547
2038		69,268,378	(55,414,703)	13,853,676
2039		70,630,736	(56,504,588)	14,126,147
2040		72,020,340	(57,616,272)	14,404,068
2041		73,437,736	(58,750,189)	14,687,547
2042		74,883,481	(59,906,785)	14,976,696
2043		76,358,140	(61,086,512)	15,271,628
2044		-	-	-
Total		\$1,619,526,854	\$(1,295,621,483)	\$323,905,371

<sup>(1)</sup> Tax Revenues are projected using a Proposition 13 inflation factor of 2.0% in Fiscal Year 2017-18 and subsequent years for real property, with no growth in unsecured and personal property or from new construction, and a tax levy of 1.00%, and assume no changes in assessed valuation due to new construction, property sales, Proposition 8 reductions, assessment appeals or other factors. Projected Tax Revenues are net of the 80% portion applied to infrastructure. Actual revenues may vary. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

<sup>(2)</sup> Statutory Pass-Through Amounts and the County’s property tax administrative charge are deducted from the portion of tax increment applied to infrastructure.

Source: Urban Analytics.

**Table 4**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF**  
**THE CITY AND COUNTY OF SAN FRANCISCO**  
**Mission Bay Project Areas**  
**Estimated Annual Debt Service Coverage**

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Tax Revenues</u>	<u>Senior Existing</u> <u>Loan Agreements</u> <u>Debt Service<sup>(1)</sup></u>	<u>2017C Bonds</u> <u>Debt Service<sup>(1)</sup></u>	<u>Total Debt</u> <u>Service<sup>(1)</sup></u>	<u>Debt Service</u> <u>Coverage</u> <u>Ratio<sup>(3)</sup></u>
2017	\$ 9,218,607	\$ 2,858,386 <sup>(2)</sup>	\$ 2,730,944	\$ 5,589,330	1.65
2018	9,398,377	2,173,538	5,201,035	7,374,572	1.27
2019	9,581,742	2,173,945	1,736,403	3,910,348	2.45
2020	9,768,775	1,047,197	3,288,055	4,335,252	2.25
2021	9,959,549	1,047,672	3,154,545	4,202,217	2.37
2022	10,154,138	1,047,047	3,242,819	4,289,866	2.37
2023	10,352,618	1,045,322	3,333,119	4,378,441	2.36
2024	10,555,069	1,051,460	3,478,919	4,530,378	2.33
2025	10,761,568	1,830,872	2,060,481	3,891,353	2.77
2026	10,972,197	984,325	2,957,819	3,942,144	2.78
2027	11,187,039	985,863	2,977,513	3,963,375	2.82
2028	11,406,178	985,675	3,001,813	3,987,488	2.86
2029	11,629,699	983,763	3,017,788	4,001,550	2.91
2030	11,857,691	985,125	3,037,856	4,022,981	2.95
2031	12,090,243	984,475	2,446,419	3,430,894	3.52
2032	12,327,446	986,813	1,336,669	2,323,481	5.31
2033	12,569,393	981,850	1,356,269	2,338,119	5.38
2034	12,816,178	979,875	1,381,844	2,361,719	5.43
2035	13,067,900	980,600	1,399,869	2,380,469	5.49
2036	13,324,656	983,738	1,425,556	2,409,294	5.53
2037	13,586,547	1,269,000	1,133,481	2,402,481	5.66
2038	13,853,676	-	1,597,031	1,597,031	8.67
2039	14,126,147	-	1,598,000	1,598,000	8.84
2040	14,404,068	-	1,596,563	1,596,563	9.02
2041	14,687,547	-	1,597,719	1,597,719	9.19
2042	14,976,696	-	1,601,250	1,601,250	9.35
2043	15,271,628	-	1,596,938	1,596,938	9.56
Total	\$323,905,371	\$26,366,539	\$63,286,713	\$89,653,252	

<sup>(1)</sup> Debt service is shown on a bond year basis.

<sup>(2)</sup> Includes interest that was due on February 1, 2017.

<sup>(3)</sup> Tax Revenues divided by Total Debt Service.

Sources: Piper, Jaffray and Co.; Urban Analytics.

Under the Indenture, in addition to Tax Revenues, the 2017C Bonds, and any Parity Debt are also equally secured by the pledge and lien created by Section 34177.5(g) of the California Health and Safety Code on unobligated moneys available from time to time in the RPTTF, meaning amounts on deposit in the RPTTF only after moneys therein have been set aside and reserved, in the manner required in the applicable loan agreements, indentures, owner participation agreements, development agreements and other relevant documents now in existence or hereinafter executed, to make payments due on the indebtedness of the Former Agency and the Successor Agency. Debt service coverage from both the Tax Revenues and the unobligated moneys in Fiscal Year 2016-17 is approximately 5.07x Maximum Annual Debt Service, assuming the Successor Agency issues debt against prior liens with remaining authorization to their maximum potential.

## **Assessment Appeals**

Appeals of assessments by property owners in the Mission Bay Project Areas can result in future reductions in assessed valuations that can affect the amount of Tax Revenues. It has been the practice of the City Controller to not deduct appeal-related tax refunds from the Successor Agency's tax increment. Instead, these refunds are apportioned to other Taxing Entities using the normal apportionment mechanism. While this practice is expected to continue indefinitely, the City Controller may choose to alter or eliminate it.

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year's secured assessment based on the current economic value of the property. The Assessor of the City and County of San Francisco (the "**Assessor**") may also adjust valuations based on Proposition 8 criteria. In past years, assessment reductions under Proposition 8 have been generally temporary in nature and were usually restored to their previous levels, as adjusted for inflation, as economic conditions improve.

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the Fiscal Year 2016-17 roll data used in the REPORT OF FISCAL CONSULTANT attached hereto as APPENDIX B.

Property owners may also appeal the Proposition 13 base assessment of a property. Although less frequently filed, such appeals, if successful, can permanently reduce the enrolled valuation of a property and consequently affect the Successor Agency's annual revenue. The annual filing period for all appeals extends from July 2 to September 15.

Appeal filings in the Mission Bay Project Areas for the past six (6) years are shown in the table below for the secured roll. The tables compare the Assessor's valuation with the applicant's opinion of the value of a property and show the resulting valuation for resolved appeals. Appeals are considered resolved when they are withdrawn by the applicant, denied a hearing by the City's Assessment Appeals Board ("**Assessment Appeals Board**"), granted a hearing but denied an adjustment in valuation, or granted an adjustment in valuation.

**Table 5**  
**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF**  
**THE CITY AND COUNTY OF SAN FRANCISCO**  
**Mission Bay Project Areas**  
**Assessment Appeals**

Roll Year	Status	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate**
2016-17*	Resolved	1	\$ 2,159,890	\$ 1,431,300	\$ 2,159,890	100.0%
2016-17*	Pending	16	602,015,877	316,181,667	TBD	TBD
2015-16	Resolved	8	163,452,353	102,735,000	163,346,059	99.9%
2015-16	Pending	8	517,743,083	261,757,868	TBD	TBD
2014-15	Resolved	17	736,769,817	493,510,962	736,714,817	100.0%
2014-15	Pending	-	-	-	-	-
2013-14	Resolved	38	627,164,967	462,429,647	626,780,354	99.9%
2013-14	Pending	1	114,305,085	57,000,000	TBD	TBD
2012-13	Resolved	108	979,334,738	677,911,520	976,520,787	99.7%
2012-13	Pending	-	-	-	-	-
2011-12	Resolved	105	919,751,186	659,079,921	912,742,407	99.2%
2011-12	Pending	-	-	-	-	-
All Years	Resolved	277	\$3,428,632,951	\$2,397,098,350	\$3,418,264,314	99.7%
All Years	Pending	25	\$1,234,064,045	\$ 634,939,535	TBD	TBD
Potential exposure to reductions in valuation from all pending appeals***:						\$ 3,731,972
Potential exposure to reductions in valuation from all pending appeals using 100% of requested reduction:						\$599,125,510

\* Appeal filings for the current fiscal year are preliminary and subject to change.

\*\* Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the 'Valuation After Appeal' into the 'County Valuation'. For withdrawn and denied appeals, the valuation after appeal is the original County valuation.

\*\*\* Estimated based on the County valuation for pending appeals across all years multiplied by the difference between 100% and the retention rate for resolved appeals across all years

Source: San Francisco County Assessment Appeals Board. Data as of 12/2/2016.

Appeals have been filed by several of the largest property owners in the Mission Bay Project Areas. Alexandria Real Estate has three appeals pending in Fiscal Year 2016-17 and three in Fiscal Year 2015-16, with disputed valuation of approximately, respectively, \$98.6 million and \$168.6 million. Essex Portfolio LP has one appeal pending on its Fiscal Year 2016-17 valuation with disputed valuation of approximately \$102.3 million. The Hines Global REIT has appealed a parcel located at 550 Terry Francois Boulevard in Fiscal Year 2015-16 with disputed valuation totaling \$83.8 million and one in Fiscal Year 2013-14 with disputed valuation totaling \$57.3 million; an appeal of the same property in Fiscal Year 2014-15 resulted in no change to the original valuation.

Were the City Controller to change its policy of deducting appeal-related tax refunds solely from Taxing Entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions, applying the retention rate of 99.7% to the valuation currently subject to pending appeals, the estimated reduction in prior-year assessed valuation would be approximately \$3.7 million or approximately \$37,000 in gross tax increment revenues. As this includes properties with appeals in multiple years, it does not necessarily indicate an equivalent reduction in future revenue. If the full amount of disputed valuation were to be granted by the Assessment Appeals Board across the Mission Bay Project Areas, and if the City Controller were to deduct the resulting tax refunds from the Successor Agency's tax increment, the estimated reduction in prior-year assessed valuation would be approximately 12.7% or \$599.1 million for the Mission Bay Project Areas and approximately 13% or \$6.0 million in gross tax increment revenues; this may include multi-year appeals and does not necessarily indicate an equivalent reduction in future revenue.

## **CERTAIN RISK FACTORS**

*In addition to the information set forth elsewhere in this Official Statement, potential investors should consider the following matters in evaluating an investment in the 2017C Bonds. The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2017C Bonds. No assurance can be given that additional risk factors will not become evident at any future time. The order in which the following information is presented is not intended to reflect the relative importance of any such risks.*

### **Recognized Obligation Payment Schedule**

As described in greater detail above under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule,” the Redevelopment Dissolution Act provides that only those payments listed in a ROPS may be made by the Successor Agency from the funds specified in the ROPS. Tax Revenues will not be distributed from the RPTTF by the City Controller to the Retirement Fund without a duly approved and effective ROPS obtained in sufficient time prior to the distribution date, unless a Last and Final ROPS is filed in which event no periodic filing requirements apply. In instances where a Last and Final ROPS is not filed, if the Successor Agency were to fail to submit an approved ROPS by the applicable date and the California Department of Finance does not provide a notice to the City Controller to withhold funds from distribution to Taxing Entities, amounts in the RPTTF for such period would be distributed to Taxing Entities as more fully described in the section of this Official Statement entitled, “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule,” and the availability of Tax Revenues for the Successor Agency to pay debt service on the 2017C Bonds could be adversely affected for such period. The Successor Agency does not currently plan to file a Last and Final ROPS. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Recognized Obligation Payment Schedule.”

### **Certain Uncertainties Regarding the Redevelopment Dissolution Act**

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Redevelopment Dissolution Act has only required that county auditor-controllers establish a single RPTTF with respect to each former redevelopment agency within the respective county. Additionally, the Redevelopment Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the RPTTF of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (such as the Former Agency) the Redevelopment Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the RPTTF, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Redevelopment Dissolution Act states: “*it is the intent that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.*” The implications of these provisions of the Redevelopment Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. Due to the pledge of Tax Revenues securing the 2017C Bonds, Tax Revenues will be used for such purposes prior to being used for any other purpose, including payment of any other indebtedness of the Former Agency now being paid by the Successor Agency.

## **Concentration of Property Ownership**

The risk of reduction in assessed value as a result of factors described herein may increase where the assessed value within the Mission Bay Project Areas is concentrated among a relatively few number of property owners. Ownership of property in the Mission Bay Project Areas is significantly concentrated, with the ten largest property owners accounting for 45.3% of the Fiscal Year 2016-17 assessed valuation and 46.5% of the Mission Bay Project Areas' incremental assessed value. Significant reduction in the assessed values of these property owners could, by itself or in combination with other factors, have a material adverse effect on the Successor Agency's ability to pay debt service on the 2017C Bonds as such payments become due and payable. See "THE MISSION BAY PROJECT AREAS – Table 1, Property Tax Values and Tax Revenues" and "– Table 2, Ten Largest Property Owners by Assessed Valuation for Fiscal Year 2016-17."

## **Estimates of Tax Revenues**

To estimate the Tax Revenues ultimately available to pay debt service on the 2017C Bonds, the Successor Agency has made certain assumptions with regard to the present and future assessed valuation of taxable property in the Mission Bay Project Areas, future tax rates, growth in tax revenues over time, percentage of taxes collected and other senior obligations. See APPENDIX B – "REPORT OF FISCAL CONSULTANT." The Successor Agency believes these assumptions to be reasonable, but there are no assurances that these assumptions will be realized. To the extent that the assessed valuation, the tax rates and the percentages collected are less than the Successor Agency's assumptions, the Tax Revenues would be less than those projected and may be insufficient to pay debt service on the 2017C Bonds.

## **Reduction in Tax Base and Assessed Values**

Tax Revenues allocated to the RPTTF constitute the ultimate source of payment on the 2017C Bonds and any Parity Debt. Such tax revenues are determined by the amount of the incremental taxable value of property in the Mission Bay Project Areas, the current rate or rates at which property in the Mission Bay Project Areas is taxed and the percentage of taxes collected in the Mission Bay Project Areas. A reduction of the taxable values of property in the Mission Bay Project Areas could occur as a result of numerous factors beyond the Successor Agency's control, including but not limited to, a general economic downturn, political and economic obstacles to additional development and redevelopment activities in the Mission Bay Project Areas, relocation out of the Mission Bay Project Areas by one or more major property owners or tenants, property becoming exempt from property taxes through condemnation or acquisition by certain entities such as nonprofit corporations, or the complete or partial destruction of property caused by, among other calamities, earthquake, fire, flood or other natural disaster.

Under California law, certain properties are exempt from property taxation including properties owned or leased by governmental entities or by certain nonprofit corporations. Certain properties in the Mission Bay Project Areas are currently exempt from property taxes and expected to remain exempt and others may become exempt in the future. Therefore, no taxes therefrom are contemplated in the calculation of Tax Revenues.

Some exempt properties in the MB South Project Area are or may be subject to PILOT agreements, which require tax-exempt owners or lessees to make payments under certain circumstances in lieu of the payment of taxes as if the property were subject to taxation. Taxable values may also be reduced pursuant to successful appeals of assessed valuations or by widespread temporary reduction in assessed valuation under Proposition 8. These risks may be greater where, as here, the Mission Bay Project Areas has a high concentration of major taxpayers. See "THE MISSION BAY PROJECT AREAS – Ten Largest Property Owners by Valuation," above.



There are appeals to assessed valuations of certain of the ten largest property owners. See “TAX REVENUES AND DEBT SERVICE – Assessment Appeals,” above. The potential exposure of the Successor Agency’s tax increment revenue to appeals were the City Controller to change its policy of deducting appeal-related tax refunds solely from taxing entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions may be seen by applying the overall retention rate for all years in a project area to the amount of roll valuation in pending appeals for the project area. Applying the retention rate of 99.7% to the aggregate valuation currently subject to pending appeals in the Mission Bay Project Areas, the Fiscal Consultant estimates a reduction in valuation of approximately \$3.7 million or an approximately \$37,000 reduction in gross tax increment revenue. Any such reductions in taxable values could cause a reduction in the Tax Revenues securing the 2017C Bonds and could have an adverse effect on the Successor Agency’s ability to make timely payments with respect to such 2017C Bonds.

In general, because property on the unsecured tax roll includes personal property and leasehold interests, the values of property on the unsecured roll are more likely to fluctuate and are more susceptible to reduction due to adverse economic circumstances affecting the owner of the properties. Accordingly, unsecured assessed valuation may present special risks and may be more susceptible to fluctuation from year to year than valuation reflected on the secured roll. According to the Fiscal Consultant, the unsecured roll represents approximately five percent (5%) of the overall assessed value for the Mission Bay Project Areas for Fiscal Year 2016-17.

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such adjustments are computed on a calendar year basis. In projecting future Tax Revenues to be available to it to make payments with respect to the 2017C Bonds, the Successor Agency has assumed an annual two percent (2%) inflationary increase. The projected Tax Revenues are based on the latest actual amounts received by the Successor Agency. However, future deflation could cause decreases in property values, a reduction in tax revenues received by the Successor Agency and reduced Tax Revenues. See “TAX REVENUES AND DEBT SERVICE” and “LIMITATIONS ON TAX REVENUES – Tax Limitations – Article XIII A of California Constitution” herein.

In addition to the other limitations on and the required application under the Redevelopment Dissolution Act of tax revenues on deposit in the RPTTF, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing tax revenues allocated to the RPTTF and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature’s impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce Tax Revenues and adversely affect the source of repayment and security of the 2017C Bonds.

### **Appeals to Assessed Values**

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent (2%) annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to California law, a property owner may apply for a Proposition 8 reduction of the property tax assessment

for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the City, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one (1) year period must submit an application to the City's Assessment Appeals Board. Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the Assessor, the Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Assessment Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Assessment Appeals Board generally is required to determine the outcome of appeals within two (2) years of each appeal's filing date unless waived by applicant. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent (2%)) following the year for which the reduction application is filed. However, the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted. See "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedure" and "TAX REVENUES AND DEBT SERVICE."

An appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the applicant property owner. A reduction in present or future taxable values within the Mission Bay Project Areas, which may arise out of successful appeals by property owners, will affect the amount of present or future Tax Revenues.

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the 2016-17 roll data shown in the tables under "TAX REVENUES AND DEBT SERVICE."

See "TAX REVENUES AND DEBT SERVICE — Assessment Appeals" for a description of pending appeals and the potential impact on tax revenues if the appeals are granted.

### **Property Foreclosures**

Foreclosures primarily affect assessed valuations at the point at which the property foreclosed upon is sold to a third party, with the often significantly lower sale price determining the property's new assessed value. As available foreclosure data does not track properties through to the point of sale to third parties, the actual impact on assessed valuation cannot be reasonably determined.

### **State Budget Issues; Changes in State Law**

In general terms, the Redevelopment Dissolution Act implemented a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (then projected savings of \$1.5 billion). Subsequently, SB 107 was enacted, making additional changes to the Redevelopment Dissolution Act.

There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Tax Revenues. There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the

Redevelopment Law, the Redevelopment Dissolution Act or other laws or the Constitution of the State resulting in a reduction of Tax Revenues, or that otherwise have an adverse effect on the Successor Agency's ability to pay debt service on the 2017C Bonds.

The Redevelopment Dissolution Act is new and implementation of its provisions have been and will be subject to differing interpretations by different stakeholders, including the California Department of Finance, the State Controller, oversight boards, successor agencies, auditor-controllers, and others. Certain litigation is challenging some of the terms of the Redevelopment Dissolution Act and the Redevelopment Dissolution Act could be subject to further legislative or judicial review. The Successor Agency cannot predict the outcome or impact of any such litigation, interpretations or reviews on the availability of Tax Revenues to pay the 2017C Bonds.

### **Recent Executive Order; Changes in Federal Law**

On January 25, 2017, President Donald Trump issued "Executive Order – Enhancing Public Safety in the Interior of the United States," which aims to address certain immigration policies of the administration, including among other things sanctuary jurisdictions. The order states, in part, that the policy of the executive branch will be to "ensure that jurisdictions that fail to comply with applicable federal law do not receive federal funds, except as mandated by law." The City is a sanctuary jurisdiction, and on January 31, 2017, the City filed a lawsuit in United States District Court – Northern District of California challenging the President's executive order as unconstitutional. However, the Tax Revenues do not include any federal funds and federal funds constitute less than one percent of the Successor Agency's total budget.

There can be no assurance that the President will not execute executive orders in the future targeting sanctuary jurisdictions or that the federal government will not introduce or enact legislation that could impact the marketability, liquidity or market price for the 2017C Bonds or affect tax increment revenues, including Tax Revenues. See also "– Secondary Market."

### **Development Risks**

Although the Mission Bay Project Areas are substantially developed, the remaining developments within the Mission Bay Project Areas will be subject to all the risks generally associated with real estate development. The projected development within the MB South Project Area may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the MB South Project Area could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the MB South Project Area is delayed or halted, the economy of the Mission Bay Project Areas could be affected. If such events lead to a decline in assessed values, they could cause a reduction in Tax Revenues. In addition, if there is a decline in the general economy of the Mission Bay Project Areas, the owners of property within the Mission Bay Project Areas may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Tax Revenues received by the Successor Agency from the Mission Bay Project Areas. In addition, the insolvency or bankruptcy of one or more large owners of property within the Mission Bay Project Areas could delay or impair the receipt of Tax Revenues by the Successor Agency.

### **Natural Disasters**

Real estate values can be adversely affected by a variety of natural events and conditions, including earthquakes, tsunamis, sea level rise and floods. The Successor Agency expects that one or more of these conditions may occur from time to time, and such conditions may result in delays in development or damage to property improvements. Any damage resulting from a natural disaster may entail significant repair or replacement costs, and repair or replacement may never occur. Under any of these circumstances, the value

of real estate within the Mission Bay Project Areas could depreciate substantially and owners of property may be less willing or able to pay property taxes.

***Earthquake.*** The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about three miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. 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.

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 quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

The final Mission Bay Subsequent Environmental Impact Report (1998) ("**Final SEIR**") describes the Mission Bay area as underlain by as much as 45 feet of fill, 10 to 70 feet of weak, compressible clay known as Bay Mud, 1 to 30 feet of alluvium, and 1 to 40 feet of stiff to hard clay known as Old Bay Clay, which overlie Franciscan bedrock (consisting primarily of layered shale and sandstone). The groundwater table is between 1 and 18 feet below the ground surface. The Final SEIR states that the Mission Bay area is in a Seismic Hazards Zone for liquefaction and susceptible to earthquake-related ground shaking that would be strong enough to damage buildings and infrastructure, and possible result in injury or loss of life. Finally, the Final SEIR notes that the San Francisco Building Code would require seismically resistant construction in the Mission Bay project area to reduce injury and loss of life during earthquakes: piles must be driven to depths between 30 and about 200 feet to support major structures and to reduce the effects of ground shaking and liquefaction.

***Climate Change and Flooding.*** In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that the replacement value of this property totals nearly \$100 billion (in 2000 dollars). Two-thirds of this at-risk property is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the Bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

According to the Final SEIR, structures and roadways in the Mission Bay development – including property in the Mission Bay Project Areas – could be subject to tidal flooding during the 100-year flood event. Flooding would occur more frequently if sea levels were to rise, as they are currently expected to do. If sea levels were to rise, groundwater levels in the Mission Bay area could rise approximately the same amount.

To mitigate the risk of flooding, the Successor Agency previously required and the City and the Successor Agency currently require developers of property in Mission Bay to incorporate specific measures designed by a licensed engineer; the measures may include: setback from the water's edge; installation of seawalls, dikes, and/or berms during construction of infrastructure; reduction of the amount of excavation for utilities or basements; and use of topsoil to raise the level of public open spaces.

Sea level rise can lead not only to permanent inundation of land but it can also expand the 100-year floodplain. Land composed of fill near San Francisco Bay – including property in Mission Bay – is at risk for inundation because of low elevation and subsidence over time due to compaction from buildings and soil desiccation. The Successor Agency 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 Mission Bay Project Areas.

***Tsunamis.*** Tsunamis are large waves in the ocean generated by earthquakes, coastal or submarine landslides, or volcanoes. Damaging tsunamis are not common on the California coast. Most California tsunami are associated with distant earthquakes (most likely those in Alaska or South America, and recently in Japan), not with local earthquakes. Devastating tsunamis have not occurred in historic times in the San Francisco Bay Area. The Community Safety Element states that, because of the lack of reliable information about the kind of tsunami run-ups that have occurred in the prehistoric past, there is considerable uncertainty over the extent of tsunami run-up that could occur.

The Final SEIR states that the Mission Bay area is in an area subject to tsunami inundation hazards (as defined in the Community Safety Element of the General Plan) but that the likelihood of tsunami inundation is very slight.

It should be assumed, therefore, that an earthquake or other natural event or man-made activity may occur and may cause damage to improvements on parcels in the Mission Bay Project Areas of varying degrees of severity, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the assessed value of taxable values of property in the Mission Bay Project Areas and could result in a significant reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency's payment of debt service on the 2017C Bonds.

### **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the Insured Bonds when all or some becomes due, any owner of such Insured Bonds shall have a claim under the Insurance Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Insured Bonds by the Successor Agency which is recovered by the Successor Agency from the bond owner as a voidable

preference under applicable bankruptcy law is covered by the Insurance Policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absent such prepayment by the Successor Agency unless AGM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of AGM without appropriate consent. AGM may direct and must consent to any remedies and AGM's consent may be required in connection with amendments to any applicable bond documents.

In the event AGM is unable to make payment of principal and interest as such payments become due under the Insurance Policy, the Insured Bonds insured by such Insurance Policy are payable solely from the moneys received pursuant to the Indenture. In the event AGM becomes obligated to make payments with respect to any of the Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) of the Insured Bonds.

The long-term ratings on the Insured Bonds are dependent in part on the financial strength of the bond insurer and its claim paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the 2017C Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2017C Bonds or the marketability (liquidity) of the 2017C Bonds. See description of "RATINGS" herein.

The obligations of AGM are general obligations of AGM and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Successor Agency nor the Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to pay principal and interest on the Insured Bonds and the claims paying ability of AGM, particularly over the life of the investment. See "INTRODUCTION – Bond Insurance" and "BOND INSURANCE" herein for further information provided by AGM and about the Insurance Policy, which includes further instructions for obtaining current financial information concerning AGM.

### **Reserve Surety Risk Factors**

In the event of insufficient Tax Revenues to pay the scheduled principal of or interest on the 2017C Bonds when due, the Trustee shall draw upon the Reserve Policy for all or a portion of such payments. The obligations of AGM are unsecured contractual obligations and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

The long-term ratings on the 2017C Bonds are dependent in part on the financial strength of AGM and its claim paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the 2017C Bonds will not be subject to downgrade and such event could adversely affect the market price of the 2017C Bonds or the marketability (liquidity) of the 2017C Bonds. See description of "RATINGS" herein.

Neither the Successor Agency nor the Underwriters have made independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to make on the 2017C Bonds and the claims paying ability of AGM, particularly over the life of the investment.

## **No Validation Proceeding Undertaken**

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the 2017C Bonds, California Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Successor Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the 2017C Bonds. The Successor Agency and Bond Counsel have relied on the provisions of the Redevelopment Dissolution Act authorizing the issuance of the 2017C Bonds and specifying the related deadline for any challenge to the 2017C Bonds to be brought. Specifically, Section 34177.7(e) of the Redevelopment Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the 2017C Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.7, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving such financing. Such challenge period expired with respect to the 2017C Bonds and the Oversight Board Resolution No. 12-2016 (Dec. 12, 2016) on January 11, 2017.

It is possible that a lawsuit challenging the Redevelopment Dissolution Act or specific provisions thereof based on the inability of successor agencies to meet their obligations to bondholders as those obligations become due, or to pay any other of their other obligations, could be successful and that the mechanisms currently provided for under the Redevelopment Dissolution Act to provide for distribution of tax revenues to the Successor Agency for payment on the 2017C Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the 2017C Bonds.

Any action by a court to invalidate provisions of the Redevelopment Dissolution Act required for the timely payment of principal of, and interest on, the 2017C Bonds could be subject to the same issues regarding an impairment of contract or unconstitutional taking without just compensation. The Successor Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Successor Agency and the availability of Tax Revenues for the payment of debt service on the 2017C Bonds in the event of successful challenges to the Redevelopment Dissolution Act or portions thereof. However, the Successor Agency does not guarantee that any lawsuit challenging the Redevelopment Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Successor Agency’s ability to timely pay debt service on the 2017C Bonds.

## **Hazardous Substances**

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within any of the Mission Bay Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous

substance. The effect, therefore, should any of the property within the Mission Bay Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

### **Reduction in Inflation Rate**

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2017C Bonds could reduce Tax Revenues. See “LIMITATIONS ON TAX REVENUES – Tax Limitations – Article XIII A of California Constitution.”

### **Delinquencies**

The Successor Agency does not have any independent power to levy and collect property taxes. Delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency’s ability to make timely debt service payments. However, the City has adopted the Teeter Plan and provides one hundred percent (100%) of tax revenues to the Successor Agency regardless of delinquencies. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Allocation of Taxes Pursuant to the Redevelopment Dissolution Act – *Teeter Plan*.” Such plan may be discontinued at any time.

### **Investment Risk**

All funds and accounts held by the Trustee under the Indenture and all funds held by the Successor Agency in the Special Fund, into which all allocable tax revenues are initially deposited, are required to be invested in Permitted Investments as provided in the Indenture. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse effect on the security for the 2017C Bonds.

### **Bankruptcy and Foreclosure**

The payment of the property tax revenue from which tax revenues are derived and the ability of the City to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights (such as the Soldiers’ and Sailors’ Relief Act of 1940 discussed below) or by the laws of the State relating to judicial foreclosure.

The rights of the Owners of the 2017C Bonds and the enforceability of the obligation to make payments on the 2017C Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The various legal opinions to be delivered concurrently with the delivery of the 2017C Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases. See APPENDIX E – “FORM OF BOND COUNSEL FINAL OPINION.”

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such



delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2017C Bonds and the possibility of delinquent tax installments not being paid in full. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Retirement Fund from being applied to pay interest on the 2017C Bonds and/or to redeem 2017C Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of property taxes or the timing of enforcement thereof. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

As discussed under "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures – *Delinquencies*," under its current policies, the City Controller distributes one hundred percent (100%) of tax increment revenues allocated to the Successor Agency without regard to delinquencies in the payment of property taxes. However, there can be no assurance that such policies will not be changed in the future.

### **Levy and Collection of Taxes**

The Successor Agency has no independent power to levy and collect property taxes. As discussed herein, the Successor Agency only receives, on an annual basis, that tax increment revenue required for it to pay debt service, enforceable obligations and administrative expenses. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Successor Agency to pay debt service on the 2017C Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Successor Agency's ability to make timely payments on the 2017C Bonds. The City allocates property taxes to the Successor Agency based on one hundred percent (100%) of the tax levy, notwithstanding any delinquencies. However, the City may discontinue such practice at any time. If there is a decline in the general economy of the Mission Bay Project Areas, the owners of property within the Mission Bay Project Areas may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Successor Agency from the Mission Bay Project Areas.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the 2017C Bonds, or if a secondary market exists, that the 2017C Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the marketability, liquidity or market price for the 2017C Bonds will not be affected by the introduction or enactment of any future legislation or executive order (including, without limitation, amendments to or repeal of any portions of the Tax Code), or by any state constitutional amendments, court decisions, changes in interpretation of the Code (as defined below under “TAX MATTERS”), or actions of the IRS, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2017C Bonds for audit examination, or the course or result of any IRS audit or examination of the 2017C Bonds or obligations that present similar tax issues as the 2017C Bonds.

### **Parity Obligations**

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS – Limitations on Additional Indebtedness – *Parity Debt*,” the Successor Agency may issue or incur additional obligations secured by a lien on Tax Revenues on a parity with its pledge of the lien on Tax Revenues in favor of the 2017C Bonds. Within the next 5-6 years, the Successor Agency currently anticipates issuing approximately \$140 million aggregate principal amount of additional bonds to finance affordable housing on a parity with the 2017C Bonds. The amount and timing in the preceding sentence reflect current projections; no assurances can be given as to the exact timing or amount of any additional bond issuances. The existence of and the potential for additional Parity Debt increases the risks associated with the Successor Agency’s payment of debt service on the 2017C Bonds in the event of a decrease in the Successor Agency’s collection of tax revenues.

### **Bonds are Limited Obligations**

The 2017C Bonds are special, limited obligations of the Successor Agency and as such are not debt of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency, and none of the Authority, the City, the State or any of their political subdivisions other than the Successor Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the 2017C Bonds are payable solely from Tax Revenues allocated to the Successor Agency from the Mission Bay Project Areas and certain other funds pledged therefor under the Indenture. The 2017C Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017C BONDS.” No Owner of the 2017C Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on, the 2017C Bonds.

### **Limited Recourse on Default**

If the Successor Agency defaults on its obligations under the Indenture, the Trustee has the right to accelerate the 2017C Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of the 2017C Bonds.

## **LIMITATIONS ON TAX REVENUES**

The 2017C Bonds are secured by a pledge of Tax Revenues attributable to the Mission Bay Project Areas. The Successor Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Tax Revenues available to the Successor Agency for payment of the principal of and interest on the 2017C Bonds is affected by several factors, including but not limited to those discussed below. See also “CERTAIN RISK FACTORS.”

### **Property Tax Collection Procedure**

**Classifications.** In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied

by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of creation of the other liens.

Generally, *ad valorem* taxes are collected by a county (the “**Taxing Authority**”) for the benefit of the various entities (cities, school districts and special districts) that share in the *ad valorem* tax (each, a taxing entity) and redevelopment agencies eligible to receive tax increment revenues.

**Collections.** Secured property and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The Taxing Authority has four (4) ways of collecting unsecured personal property taxes in the case of delinquency: (i) initiating a civil action against the taxpayer; (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

**Delinquencies.** The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent after the following December 10 and April 10. Taxes on unsecured property are due March 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 and are subject to penalty; unsecured taxes added to the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

**Penalty.** A ten percent (10%) penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, on or about June 30 of the fiscal year, property on the secured roll on which taxes are delinquent is declared to be in default by operation of law and declaration of the tax collector. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of one and one half of a percent (1.5%) per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county tax collector. A ten percent (10%) penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of one and one half of a percent (1.5%) per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

**Supplemental Assessments.** California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next January 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to fourteen (14) months. This statute provides increased revenue to the RPTTF to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Mission Bay Project Areas, Tax Revenues may increase.

**Property Tax Administrative Costs.** In 1990, the Legislature enacted Senate Bill 2557 (Statutes of 1990, Chapter 466) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. Subsequent legislation clarified that the provisions of SB 2557 include redevelopment agencies as a local government agency which must pay such administrative costs. In addition, Sections 34182(e) and

34183(a) of the Redevelopment Dissolution Act allow administrative costs of the county auditor-controller for the cost of administering the provisions of the Redevelopment Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before moneys are deposited into the RPTTF.

### **Taxation of Unitary Property**

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case, values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the one percent tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to one hundred and two percent (102%) of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than one hundred and two percent (102%) of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization. The City Controller, following guidance from the State Board of Equalization does not share any of the City-wide unitary revenue with the Successor Agency. No unitary tax revenue is included in the projections of Tax Revenues.

### **Tax Limitations – Article XIII A of California Constitution**

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to one percent (1%) of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the one percent (1%) limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, and (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent (2%) per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other

factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value. The legislation further establishes the method for allocating the taxes collected by each county among the taxing agencies in the county.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age fifty-five (55) and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in property tax revenues.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the no more than two percent (2%) annual adjustment (1.525% for Fiscal Year 2016-17 and projected to be two percent (2%) for Fiscal Year 2017-18) are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

The Successor Agency cannot predict whether there will be any future challenges or changes to California’s present system of property tax assessment or the effect on the Successor Agency’s receipt of Tax Revenues as a result of such challenge or change.

### **Article XIII B of California Constitution**

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution which has been subsequently amended several times. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The base year for establishing such appropriation limit is fiscal year 1978-79 and the limit is to be adjusted annually to reflect changes in population, cost of living and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Effective September 30, 1980, the California Legislature added Section 33678 of the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof. The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely* and *Brown v. Community Redevelopment Agency*.

### **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness issued by a taxing entity (not the Successor Agency) and approved by the voters

of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Tax Revenues do not include any such amounts.

### **Articles XIII C and XIII D of California Constitution**

On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. The 2017C Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218 and are outside of the scope of taxes that are limited by Proposition 26.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures or other legislation could be adopted, further affecting the availability of tax increment revenues or the Successor Agency’s ability to expend tax increment revenue.

## **TAX MATTERS**

*General.* The interest on the 2017C Bonds is not intended by the Successor Agency to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the 2017C Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the 2017C Bonds to be delivered on the date of issuance of the 2017C Bonds is set forth in Appendix E.

Owners of the 2017C Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017C Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2017C Bonds other than as expressly described above.

*Form of Bond Counsel Opinion.* At the time of issuance of the 2017C Bonds, Bond Counsel expects to deliver an opinion for the 2017C Bonds in substantially the form set forth in APPENDIX E.

## **LITIGATION**

There is no litigation now pending or, to the best knowledge of the Successor Agency, threatened to restrain or enjoin the execution or delivery of the 2017C Bonds or the Indenture or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the 2017C Bonds. In the opinion of counsel to the Successor Agency, there is no lawsuit or claim now pending against the Successor Agency, which if decided adversely to the Successor Agency would materially affect the Successor Agency’s finances so as to impair the ability of the Successor Agency to pay debt service on the 2017C Bonds as it becomes due.

A number of other lawsuits have been filed in the State that challenge the Redevelopment Dissolution Act or the application of certain of its provisions. The Successor Agency is unable to predict

the likely outcome of these actions or the possible impact, if any, of their outcomes on the distribution of property tax revenues or other moneys to the Successor Agency under the Redevelopment Dissolution Act or on the Successor Agency's ability to make payments of principal of and interest on the 2017C Bonds.

### **CONTINUING DISCLOSURE**

The Successor Agency has covenanted for the benefit of the Owners of the 2017C Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than six (6) months after the end of the Successor Agency's Fiscal Year (presently June 30) in each year commencing with its Annual Report for the 2016-17 fiscal year and to provide notices of the occurrence of certain enumerated events. The Annual Report, and the notices of events will be filed by the Successor Agency, or the Dissemination Agent, if any, on behalf of the Successor Agency, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

In the past five years, the Successor Agency believes that neither the Former Agency nor the Successor Agency have failed to comply in any material respect with any previous undertakings in accordance with S.E.C. Rule 15c2-12 to provide annual reports or notices of certain enumerated events. The Former Agency failed on occasion to file a notice of a bond insurer-related rating downgrade on a timely basis, however, such failure was only with respect to downgrades below the underlying rating of the bond. Additionally, for Fiscal Years 2011-13, certain tabular information related to a merged project area was not aggregated as required by the applicable continuing disclosure agreement. However, all of the required information was available for the component areas of such merged project area. Further, the Annual Report for Fiscal Year 2015-16 was inadvertently not linked to two CUSIPS of outstanding bonds when filed with EMMA. The Successor Agency has filed notices of all bond rating downgrades and the missing tabular information noted above were filed in March 2014 and linked the 2016 Annual Report to the two CUSIPS. The Successor Agency has also established procedures which it believes are sufficient to ensure future compliance with its continuing disclosure undertakings.

### **LEGAL MATTERS**

Certain legal matters incident to the issuance, sale and delivery of the 2017C Bonds are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, as Bond Counsel. Certain legal matters incident to the issuance of the 2017C Bonds will be passed upon for the Successor Agency by its General Counsel. Curlls Bartling P.C. is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation.

Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization, issuance and sale of the 2017C Bonds, and the exemption of interest on the 2017C Bonds from California personal income taxes. See "TAX MATTERS" herein and APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

Fees payable to Bond Counsel, Disclosure Counsel and Underwriters' Counsel are contingent upon the sale and delivery of the 2017C Bonds.

### **MUNICIPAL ADVISORS**

Public Financial Management, Inc. and Kitahata & Company have served as Co-Municipal Advisors to the Successor Agency and provided advice with respect to the sale of the 2017C Bonds. Each of the Municipal Advisors is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments.

The Municipal Advisors have assisted the Successor Agency in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2017C Bonds. The Municipal Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Successor Agency to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisors will receive compensation contingent upon the sale and delivery of the 2017C Bonds.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The accuracy of, among other things, the mathematical computations of the amounts deposited in the Escrow Funds to pay, when due, the redemption price of and accrued interest on the Authority Bonds has been verified by Causey Demgen & Moore P.C.

## **RATINGS**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC business ("S&P"), has assigned an underlying rating to the 2017C Bonds of "A." S&P is anticipated to assign the Insured Bonds an insured rating of "AA" based upon the issuance of the Insurance Policy by AGM at the time of delivery of the 2017C Bonds. Such ratings reflect only the view of such organization, and an explanation of the significance of the rating may be obtained by contacting S&P. Such ratings are not a recommendation to buy, sell or hold the 2017C Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2017C Bonds. The Successor Agency undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Successor Agency for the Fiscal Year ended June 30, 2016, are included as part of APPENDIX A – "SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016." Such financial statements have been audited by Macias Gini & O'Connell, LLP (the "**Auditor**"), independent certified public accountants, whose report also appears in APPENDIX A. The Auditor was not requested to consent to the inclusion of its report in APPENDIX A, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

## **UNDERWRITING**

The 2017C Bonds will be sold to Piper Jaffray & Co. ("**Piper**"), as representative of itself and Stinson Securities, LLC (together, the "**Underwriters**"), pursuant to a bond purchase contract (the "**Purchase Contract**") between the Successor Agency, the Authority and the Underwriters. The Underwriters have agreed to purchase the 2017C Bonds for \$42,564,961.45 (which amount represents the aggregate principal amount of the 2017C Bonds, less an original issue discount in the amount of \$596,338.55 and less an underwriters' discount of \$238,700.00).

The initial public offering prices of the 2017C Bonds may be changed from time to time by the Underwriters. The Purchase Contract provides that the Underwriters will purchase all of the 2017C Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.



Piper has entered into a distribution agreement (“**Distribution Agreement**”) with Charles Schwab & Co., Inc. (“**CS&Co**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co will purchase the 2017C Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any 2017C Bonds that CS&Co sells.

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## MISCELLANEOUS

All the summaries contained herein of the Indenture, applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith. The Successor Agency shall provide, upon request, annual audited financial statements when available.

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract with the Bondowners or Beneficial Owners.

The execution and delivery of this Official Statement have been duly authorized by the Successor Agency Commission.

SUCCESSOR AGENCY TO THE REDEVELOPMENT  
AGENCY OF THE CITY AND COUNTY OF SAN  
FRANCISCO

By: /s/ Bree Mawhorter  
Deputy Director of Finance and Administration

**APPENDIX A**

**SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Annual Financial Report

For the Year Ended June 30, 2016



Certified  
Public  
Accountants

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

**For the Year Ended June 30, 2016**

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## Independent Auditor's Report

Commission on Community Investment and Infrastructure  
Successor Agency to the Redevelopment Agency of the  
City and County of San Francisco  
San Francisco, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency as of June 30, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

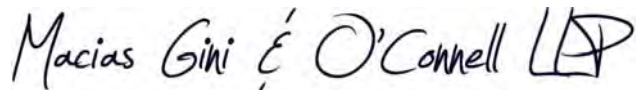
## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of proportionate share of the net pension liability and contributions for pension plan, and schedule of funding progress for postemployment healthcare plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Francisco, California

October 21, 2016



**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2016

As management of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("Successor Agency"), we offer readers of the Successor Agency's basic financial statements this narrative overview and analysis of the financial activities of the Successor Agency for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements, which follow this section.

**Financial Highlights**

The Successor Agency's net position at June 30, 2016 was a deficit of \$377.0 million when compared to a deficit of \$425.4 million at June 30, 2015, a decrease in deficit of \$48.4 million for fiscal year 2016.

The Successor Agency's additions for fiscal year 2016 were \$237.5 million compared to \$203.1 million for fiscal year 2015, an increase of \$34.4 million. The increase was mainly due to the increases of \$14.5 million for developer payments and \$19.0 million net gain on the sale of the Jessie Garage, offset by a decrease of \$5.5 million for redevelopment property tax revenues.

The Successor Agency's deductions for fiscal year 2016 were \$189.1 million compared to \$166.5 million for fiscal year 2015, an increase of \$22.6 million. The increase was mainly due to the increases in affordable housing loan program costs of \$15.9 million, salaries and benefits of \$2.0 million due to the increase in employees, contracted services for Mission Bay North and South Project Area of \$30.0 million, contracted services for other project areas of \$4.1 million, offset by decreases in interest on debt of \$5.0 million, \$18.8 million of one-time prior year reinstatement of Supplemental Education Revenue Augmentation Funds (SERAF) borrowings from the City and County of San Francisco (City) and one-time prior year transfer of capital assets to the City of \$4.6 million.

On April 21, 2016, the Successor Agency also issued Tax Allocation Bonds Series 2016 B (2016 Series B Bonds) for \$45.0 million. The Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2016 A (2016 Series A Bonds) for \$73.9 million, and 2) Tax Allocation Refunding Bonds Series 2016 C (2016 Series C Bonds) for \$73.2 million.

Proceeds from the 2016 Series A Bonds, including original issue premium and funds on hand from the refunded bonds, were used to fully refund Tax Allocation Bonds Series 2005 Series D, 2006 Series B, 2009 Series C, and 2011 Series C in the amount of \$12.9 million, \$29.5 million, \$25.3 million, and \$25.7 million, respectively.

Proceeds from the 2016 Series C Bonds, including original issue premium of and funds on hand from the refunded bonds, were used to fully refund Tax Allocation Bond Series 2009 Series D and 2011 Series D in the amount of \$45.0 million and \$34.9 million, respectively.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Successor Agency's basic financial statements. The Successor Agency's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2016

**Financial Analysis**

The former Redevelopment Agency of the City and County of San Francisco ("Agency") and Successor Agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments. Once redevelopment projects that are public facilities are completed by the Successor Agency, the Successor Agency will obtain approval to transfer these assets along with the responsibilities for their continued maintenance and operations to an appropriate public entity such as the City and County of San Francisco (City).

Net position may serve over time as a useful indicator of a government's financial position. At June 30, 2016, Successor Agency has a deficit net position of \$377.0 million. Shown below is a schedule that summarizes the Successor Agency's net position held in trust:

Statement of Fiduciary Net Position  
(In thousands)

<b>Assets</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>\$ Change</b>
Current and other assets	\$ 444,242	\$ 433,035	\$ 11,207
Capital assets	165,221	188,096	(22,875)
<b>Total assets</b>	<b>609,463</b>	<b>621,131</b>	<b>(11,668)</b>
 <b>Deferred outflows of resources</b>	 31,242	 3,295	 27,947
 <b>Liabilities</b>			
Other liabilities	41,878	42,523	(645)
Long-term liabilities	967,995	999,519	(31,524)
<b>Total Liabilities</b>	<b>1,009,873</b>	<b>1,042,042</b>	<b>(32,169)</b>
 <b>Deferred inflows of resources</b>	 7,874	 7,793	 81
 <b>Total net position held in trust</b>	 <b>\$ (377,042)</b>	 <b>\$ (425,409)</b>	 <b>\$ 48,367</b>

**Assets**

The Successor Agency's assets at June 30, 2016 were \$609.5 million when compared with \$621.1 million at June 30, 2015, a decrease of \$11.7 million for fiscal year 2016 primarily due to the following:

- Increase in unrestricted cash and investments of \$18.7 million, from \$275.8 million at June 30, 2015 to \$294.5 million at June 30, 2016. The increase was mainly due to the receipt of developer payments for affordable housing projects scheduled in future years.
- Decrease in restricted cash and investments with trustees of \$11.9 million, from \$150.5 million at June 30, 2015 to \$138.6 million at June 30, 2016. The decrease was mainly due to the usage of funds on hand from the refunded bonds for the current year bond refundings.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2016

- Increase in interest and other receivables of \$3.7 million, from \$4.7 million at June 30, 2015 to \$8.4 million at June 30, 2016. The increase was mainly due to timing of the receipt of developer payments.
- Decrease in capital assets of \$22.9 million, from \$188.1 million at June 30, 2015 to \$165.2 million at June 30, 2016. The decrease was mainly due to the sale of Jessie Garage with book value of \$18.5 million, current year depreciation of \$5.5 million, offset by an increase of \$1.1 million in construction in progress.

***Liabilities***

The Successor Agency's liabilities at June 30, 2016 were \$1,009.9 million when compared with \$1,042.0 million at June 30, 2015, a decrease of \$32.1 million for fiscal year 2016 primarily due to the following:

- Increase in accounts payable of \$2.5 million, from \$19.3 million at June 30, 2015 to \$21.8 million at June 30, 2016. The increase was mainly due to timing of the payment for eligible expenditures.
- Decrease in accrued interest payable of \$4.0 million, from \$20.1 million at June 30, 2015 to \$16.1 million at June 30, 2016. The decrease was mainly due to impact of refunding of bonds in the current year.
- Decrease in long-term liabilities of \$31.5 million, from \$999.5 million at June 30, 2015 to \$968.0 million at June 30, 2016. The decrease was mainly due to scheduled debt service payments paid during the year.

***Deferred Outflows and Inflows of Resources***

The Successor Agency's deferred outflows of resources at June 30, 2016 were \$31.2 million when compared with \$3.3 million at June 30, 2015, an increase of \$27.9 million for fiscal year 2016. The increase is mainly due to the increase in loss on refunding of \$28.0 million, from \$1.7 million at June 30, 2015 to \$29.7 million at June 30, 2016 due to the current year bond refundings.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2016

The Successor Agency's net position increased by \$48.4 million for fiscal year 2016. Key elements of the Successor Agency's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position  
(In thousands)

	<b>Year Ended</b>		
	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>\$ Change</b>
<b>Additions</b>			
Redevelopment property tax revenues	\$ 119,302	\$ 124,791	\$ (5,489)
Developer payments	64,780	50,343	14,437
Charges for services	18,779	19,076	(297)
Hotel tax	5,022	5,102	(80)
Investment income	1,632	2,045	(413)
Grants	332	323	9
Other	27,637	1,426	26,211
Total additions	<u>237,484</u>	<u>203,106</u>	<u>34,378</u>
<b>Deductions</b>			
Salaries and benefits	8,841	6,853	1,988
Operating expenses	1,626	1,452	174
Affordable housing loan program costs	47,738	31,856	15,882
Contracted services:			
Hunters Point Shipyard / Candlestick Point	5,134	4,043	1,091
Mission Bay North and South	40,313	10,354	29,959
Transbay	3,257	3,891	(634)
Yerba Buena Center	6,179	4,423	1,756
Other	8,592	4,486	4,106
Community based programs	4,096	5,436	(1,340)
Distribution of pledged revenue to			
Transbay Joint Powers Authority	1,632	2,500	(868)
Depreciation	5,543	5,638	(95)
Interest on debt	52,204	57,183	(4,979)
Reinstatement of SERAF borrowing from the City	-	18,770	(18,770)
Other	3,962	4,974	(1,012)
Intergovernmental transfer of capital assets to the City	-	4,612	(4,612)
Total deductions	<u>189,117</u>	<u>166,471</u>	<u>22,646</u>
Change in net position	48,367	36,635	11,732
Net position, beginning of year	<u>(425,409)</u>	<u>(462,044)</u>	<u>36,635</u>
Net position, end of year	<u>\$ (377,042)</u>	<u>\$ (425,409)</u>	<u>\$ 48,367</u>

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2016

***Additions***

The Successor Agency's additions to net position increased by \$34.4 million, from \$203.1 million for fiscal year 2015 to \$237.5 million for fiscal year 2016 primarily due to the following:

- Decrease in redevelopment property tax revenues of \$5.5 million, from \$124.8 million for fiscal year 2015 to \$119.3 million for fiscal year 2016. The decrease was mainly due to the timing of projects which impact the pledged property tax revenues received.
- Increase in developer payments of \$14.5 million, from \$50.3 million for fiscal year 2015 to \$64.8 million for fiscal year 2016. The increase was mainly due to the increase of reimbursable project expenses.
- Increase in other additions of \$26.2 million, from \$1.4 million for fiscal year 2015 to \$27.6 million for fiscal year 2016. The increase was mainly due to the gain on the sale of the Jessie Garage of \$19.0 million and the receipt of \$4.5 million of donation from Hamilton Family for housing projects.

***Deductions***

The Successor Agency's deductions to net position increased by \$22.6 million, from \$166.5 million for fiscal year 2015 to \$189.1 million for fiscal year 2016 primarily due to the following:

- Increase in salaries and benefit of \$1.9 million, from \$6.9 million for fiscal year 2015 to \$8.8 million for fiscal year 2016. The increase was mainly due to the hiring of employees for the increased project and administrative activities.
- Increase in affordable housing loan program costs of \$15.9 million, from \$31.8 million for fiscal year 2015 to \$47.7 million for fiscal year 2016. The increase was mainly due to the timing of housing project predevelopment and construction activities
- Increase in contracted services primarily due to the following:
  - Increase in Mission Bay North and South Project Area of \$30.0 million, from \$10.3 million for fiscal year 2015 to \$40.3 million for fiscal year 2016. The increase was mainly due to current year's increase in activities in the project areas that were funded by proceeds from the issuance of 2016 Series B Bonds and pledged property tax increment revenues.
  - Increase in Yerba Buena Center Project Area of \$1.8 million from \$4.4 million for fiscal year 2015 to \$6.2 million, for fiscal year 2016. The increase was mainly due to current year's increase in activity in the project area.
  - Increase in other project areas of \$4.1 million, from \$4.5 million for fiscal year 2015 to \$8.6 million for fiscal year 2016. The increase was mainly due to payment of \$3.0 million for elevator upgrade in a housing project and an increase in payment of \$1.1 million to the Port of San Francisco Port for South Beach Harbor services.
- Decrease in community based programs of \$1.3 million, from \$5.4 million for fiscal year 2015 to \$4.1 million for fiscal year 2016. In fiscal year 2015, the Successor Agency provided one-time funding to African Dispora for \$0.5 million and the Mexican Museum for \$0.8 million.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2016

- Decrease in interest on debt of \$5.0 million from \$57.2 million for fiscal year 2015 to \$52.2 million on fiscal year 2016. The decrease was mainly due to the refunding of six bonds during the fiscal year
- Decrease in other deductions of \$1.0 million from \$5.0 million for fiscal year 2015 to \$4.0 million on fiscal year 2016. The decrease was mainly due to impact of refunding of bonds in the current year.
- A one-time reinstatement of SERAF borrowing from the City in the amount of \$18.8 million for fiscal year 2015. During the year ended June 30, 2015, the Oversight Board and the California Department of Finance (DOF) approved future repayments of the SERAF borrowing from the City for up to the maximum amount of \$16.5 million plus accrued interest. During January 2015, the Successor Agency recorded the payable balance of \$18.8 million, which was comprised of principal of \$16.5 million and accrued interest of \$2.3 million.
- A one-time intergovernmental transfer of land held for lease located at 200 Sixth Street to the City pursuant to the Dissolution Law of \$4.6 million for fiscal year 2015.

**Capital Assets and Debt Administration**

***Capital Assets***

As discussed above, at June 30, 2016, Successor Agency had capital assets aggregating to \$165.2 million, a decrease of \$22.9 million from fiscal year 2015. The decrease was mainly due to the sale of Jessie Garage with book value of \$18.5 million, current year depreciation of \$5.5 million, offset by an increase of \$1.1 million in construction in progress.

***Long-Term Debt***

At June 30, 2016, Successor Agency had long-term debt outstanding aggregating to \$950.1 million, a decrease of \$32.1 million from fiscal year 2015. Below is a breakdown of the long-term debt is as follows (in thousands):

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>\$ Change</u>
<b>Long-Term Debt</b>			
Bonds Payable			
Tax Allocation Bonds	\$ 804,659	\$ 849,709	\$ (45,050)
Hotel Tax Revenue Bonds Series 2011	34,260	37,470	(3,210)
South Beach Harbor Series 1986 Issue A	675	1,995	(1,320)
Subtotal - Bonds Payable	<u>839,594</u>	<u>889,174</u>	<u>(49,580)</u>
Cal Boating Loans Payable	6,857	7,075	(218)
Accreted Interest Payable	42,215	37,501	4,714
Advances From the Primary Government	-	23,212	(23,212)
SERAF Borrowing From the Primary Government	14,602	16,022	(1,420)
Unamortized Premiums and Discounts	<u>46,833</u>	<u>9,193</u>	<u>37,640</u>
<b>Total Long-Term Debt</b>	<u><u>\$ 950,101</u></u>	<u><u>\$ 982,177</u></u>	<u><u>\$ (32,076)</u></u>

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**  
Management's Discussion and Analysis (Unaudited)  
For the Year Ended June 30, 2016

**Bond Ratings**

The table below shows the ratings for the Successor Agency's outstanding tax allocation bonds as of June 30, 2016:

<u>Type of Tax Allocation Bonds</u>	<u>S &amp; P Ratings</u>
Mission Bay South	A-
Mission Bay North	A
Subordinate RPTTF	A+
Cross Collateralized (Others)	AA-

**Revenues and Recognized Obligations Payment Schedule**

Pursuant to AB X1 26, the Successor Agency is required to adopt a Recognized Obligation Payments Schedule ("ROPS"). A ROPS, which lists all enforceable obligations due and payable during the six-month period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund.

The semi-annual Administrative Budget for Successor Agency is presented and approved by the Successor Agency governing board and Successor Agency's Oversight Board, and subsequently approved as part of the ROPS by the DOF.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Successor Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of Community Investment and Infrastructure, One South Van Ness Avenue 5<sup>th</sup> Floor, San Francisco, California.

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**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Statement of Fiduciary Net Position

June 30, 2016

(In Thousands)

**Assets**

Unrestricted cash and investments	\$ 294,455
Restricted cash and investments with trustees	138,600
Interest and other receivables	8,357
Intergovernmental receivables (net of allowance for uncollectible amounts of \$860)	404
Notes and mortgages receivable (net of allowance for uncollectible amounts of \$109,008)	1,724
Other assets	702
Capital assets:	
Non-depreciable	56,589
Depreciable, net of accumulated depreciation	<u>108,632</u>
Total assets	<u>609,463</u>

**Deferred outflows of resources**

Unamortized loss on refundings	29,748
Pension items	<u>1,494</u>
Total deferred outflows of resources	<u>31,242</u>

**Liabilities**

Accounts payable	21,801
Payable to the City	2,611
Accrued interest payable	16,113
Other liabilities	1,353
Long-term obligations:	
Due within one year	50,579
Due in more than one year	900,853
Net pension liability	<u>16,563</u>
Total liabilities	<u>1,009,873</u>

**Deferred inflows of resources**

Pension items	<u>7,874</u>
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**Net position held in trust**

\$ (377,042)

See accompanying notes to basic financial statements.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2016

(In Thousands)

**Additions:**

Redevelopment property tax revenues	\$ 119,302
Developer payments	64,780
Charges for services	18,779
Hotel tax	5,022
Investment income	1,632
Grants	332
Other	27,637
	<hr/>
Total additions	237,484
	<hr/>

**Deductions:**

Salaries and benefits	8,841
Administrative and operating	1,626
Affordable housing loan program costs	47,738
Contracted services	63,475
Community based programs	4,096
Distribution of pledged revenue to Transbay Joint Powers Authority	1,632
Depreciation	5,543
Interest on debt	52,204
Other	3,962
	<hr/>
Total deductions	189,117
	<hr/>

Change in net position	48,367
Net position, beginning of year	(425,409)
	<hr/>
<b>Net position, end of year</b>	<b>\$ (377,042)</b>
	<hr/> <hr/>

See accompanying notes to basic financial statements.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(1) Summary of Significant Accounting Policies**

**(a) General**

The Redevelopment Agency of the City and County of San Francisco (Agency) was a public body, corporate and politic, organized and existed under the Community Redevelopment Law of the State of California. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a “Redevelopment Project Area.”

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind-down of redevelopment activity. On January 24, 2012, the Board of Supervisors of the City and County of San Francisco (City) elected to become the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) and elected to retain the former Agency’s housing assets and functions, rights, powers, duties and obligations, effective February 1, 2012.

On June 27, 2012, the Dissolution Law was revised pursuant to Assembly Bill 1484 (AB 1484), in which the State clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency with the legal authority to participate in redevelopment activities only to the extent that it is required to complete the work related to an approved enforceable obligation. Therefore, the Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. However, the City remains the Housing Successor Agency. The Oversight Board is comprised of seven-member representatives from local government bodies: four representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; and one appointee each from the San Francisco Community College District, the Bay Area Rapid Transit District, and the San Francisco Unified School District.

On October 2, 2012, the City’s Board of Supervisors created the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure (Commission), as the policy body of the Successor Agency and delegated to it the authority to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations and the authority to take actions that the Dissolution Law requires or allows on behalf of the Successor Agency. The Commission is comprised of five members appointed by the Mayor and confirmed by the Board of Supervisors, with two of the seats held by residents of the two supervisorial districts with the largest amounts of the Major Approved Development Projects.

In September 2015, the State passed the Senate Bill 107 (Bill) which contains additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill includes specific language to the Successor Agency that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the RPTTF that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill also declares that the Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point – Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The Successor Agency is allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported as a fiduciary fund (private-purpose trust fund).

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Commission serves as the governing board of the Financing Authority and the Financing Authority provides services entirely to the Successor Agency. A financial benefit or burden relationship exists between the Successor Agency and the Financing Authority and thus the Financing Authority is included as a blended component unit in the Successor Agency's financial statements.

**(b) Basis of Presentation**

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

**(c) Basis of Accounting**

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**(d) Investments**

The Successor Agency's investments in municipal bonds are stated at fair value. Fair value has been obtained by using market quotes and reflects the values as if the Successor Agency were to liquidate the securities on that date. The Successor Agency's investments in the City's Treasurer's Pool and money market mutual funds are valued at amortized cost.

**(e) Restricted Cash and Investments with Fiscal Agents**

Certain proceeds of the former Agency's and the Successor Agency's bonds, and resources set aside for their repayment, are classified as restricted assets on the statement of fiduciary net position because they are maintained in separate accounts and their use is limited by applicable bond covenants or for debt service payments.

**(f) Capital Assets**

Capital assets are defined as assets with an initial, individual cost of more than \$5 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Furniture and Equipment	3-20
Buildings and Improvements	15-40

**(g) Notes and Mortgages Receivable**

During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2016, the Successor Agency disbursed \$47,738 to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions - affordable housing loan program costs in the financial statements. At June 30, 2016, the gross value of the notes and mortgage receivable was \$110,732 and the allowance for uncollectible amounts was \$109,008.

**(h) Accrued Vacation and Sick Leave**

It is the Successor Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when earned. For sick leave, all employees are allowed to accumulate up to 1,040 hours (130 days). For vacation, employees are allowed to accumulate up to the limit based on employees' service years as follows:

<b>Employee Service years</b>	<b>Maximum number of hours</b>
Less than 5 years	320
Between 5 to 15 years	360
More than 15 years	400

**(i) Redevelopment Property Tax Revenues**

Pursuant to the Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (RPTTF) administered by the City's Controller for the benefit of holders of enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the RPTTF to the extent not necessary to pay enforceable obligations of the Successor Agency, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City's Controller to the local agencies in the project area.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

Distributions are scheduled to be made twice each year on the following cycles:

Distribution Dates	Covers Recognized Obligation Payment Schedules to be Paid
January 2	January 1 through June 30
June 1	July 1 through December 31

The amounts distributed for Recognized Obligation Payment Schedules (ROPS) are forward looking to the next six month period.

**(j) Bond Premium, Discounts, and Loss on Refundings**

Premiums and discounts on debt instruments are reported as a component of long-term debt. Loss on refundings is reported as a component of deferred outflows of resources. The premiums, discounts, and loss on refundings are amortized as a component of the interest expense in a systematic and rational matter over the remaining life of the debt instrument.

**(k) Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Successor Agency's Pension Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees' Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**(l) Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of fiduciary net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (deduction) until then. At June 30, 2016, the Successor Agency reported pension items and loss on refundings as deferred outflows of resources.

In addition to liabilities, the statement of fiduciary net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (addition) until that time. At June 30, 2016, the Successor Agency reported pension items as deferred inflows of resources.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

**(m) Effects of New Pronouncements**

During the year ended June 30, 2016, the Successor Agency implemented the following Governmental Accounting Standards Board (GASB) Statements:

- In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. See Note 3 to the financial statements for related disclosure.
- In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68. The implementation of this statement did not have a significant impact to the Successor Agency.
- In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which supersedes Statement No. 55. The implementation of this statement did not have a significant impact to the Successor Agency.
- In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The statement addresses accounting and financial reporting for certain external investment pools and pool participants. The implementation of this statement did not have a significant impact to the Successor Agency.
- In March 2016, GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. Statement No. 82 addresses issues raised with respect to the GASB Statement No. 67, 68 and 73, regarding: (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a significant impact to the Successor Agency.

The Successor Agency is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2017.
- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2018.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(1) Summary of Significant Accounting Policies (Continued)**

- In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (i) brief descriptive information; (ii) the gross dollar amount of taxes abated during the period; and (iii) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2017.
- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this statement is to address a practice issue regarding the scope and applicability of Statement No. 68 associated with pensions provided through certain cost-sharing multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Such plans are not considered a state or local government pension plan and are used to provide benefits to both employees of state and local governments and employees of employers that are not state or local governments. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2017.
- In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in GASB Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2018.
- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2018.

**(n) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(2) Cash and Investments**

As of June 30, 2016, the Successor Agency follows the investment policy of the former Agency, which is governed by and is in compliance with the California Government Code (Code). On August 19, 2014, the Commission adopted an investment policy for the Successor Agency to reflect the use of the City Treasurer's Pool to manage the Successor Agency's funds. Investment of bond proceeds is limited to those investments permitted in the bond document or provided in the Code. Investments with trustees are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.



**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(2) Cash and Investments (Continued)**

The table below identifies the investment types that are authorized for the Successor Agency by the California Government Code 53601 or the Successor Agency's investment policy, where the policy is more restrictive. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Successor Agency, rather than the general provisions of the California Government Code or the Successor Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	None
Federal Agency or U.S. Government Sponsored			
Enterprise Obligations	5 Years	85% *	None
State of California and Local Government Agency Obligations	5 Years	20% *	5% *
Certificates of Deposit	13 months *	None	None
Negotiable Certificates of Deposits	5 Years	30%	None
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Medium-Term Notes	2 Years *	15% *	10% *
Repurchase Agreements	92 Days	None	None
Reverse Repurchase Agreements	45 Days *	Not to exceed 75 million	None
Money Market Funds	N/A	None	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
City Treasurer's Pool	N/A	None	None
Supranationals	5 Years	30%	None

\* Represents restriction in which the Successor Agency's investment policy is more restrictive than the California Code.

**Interest Rate Risk:** Refers to the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**Credit Risk:** Refers to the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations.

The following is a summary of cash and investments as of June 30, 2016:

	Weighted Average Maturities for Investments			Total Fair Value	Credit Rating	% allocation
	Less than 3 months	3 months to 1 year	1 to 5 years			
Unrestricted cash and investments:						
Cash and investments with the City Treasury:						
Municipal bonds	\$ -	\$ 675	\$ -	\$ 675	Not rated	0.23%
Investment in the City Treasurer's pool	-	-	289,209	289,209	Not rated	99.77%
Total cash and investments with the City Treasury	-	675	289,209	289,884		100.00%
Cash deposits in bank				4,571	Not Applicable	
Total unrestricted cash and investments	-	675	289,209	294,455		
Restricted cash and investments with trustees:						
Money market mutual funds	138,195	-	-	138,195	Aaa	100.00%
Cash deposits with trustees				405	Not Applicable	
Total restricted cash and Investments with trustees	138,195	-	-	138,600		
Total cash and investments	\$ 138,195	\$ 675	\$ 289,209	\$ 433,055		

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(2) Cash and Investments (Continued)**

**Custodial Credit Risk, Deposits:** Refers to the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires California banks and savings and loan associations to secure the Successor Agency's deposits not covered by federal deposit insurance by pledging government securities as collateral. The market value of pledged securities must equal to at least 110% of the Successor Agency's deposits. The Successor Agency does not have any exposure to custodial credit risk for deposits because the collateral is held at the pledging bank's trust department in the Successor Agency's name.

**Custodial Credit Risk, Investments:** Refers to the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the Successor Agency's investment policy do not contain a legal or policy requirement that would limit the exposure to custodial credit risk for investments. At June 30, 2016, the Successor Agency's investment in the South Beach Harbor Bonds 1986 Issue A in the amount of \$675 was exposed to custodial credit risk because they were separately managed by the City Treasury and registered in the name of the City.

**Fair Value Hierarchy**

The Successor Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The Successor Agency's investment in municipal bonds are measured using level 2 inputs, while investment in the City's Treasurer's Pool and money market mutual funds are exempt from fair value measurement disclosures.

**City's Treasurer's Pool**

The Successor Agency maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2016, the Successor Agency's deposits and investments in the Pool is \$289,209 and the total amount invested by all public agencies in the Pool is \$7.8 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 1.02 years. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Successor Agency's shares in the Pool, which may be withdrawn, is based on the book value of the Successor Agency's percentage participation, which is different than the fair value of the Successor Agency's percentage participation in the Pool. At June 30, 2016, the Pool consists of U.S. government and agency securities, State and local government agency obligations, negotiable certificates of deposit, medium term notes, public time deposits, and money market funds as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks), and fair value hierarchy for the City's Treasurer's Pool may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(3) Capital Assets**

The following is a summary of changes in capital assets for the year-ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land held for lease	\$ 54,769	\$ -	\$ -	\$ 54,769
Construction in progress	633	1,187	-	1,820
Total capital assets not being depreciated	<u>55,402</u>	<u>1,187</u>	<u>-</u>	<u>56,589</u>
Capital assets being depreciated:				
Furniture and equipment	8,144	-	-	8,144
Building and improvements	227,843	-	(25,791)	202,052
Total capital assets being depreciated	<u>235,987</u>	<u>-</u>	<u>(25,791)</u>	<u>210,196</u>
Less accumulated depreciation for:				
Furniture and equipment	(8,093)	(11)	-	(8,104)
Building and improvements	(95,200)	(5,532)	7,272	(93,460)
Total accumulated depreciation	<u>(103,293)</u>	<u>(5,543)</u>	<u>7,272</u>	<u>(101,564)</u>
Total capital assets being depreciated, net	<u>132,694</u>	<u>(5,543)</u>	<u>(18,519)</u>	<u>108,632</u>
Total capital assets, net	<u>\$ 188,096</u>	<u>\$ (4,356)</u>	<u>\$ (18,519)</u>	<u>\$ 165,221</u>

During the year ended June 30, 2016, the Successor Agency sold a property with book value of \$18,519 to a developer. The purchase price of the property totaled to \$37,512, of which \$25,222 was used to pay off the advances from the City, \$8,931 was used to partially pay off the Tax Allocation Bonds Series 2003 B, and \$3,359 was used to partially pay off the Tax Allocation Bonds Series 2014 A. The gain from the sale of the property was recorded as additions – other on the financial statements.

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**(4) Long-Term Obligations**

**(a) Long-Term Obligations Summary**

The following is a summary of changes in long-term obligations for the year-ended June 30, 2016:

	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Remaining Interest Rates</u>	<u>Balance, July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2016</u>	<u>Due Within One Year</u>
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998C (1)	\$ 12,915	2025	5.25% to 5.40%	\$ 1,074	-	-	\$ 1,074	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1)	21,034	2025	5.20%	11,869	-	-	11,869	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B (1)	144,435	2019	5.18% to 5.41%	38,805	-	(18,090)	20,715	7,020
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects and Refunding Notes Series 2005B, D (1)	88,610	2016	Not Applicable	14,175	-	(14,175)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	34,991	-	(270)	34,721	285
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006B (1)	34,150	2016	Not Applicable	30,250	-	(30,250)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	109,215	-	(1,715)	107,500	1,835
Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1)	94,115	2023	4.00% to 5.00%	44,140	-	(9,215)	34,925	9,700
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1)	75,000	2024	7.38% to 8.25%	54,120	-	(5,435)	48,685	5,905
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009B (1)	17,625	2039	5.00% to 6.63%	13,490	-	(1,045)	12,445	1,095
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009C (1)	25,715	2016	Not Applicable	25,565	-	(25,565)	-	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009D (1)	49,810	2016	Not Applicable	45,825	-	(45,825)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2039	6.10% to 8.41%	71,970	-	(145)	71,825	145
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009F (1)	6,610	2039	3.25% to 5.75%	6,475	-	(65)	6,410	85
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2010A (1)	40,055	2041	4.11% to 7.13%	39,105	-	(315)	38,790	400
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011A (1)	22,370	2042	5.25% to 9.00%	21,660	-	(290)	21,370	300
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2011B (1)	16,020	2042	6.13% to 6.63%	16,020	-	-	16,020	-

*(Continued on next page)*

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**(4) Long-Term Obligations (Continued)**

	<b>Original Issue Amount</b>	<b>Final Maturity</b>	<b>Remaining Interest Rates</b>	<b>Balance, July 1, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance, June 30, 2016</b>	<b>Due Within One Year</b>
<i>(Continued from previous page)</i>								
Tax Allocation Revenue Bonds, Mission Bay North Redevelopment Project Series 2011C (1)	27,335	2016	Not Applicable	26,020	-	(26,020)	-	-
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2011D (1)	36,485	2016	Not Applicable	35,350	-	(35,350)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011E (1)	9,455	2032	8.13% to 8.63%	9,445	-	-	9,445	-
Successor Agency Bonds:								
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014A (1)	56,245	2044	4.00% to 5.00%	56,245	-	(695)	55,550	720
Tax Allocation Refunding Bonds, San Francisco Redevelopment Project Series 2014B (1)	67,955	2036	0.57% to 4.87%	67,955	-	(8,005)	59,950	7,170
Tax Allocation Refunding Bonds, San Francisco Redevelopment Project Series 2014C (1)	75,945	2029	2.00% to 5.00%	75,945	-	(14,700)	61,245	9,630
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2016A (1)	73,890	2042	3.00% to 5.00%	-	73,890	-	73,890	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2016B (1)	45,000	2044	2.00% to 5.00%	-	45,000	-	45,000	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2016C (1)	73,230	2042	2.00% to 5.00%	-	73,230	-	73,230	-
Agency Revenue Bonds:								
Hotel Tax Revenue Bonds, Series 2011 (3)	43,780	2025	4.00% to 5.00%	37,470	-	(3,210)	34,260	3,265
Financing Authority Refunding Bonds:								
Refunding Bond 1986 Issue A (4)	23,900	2017	3.50%	1,995	-	(1,320)	675	675
Subtotal Bonds Payable				889,174	192,120	(241,700)	839,594	48,230
Unamortized issuance premiums				13,558	37,924	(1,701)	49,781	-
Unamortized issuance discounts				(4,365)	-	1,417	(2,948)	-
Subtotal Bonds Payable, including unamortized premium and discounts				898,367	230,044	(241,984)	886,427	48,230
Accreted interest payable *				37,501	4,714	-	42,215	-
Cal Boating loans payable (5)				7,075	-	(218)	6,857	227
Advances from the primary government				23,212	3,572	(26,784)	-	-
SERAF borrowing from the primary government				16,022	353	(1,773)	14,602	1,773
Other postemployment benefit obligation				833	796	(1,199)	430	-
Accrued vacation and sick leave				639	349	(87)	901	349
Total long-term obligations				<u>\$ 983,649</u>	<u>\$ 239,828</u>	<u>\$ (272,045)</u>	<u>\$ 951,432</u>	<u>\$ 50,579</u>

\*Amount represents interest accretion on Capital Appreciation Bonds.

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**(4) Long-Term Obligations (Continued)**

Debt service payments for long-term obligations are made from the following sources:

- (1) Redevelopment property tax increment revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay and Mission Bay North project areas.
- (2) Capital lease payments from the City and existing debt service funds.
- (3) Hotel tax revenues from the occupancy of guest rooms in the hotels within the City.
- (4) South Beach Harbor Project cash reserves, property tax increment revenues and project revenues transferred from the capital projects fund.
- (5) South Beach Harbor Project revenues.

The proceeds from the issuance of Financing Authority bonds were immediately loaned to the former Agency. Loan payments to the Financing Authority are equal to the debt service requirements of the underlying debt. The bonds are secured by property tax increment revenues. Since the loan transactions are entirely within the financial reporting entity, they have been eliminated in the financial statements.

*Issuance of Successor Agency Bonds*

Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance bonds by the Successor Agency.

On April 21, 2016, the Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2016 A (2016 Series A Bonds) for \$73,890 and 2) Tax Allocation Refunding Bonds Series 2016 C (2016 Series C Bonds) for \$73,230.

Proceeds from the 2016 Series A Bonds, including original issue premium of \$15,602, and funds on hand from the refunded bonds in the amount of \$17,254, were used to fully refund 2005 Series D, 2006 Series B, 2009 Series C, and 2011 Series C in the amount of \$12,920, \$29,465, \$25,335, and \$25,715, respectively. The refunding resulted in net present value savings of \$19,644 and an accounting loss of \$11,500. The 2016 Series A Bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity of August 1, 2041.

Proceeds from the 2016 Series C Bonds, including original issue premium of \$13,861, and funds on hand from the refunded bonds in the amount of \$11,340, were used to fully refund 2009 Series D and 2011 Series D in the amount of \$44,985 and \$34,930, respectively. The refunding resulted in net present value savings of \$15,853 and an accounting loss of \$17,166. The 2016 Series C Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity of August 1, 2041.

On April 21, 2016, the Successor Agency issued \$45,000 of Tax Allocation Bonds, Mission Bay South Redevelopment Project Series 2016 B (2016 Series B Bonds) to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2016 B Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity date of August 1, 2043.

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**(4) Long-Term Obligations (Continued)**

*Pledged Revenues for Bonds*

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1,458,725. The redevelopment property tax revenues recognized during the year ended June 30, 2016 was approximately \$119,302 as against the total scheduled debt service payment of \$97,934.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$43,113. The hotel tax revenue recognized during the year ended June 30, 2016 was \$5,022 which equaled to the total debt service payment.

*Advances from the City*

In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. In accordance with Health and Safety Code (HSC) Section 34191.4(b)(3), interest shall be accrued quarterly at an annual rate of 3% on the principal balance due to the City. The City and the Successor Agency have accrued interest at the State of California Local Agency Investment Fund (LAIF) rate, which was less than the statutory rate, as of June 30, 2015. During the year ended June 30, 2016, the Successor Agency retroactively applied the 3% interest rate and increased the balance by \$2,193. For the year ended June 30, 2016, the City advanced \$746 in property tax revenues to the Successor Agency for debt service payments. Interest in the amount of \$633 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$26,784 to the City to fully pay off the advances.

*Supplemental Education Revenue Augmentation Funds Borrowing from the City*

During the year ended June 30, 2010, the former Agency borrowed \$16,483 from the Low and Moderate Income Housing Fund (LMIHF) as part of the funding to make a payment of \$28,733 to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon the dissolution of the former Agency, the City elected to become the Housing Successor Agency and retain the former Agency's housing assets and functions, rights, powers, duties and obligations. Interest will be accrued quarterly at an annual rate of 3% on the principal balance due to the City in accordance with HSC Section 34191.4(b)(3). For the year ended June 30, 2016, interest in the amount of \$353 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$1,773 to the City. At June 30, 2016, the outstanding payable balance was \$14,602, which was comprised of principal of \$11,759 and accrued interest of \$2,843.

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**(b) Repayment requirements**

As of June 30, 2016, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows:

June 30,	Tax Allocation Revenue Bonds		Hotel Tax Revenue Bonds	
	Principal	Interest *	Principal	Interest
2017	\$ 44,290	\$ 39,831	\$ 3,265	\$ 1,680
2018	48,185	39,903	3,280	1,550
2019	57,205	37,572	4,610	1,386
2020	43,112	38,308	3,365	1,155
2021	28,997	37,256	3,510	987
2022-2026	136,073	197,291	16,230	2,095
2027-2031	132,422	132,443	-	-
2032-2036	142,419	93,881	-	-
2037-2041	127,701	34,719	-	-
2042-2044	44,255	2,862	-	-
<b>TOTAL</b>	<b>\$ 804,659</b>	<b>\$ 654,066</b>	<b>\$ 34,260</b>	<b>\$ 8,853</b>

June 30,	Refunding Bond 1986 Issue A		California Department of Boating and Waterway Loan	
	Principal	Interest	Principal	Interest
2017	\$ 675	\$ 12	\$ 227	\$ 309
2018	-	-	238	298
2019	-	-	248	288
2020	-	-	260	276
2021	-	-	271	265
2022-2026	-	-	1,550	1,130
2027-2031	-	-	1,932	748
2032-2036	-	-	2,108	272
2037	-	-	23	1
	<b>\$ 675</b>	<b>\$ 12</b>	<b>\$ 6,857</b>	<b>\$ 3,587</b>

\* Including payment of accreted interest.



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**(4) Long-Term Obligations (Continued)**

**(c) Arbitrage**

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Successor Agency has evaluated each bond issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2016.

**(5) Pension Plan**

**(a) General Information about the Pension Plan**

**Plan Descriptions** – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor agency assumed the former Agency’s Pension Plan. All qualified permanent and probationary employees are eligible to participate in the Successor Agency’s Pension Plan, cost-sharing, multiple employer defined benefit pension plans administered by CalPERS. Benefit provisions under the Plan are established by State statute and Successor Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

The State passed the California Employees’ Pension Reform Act (PEPRA) which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specific by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.5%
Required employer contribution rates	22.755%	9.516%

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**(5) Pension Plan (Continued)**

**Contributions** – The Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Successor Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2016, the Successor Agency’s actuarially determined contractually required contribution was \$828.

**(b) Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

The Successor Agency’s net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability is measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Successor Agency’s proportion of the net pension liability was actuarial determined as of the valuation date. The Successor Agency’s proportionate share of the net pension liability for the Plan was 0.24131% or \$16,563, an increase of \$693 from prior year.

For the year ended June 30, 2016, the Successor Agency recognized pension expense of \$1,682. At June 30, 2016, the Successor Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 828	\$ -
Difference between expected and actual experience	39	-
Change in assumptions	-	366
Net differences between projected and actual earnings on plan investments	-	184
Changes in employer's proportion	627	4,565
Differences between the employer's contribution and the employer's proportionate share of contribution	-	2,759
Total	<u>\$ 1,494</u>	<u>\$ 7,874</u>

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**(5) Pension Plan (Continued)**

At June 30, 2016, the Successor Agency reported \$828 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (2,704)
2018	(2,673)
2019	(2,066)
2020	235
Total	<u>\$ (7,208)</u>

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2014 actuarial valuations, which were rolled forward to June 30, 2015, were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses, includes Inflation.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Mortality	Derived using CalPERS Membership Data for all Funds. (1)

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**Change in Assumptions** - GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

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**(5) Pension Plan (Continued)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Year 1-10 (a)	Real Return Year 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period

(b) An expected inflation of 3.00% used for this period

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**(5) Pension Plan (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Successor Agency's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65 percent, as well as what the Successor Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Decrease Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Decrease Rate + 1% (8.65%)
Proportionate Share of Net Pension Liability	\$ 31,054	\$ 16,563	\$ 4,600

**Pension Plan Fiduciary Net Position** – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

**(6) Postemployment Healthcare Plan**

*Plan Description* – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by CalPERS and is an agent multiple-employer trust. CalPERS issues a separate comprehensive annual financial report, copies of which may be obtained from the CalPERS Executive Offices, Lincoln Plaza East, 400 Q Street, Sacramento, California 95814.

*Funding Policy* – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

*Annual Other Postemployment Benefit Cost and Net Obligation* – The Successor Agency's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed. Based on the July 1, 2015 actuarial valuation, the Successor Agency's ARC for the year ended June 30, 2016 is the sum of (a) normal cost of \$74 and (b) level dollar amortization of the July 1, 2015 UAAL of \$739.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(6) Postemployment Healthcare Plan (Continued)**

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2016, and the changes in the net OPEB obligation:

Annual required contribution	\$ 813
Interest on OPEB obligation	58
Adjustment to annual required contribution	(75)
Annual OPEB cost (expense)	<u>796</u>
Contributions made	(1,199)
Decrease in net OPEB obligation	(403)
Net OPEB obligation, beginning of year	<u>833</u>
Net OPEB obligation, end of year	<u><u>\$ 430</u></u>

Three-year historical trend information for the annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows (in thousands):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2013	\$ 912	139%	\$ 867
6/30/2014	918	104%	833
6/30/2015	796	151%	430

*Funded Status and Funding Progress*—The funded status of the plan of the Successor Agency as of July 1, 2015, the plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 10,998
Actuarial value of plan assets	<u>2,833</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 8,165</u></u>
Funded ratio (actuarial value of plan assets/AAL)	25.8%
Covered payroll (active plan members)	\$ 4,261
UAAL as a percentage of covered payroll	191.6%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes of the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(6) Postemployment Healthcare Plan (Continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The annual required contribution for the year ended June 30, 2016 and the funding status of the plan was determined based on the July 1, 2015 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include: (a) investment return and discount rate of 7%; (b) healthcare cost trend rate of 4%; (c) inflation rate of 2.75%; (d) payroll growth of 2.75%; and (e) 2014 CalPERS active mortality table for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 22 years, respectively.

**(7) Mortgage Revenue Bonds and Other Conduit Debt**

In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. At June 30, 2016, the Successor Agency had outstanding community district facility bonds totaling \$191.4 million.

**(8) Commitments and Contingent Liabilities**

**(a) Insurance, Claims and Litigation**

The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10,000 per occurrence (\$5,000 for employment practices liability) and a \$25 deductible per occurrence.

The Successor Agency has been named as defendant in several legal actions. In the opinion of the Successor Agency's management and legal counsel, the outcome of these actions will not have a material adverse effect on the financial position of the Successor Agency.

**(b) Operating Leases**

The Successor Agency has entered into operating leases for its office sites and a Master Lease Option Agreement (through the City) with the Port of San Francisco (Port), which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2016, the Successor Agency has exercised several of the lease options.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(8) Commitments and Contingent Liabilities (Continued)**

Total future minimum operating lease payments are as follows:

<u>Year ending June 30:</u>		
2017	\$	1,341
2018		870
2019		870
2020		870
2021		870
2022-2026		4,351
2027-2031		4,351
2032-2036		4,351
2037-2041		4,351
2042-2046		4,351
2047-2051		2,828
	<u>\$</u>	<u>29,404</u>

Total rent payments for operating leases totaled \$1,384 for the year ended June 30, 2016.

**(c) Pending Transfer of Assets and Operations to the Port**

A portion of the Rincon Point South Beach Project Area is within the Port Area and the Successor Agency held leasehold interests to certain Port properties. The Successor Agency and the Port have negotiated a memorandum of agreement for the transfer of certain assets and operations of the Rincon Point South Beach Project to the Port. While the agreement has been approved by Port Commission, the Successor Agency's Commission and Oversight Board, and the DOF before June 30, 2015, the assets and operations were not transferred to the Port as of June 30, 2016.

**(d) Transbay Transit Center Agreements**

In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2016, the Successor Agency received \$1,632 from a developer and distributed the funds to the TJPA. The payment was recorded as deduction – distribution of pledged revenue to TJPA on the financial statements.



**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements

For the Year Ended June 30, 2016

(Dollars in thousands)

**(8) Commitments and Contingent Liabilities (Continued)**

**(e) *Encumbrances***

The Successor Agency uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of funds are encumbered to allocate a portion of applicable appropriations. Encumbrances still open at period end are not accounted for as expenses and liabilities. At June 30, 2016, the Successor Agency had outstanding encumbrances totaling \$62,988.

**(f) *Long Range Property Management Plan***

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to HSC Section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC Section 34179.6, subdivisions (d) or (e) and HSC Section 34183.5. The receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan (PMP) to the Oversight Board and the DOF for approval. The PMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within 6 months of receipt of the Finding of Completion.

On July 22, 2013, the Successor Agency submitted Part 1 of the PMP to request approval for the disposition of the property located at 706 Mission Street. On October 4, 2013, the DOF approved Part 1 of the PMP. The property was transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement during fiscal year 2016. The Commission and the Oversight Board approved on November 19, 2013 and November 25, 2013, respectively, the submission of the remaining PMP to the DOF for approval. The Successor Agency received feedback and comments on the submitted PMP from the DOF during September 2015. The Successor Agency revised the PMP and resubmitted it to the Oversight Board and the DOF for final approval. The revised PMP was approved by the Oversight Board on November 23, 2015 and by the DOF on December 7, 2015.

**(9) Rental Income**

***Noncancelable Operating Leases***

The Successor Agency has noncancelable operating leases within project areas. The terms of these leases will expire in fiscal year 2050. The Successor Agency also has three noncancelable operating subleases at Pier 40, in the South Beach Harbor project area. The terms of these leases will expire in fiscal year 2023.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements  
For the Year Ended June 30, 2016  
(Dollars in thousands)

**(9) Rental Income (Continued)**

The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2016:

<u>Year ending June 30:</u>		
2017	\$	4,506
2018		4,486
2019		4,362
2020		4,248
2021		4,269
2022-2026		22,000
2027-2031		21,757
2032-2036		22,830
2037-2041		20,037
2042-2046		19,834
2047-2050		2,819
	<u>\$</u>	<u>131,148</u>

For the year ended June 30, 2016, operating lease rental income from noncancelable operating leases was \$11,262. Within the operating lease rental income, \$7,067 represents contingent rental income received. The lease rental income was recorded as a component of charges for services on the financial statements. At June 30, 2016, the leased assets had a net book value of \$35,294.

**(10) Related Party Transactions**

**(a) Due to the City and County of San Francisco**

At June 30, 2016, the Successor Agency has a payable to the City in the amount of \$2,611 which consists of \$554 for Jessie Square cost reimbursements and \$2,057 for other services provided. The balance is recorded as payable to the City on the financial statements.

**(b) Payments to the City and County of San Francisco**

A variety of City departments provide administrative services to the Successor Agency and charge amounts designed to recover costs. These charges, totaling \$13,245 for the year ended June 30, 2016, have been included in various deductions line items on the financial statements.

**(11) Subsequent Event**

***Issuance of Tax Allocation Bonds***

On September 20, 2016, the Successor Agency issued \$74,652 of Tax Allocation Bonds, Mission Bay South Redevelopment Project Series 2016 D (2016 Series D Bonds) to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2016 Series D Bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity date of August 1, 2043.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Required Supplementary Information (Unaudited)

Schedule of the Successor Agency's Proportionate Share of the Net Pension Liability

As of June 30, 2016

Last 10 Years \*

(Dollars In Thousands)

Fiscal year	2014-15	2015-16
Measurement period	2013-14	2014-15
Proportion of net pension liability	0.25504%	0.24131%
Proportionate share of the net pension liability	\$ 15,870	\$ 16,563
Covered payroll	\$ 3,962	\$ 3,427
Proportionate share of the net pension liability as a percentage of covered payroll	400.56%	483.31%
CalPERS Miscellaneous Plan's fiduciary net position as a percentage of total pension liability	80.43%	78.40%

**Notes to Schedule:**

Change in benefit terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions - The discount rate was changed from 7.50 percent (net of administrative expense) in 2015 to 7.65% in 2016.

\* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only two years of information are shown.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Required Supplementary Information (Unaudited)

Schedule of Contributions - Pension Plan

June 30, 2016

Last 10 Years \*

(Dollars In Thousands)

Fiscal year	2013-14	2014-15	2015-16
Contractually required contribution (actuarially determined)	\$ 591	\$ 598	\$ 828
Contractually in relation to the actuarially determined contributions	(591)	(598)	(828)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,962	\$ 3,427	\$ 3,769
Contributions as a percentage of covered payroll	14.92%	17.45%	21.97%

**Notes to Schedule:**

The actuarial methods and assumptions used to determine the fiscal year 2015-16 contribution rates are as follows:

Valuation date:	6/30/2013
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Asset Valuation Method	15 year smoothed market
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	7.50%, net of pension plan investment and administrative expenses, includes inflation.
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

\* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only three years of information are shown.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

Required Supplementary Information (Unaudited)

Schedule of Funding Progress - Postemployment Healthcare Plan

(In Thousands)

<b>Actuarial valuation date</b>	<b>Actuarial value of assets (a)</b>	<b>Actuarial accrued liability (AAL) entry age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded ratio (a/b)</b>	<b>Covered payroll (c)</b>	<b>UAAL as a % of covered payroll ((b-a)/c)</b>
6/30/2011	\$ 1,856	\$ 14,390	\$ 12,534	12.9%	\$ 4,185	299.5%
6/30/2013	2,154	11,378	9,224	18.9%	4,048	227.9%
7/1/2015	2,833	10,998	8,165	25.8%	4,261	191.6%

See Note 6 to the basic financial statements for actuarial assumptions and other information related to the schedule of funding progress.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Commission on Community Investment and Infrastructure  
Successor Agency to the Redevelopment Agency of the  
City and County of San Francisco  
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated October 21, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Successor Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

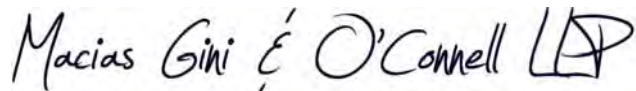
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive, flowing style.

San Francisco, California  
October 21, 2016



**APPENDIX B**  
**REPORT OF FISCAL CONSULTANT**

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FISCAL CONSULTANT REPORT  
FOR THE  
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND  
COUNTY OF SAN FRANCISCO  
2017 SERIES C TAXABLE TAX ALLOCATION BONDS  
(MISSION BAY NEW MONEY AND REFUNDING HOUSING PROJECTS)

MARCH 7, 2017

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## INTRODUCTION

In preparation for the issuance of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Tax Allocation Bonds (the "Bonds") the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Agency") has retained Urban Analytics as fiscal consultant (the "Consultant") to evaluate available tax revenue for certain of the Agency's redevelopment project areas and provide a Fiscal Consultant Report (the "Report").

The redevelopment project areas included in this report are: Mission Bay North Project Area ("Mission Bay North") and Mission Bay South Project Area ("Mission Bay South"), together, the "Project Areas". The Agency also receives tax revenue from other project areas; tax revenue from all project areas other than the Project Areas is not pledged to the Bonds.

The Agency is issuing the Bonds to meet the affordable housing requirements of the Mission Bay North Owner Participation Agreement and the Mission Bay South Owner Participation Agreement (the "OPAs"). The Agency's pledge of tax revenue from the Project Areas under the OPAs is equal to 20% of the tax revenues generated in the Project Areas (the "Tax Revenues").

The Report is based in part on assessed valuation information provided by the City and County of San Francisco (the "City"), on the City's assessment and apportionment practices, on base year assessed valuation for the Project Areas as reported by the City, and on information regarding pass-through calculation methods, redevelopment plan terms and existing contractual agreements provided by Agency and City staff.

The Report provides a review of various matters affecting the Agency's receipt of tax increment in the Project Areas. The County Controller (the "Controller") tabulates and reports tax increment from the Project Areas using a fixed base year assessment.

The Report also presents projections of tax increment available to the Agency over the life of the Project Areas. This projection incorporates the Agency's obligations toward the housing fund and other taxing jurisdictions and projects assessed valuation at a two percent growth rate.

## THE ALLOCATION OF TAX INCREMENT REVENUE TO THE AGENCY

Under California redevelopment law, the Controller allocates to the Agency that portion of locally assessed secured and unsecured property tax revenue and state-assessed utility revenue collected within a project Area above the project area's base year assessed valuation required to pay its annual obligations. The Controller also apportions to the Agency a share of state-assessed unitary revenue as well as revenue from supplemental assessments.

Tax revenue deriving from the base year assessed valuation is distributed to all other taxing jurisdictions within the tax rate area comprising the Project Areas. The distribution of the base year tax revenue is accomplished using the same property tax apportionment factors used to allocate property tax revenue in non-redevelopment tax rate areas.

As described further under "*Redevelopment Dissolution*", tax revenue derived from assessed valuation in the project area in excess of the base year assessed valuation is allocated annually by the Controller to the Redevelopment Property Tax Trust Fund (the "RPTTF"). This allocation of tax increment ("Tax Revenue") is the maximum that the Agency may receive in a fiscal year. The Tax Revenue is applied, in order of priority, to the administrative costs of the Controller, to

pass-through payments, to debt service and contractual obligations of the Agency, and to administrative costs of the Agency; funds remaining in the RPTTF are then distributed to the taxing entities. To the extent the funds in the RPTTF are insufficient to meet these obligations, the Controller will withhold Agency administrative costs; if an insufficiency remains, subordinated pass-through payments would then be deferred.

Agency annual debt service and contractual obligations are identified on a Recognized Obligation Payment Schedule (ROPS) that is approved by the Agency's Oversight Board and by the state Department of Finance. Commencing February 1, 2016, the Agency prepares a single ROPS each year, covering payments due in the subsequent fiscal year. In order to have sufficient funds available in a subsequent period, the Agency may identify on its ROPS an amount necessary to be retained in the RPTTF to be applied to obligations shown on a subsequent ROPS. If necessary, the Agency may submit a single amendment to the annual ROPS by October 1 which, if approved, is effective for the subsequent January 1 to June 30 period. The Controller deposits funds into the RPTTF, and disburses funds from the RPTTF, twice each year, once on January 2 and again on June 1. Any amount remaining in the RPTTF after payment of administrative costs, pass-through payments and ROPS obligations is immediately distributed to other taxing entities.

It is the Controller's practice not to apply any prior-year tax refunds paid to property owners in the Project Areas against the Agency's tax revenue. Consequently, tax refunds for successful appeals of prior-year assessed valuations do not reduce the tax revenues to be received by the Agency.

Unitary roll revenue is derived from utility properties including pipelines and other properties that are assessed on a countywide basis as a unit; these utility properties are distinguished from non-unitary utility properties that are assessed within their tax rate area. Property taxes on these unitary assessments are distributed to jurisdictions in the City using an allocation formula similar to the regular apportionment mechanism. While a portion of this revenue is received by the Agency, the tax increment calculations used in this report do not incorporate the amount of unitary revenue that may be apportioned to the Project Areas. The Agency has received approximately \$270,000 in unitary revenue annually in all project areas in prior years.

The State Board of Equalization separately assesses non-unitary utility properties by their location within each county. No non-unitary utility property is assigned to the Project Area.

The Agency has agreements in place with certain property owners in the Mission Bay South Project Area under which the owners would make payments in lieu of taxes (PILOT) equal to the amount of property taxes should a property become exempt. Revenue from PILOT payments is not included in the projections used in this Report.

The City utilizes a device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code) to distribute secured property tax revenue to all jurisdictions, including the Agency, without regard to delinquencies. Pursuant to this mechanism, the City maintains a reserve fund to cover delinquencies and allocate revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Consequently, the Agency is not affected by delinquent tax payments. However, the Board of Supervisors may discontinue the Teeter Plan prior to the commencement of any fiscal year. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the Bonds. The overall delinquency rate for the 2015-16 fiscal year for all secured properties in the Project Areas was 0.0% as of October 8, 2016.

The Controller does not charge the Agency with an administration fee to recover property tax administration costs from the Agency as it is permitted to do under Revenue and Taxation Code, Section 95.3. The Controller could elect to change this practice in the future. The Controller does charge the Agency an administrative fee as permitted under Redevelopment Dissolution Law.

Tax increment calculations made in this Report use revenue from the secured, unsecured and non-unitary utility rolls. Supplemental roll, derived from new construction and sales added to the rolls after the January 1<sup>st</sup> lien date, are subject to substantial annual variance and are not included in tax increment calculations used in the Report.

### HOUSING FUND

California redevelopment law formerly required that agencies maintain a low- and moderate-income housing fund, into which at least 20% of gross tax increment revenues was required to be deposited annually. Under the Dissolution Act that requirement is no longer in effect. However, the Agency has outstanding housing bonds that are secured by a pledge of that portion of tax increment revenue that had formerly been the housing set-aside. The Agency maintains a fund for the pledged housing set-aside revenue (the "Housing Fund"); all projections and calculations used in this report assume that the Agency will continue to deposit all of the previously required amounts in the Housing Fund.

Under Section 34177.7 of the Health and Safety Code, the Agency is permitted to issue debt to meet the affordable housing required by the OPAs. The Bonds are being issued under that authorization.

### THE REDEVELOPMENT PLANS

The Project Areas subject to the Bonds were established through two redevelopment plans. Key information pertaining to the component redevelopment plans for the Project Areas is shown in Table 1.

Additional information regarding land usage is shown in Table 2 for the Project Areas.

Table 1  
Redevelopment Plans Comprising the Project Areas

	Date of Adoption	Ordinance Number
Mission Bay South	11/02/98	335-98
Mission Bay North	10/26/98	327-98

Source: The Agency

The redevelopment plans contain certain time limits that, prior to the Redevelopment Dissolution Law, served to limit the receipt of tax increment; legislation passed in 2015 permits the Agency's obligations to be paid regardless of these limits (see "*Redevelopment Dissolution*", below)..

The Mission Bay South Project Area, located east of Interstate 280 and adjacent to the Mission Bay North Project Area, was adopted on November 2, 1998. In addition to being the location of a major new medical campus for the University of California San Francisco, the project area has several major construction projects underway including the Golden State Warriors

basketball arena, commercial development on the Block 40 site and a vacant site recently purchased by Uber. Completed development that is expected to appear on the FY 2017-18 rolls include 735 rental units built on three sites (1850 Channel Street, 1201 Fourth Street and 690 Long Bridge Street), a portion of the condominium sales at 718 Long Bridge Street (a portion has already been assessed for FY 2016-17), a Kaiser Permanente office building at 1600 Owens Street and a vacant site purchased for hotel development on Channel Street. The Agency had \$18.8 million in principal outstanding on housing-related tax allocation bonds and \$73.9 million in principal outstanding on non housing-related tax allocation bonds in this project area as of August 1, 2016.

The Mission Bay North Project Area encompasses an area centered on King Street between Third and Seventh Streets and adjacent to the Mission Bay South Project Area, was adopted on October 26, 1998. The project area is substantially developed; a 126-unit rental residential development is underway at 360 Berry Street. The Agency had \$14.5 million in principal outstanding on housing-related tax allocation bonds and \$54.8 million in principal outstanding on non housing-related tax allocation bonds in this project area as of August 1, 2016.

Table 2  
Land Use in the Project Areas, FY 2016-17

Land Use	Secured Assessed Valuation	Pct. of Total Valuation	Number of Parcels	Pct. Of Total Parcels
Commercial	\$1,270,002,353	28.2%	87	3.8%
Industrial	-	0.0%	4	0.2%
<i>Residential</i>				
Condominium	1,674,589,706	37.2%	1,867	82.2%
Apartment	1,025,824,137	22.8%	185	8.1%
Vacant	399,565,424	8.9%	30	1.3%
Publicly-owned/Other	133,170,322	3.0%	97	4.3%
<b>Total</b>	<b>\$4,503,151,942</b>	<b>100.0%</b>	<b>2,270</b>	<b>100.0%</b>

Source: San Francisco County Assessor; Urban Analytics

### **Statutory Pass-through Payments**

In 1994, all new redevelopment plans - and all existing plans amending certain fiscal terms or adding territory - became subject to a statutorily-defined set of pass-through requirements and plan limitations generally known as AB1290 requirements. This legislation replaced a system of negotiated pass-through agreements with a specific pass-through formula applied to all taxing jurisdictions.

As all statutory passthrough payments are made from that portion of tax increment that is available for infrastructure and not from that portion of tax increment that is obligated to the housing fund, these payments are subordinate to the Bonds.

### **Senior Obligations**

The Agency has several outstanding debt obligations secured by pledges of Tax Revenues that are senior to the Bonds.



## LEGISLATION AND COURT ACTIONS

### **Redevelopment Dissolution**

The state's redevelopment program was fundamentally changed as part of the 2011-12 budget package. Legislation dissolving redevelopment agencies and replacing them with successor agencies, AB1x26, took effect June 29, 2011, with the dissolution of all redevelopment agencies in the state effective as of February 1, 2012. Additional clarifying legislation, AB1484 and SB 107, became effective on June 28, 2012 and September 22, 2015, respectively. ABx1 26, AB1482 and SB107 are jointly referred to here as Redevelopment Dissolution Law.

The legislation created successor agencies to pay off existing debt of the former redevelopment agencies and to wind down the former agency's operations. Successor agencies are governed by seven-member oversight boards representing the taxing entities that share in the property tax revenues of an agency (the city, county, schools, community college districts and special districts) as well as an employee representative of the former redevelopment agency. Successor agencies are subject to a number of proscriptions intended to limit the scope of their actions, including incurring new debt (as noted below, subsequent legislation added the ability to refund existing debt).

The dissolution bill did not change the constitutional basis for the collection of property tax increment revenue in California contained in Article 16, Section 16. Property tax increment revenue continues to be calculated and allocated to a special fund for all project areas within an account of the successor agency (now termed the Redevelopment Property Tax Trust Fund, or RPTTF).

The dissolution bill did substantially change the mechanism used to distribute tax increment revenue to the successor agencies. Successor agencies are now required to create a schedule of payments (Recognized Obligation Payment Schedule, or ROPS) which serves as the basis for the distribution of property tax increment revenue to the successor agencies. The obligations appearing on the ROPS are limited to items deemed to be "enforceable" under the legislation. These include debt service and contractual obligations entered into prior to June 29, 2011; it explicitly excludes contracts and agreements between the former redevelopment agency and its sponsoring city or county except those that were entered into prior to January 1, 2011 for purposes of securing debt obligations and those established in the first two years of an agency's existence.

Commencing February 1, 2016, the ROPS is prepared once each year and covers obligations coming due in the subsequent fiscal year. Also beginning July 1, 2016, agencies that have received a finding of completion may create a Last and Final ROPS listing all enforceable obligations, which, if accepted by DOF, will serve as the basis for all future distributions by the Controller.

The distribution of funds from the RPTTF is limited to the obligations listed on the ROPS for each period. Distributions of RPTTF property tax increment revenue are made twice each year, on January 2 and June 1, with the January distribution applied to obligations due in the January-June period and the June distribution applied to obligations due in the July-December period.

Pass-through payments are now calculated and paid by the Controller rather than by the Agency. The dissolution bill established a hierarchy of payments to be made from the RPTTF in each period, a mechanism informally referred to as "the waterfall".

The first payment from the RPTTF is made to the Controller to recover the cost of administering the Redevelopment Dissolution Law; this payment is not subordinated to the Agency's outstanding bonds. The second tier of payments is pass-through payments to taxing entities. The third payment tier is to the successor agency for the obligations on the ROPS for the payment period. A hierarchy of payments within the ROPS obligations is specified in the law, with debt service on tax allocation bonds first, revenue bonds second, and all other obligations third. The fourth payment is an administrative cost allowance for the successor agency, specified in the legislation as the greater of \$250,000 or three percent of the property tax revenue allocated to the successor agency. The fifth and final payment is a distribution of all remaining property tax increment revenue in the RPTTF to the local taxing entities. No funds are retained in the RPTTF. The Agency notes that this mechanism differs from the allocation procedures required under a pre-existing agreement between the Agency and the City under which the Agency received that portion of Tax Revenues required to meet its annual obligations through a request to the City.

In the event that there are insufficient funds available in the RPTTF to meet the successor agency's obligations for a given period, the legislation requires the Controller to, first, reduce or eliminate the residual payments to taxing entities; second, reduce or eliminate the administrative cost allowance to the successor agency; and third, deduct from any subordinated pass-through payments the debt service obligations to which they were made subordinate. If there is still an insufficiency, the legislation permits, but does not require, a loan to be made from the county treasury to the successor agency.

There is a complex system of oversight and approvals in the legislation. The oversight boards are charged with approving ROPS of the successor agency, which are then submitted to the Controller and state Department of Finance for review. The Department of Finance can reject some or all of the obligations on the ROPS, which then returns to the successor agency and the oversight board for revision. Since the Controller cannot make a payment to the successor agency without an approved ROPS, this approval process is a critical element in the process. Additional oversight is provided by the Office of the State Controller, charged with overseeing the actions of the county auditor-controllers.

On September 22, 2015, as part of the Proposed Budget for FY 2015-16, the Governor signed legislation that establishes an annual (rather than biannual) ROPS process (beginning in FY 2016-17), as well as establishes (beginning in FY 2018-19) a single county oversight board for all successor agencies in a county (counties with more than 40 successor agencies will have five oversight boards). The legislation also amends Section 34189 of the Health and Safety Code to include language stating that the payment of enforceable obligations is not subject to the temporal limits and tax increment caps in redevelopment plans. Additionally, the legislation establishes a "Last and Final" ROPS process that would, for qualifying agencies, establish a schedule of enforceable obligations covering the duration of those obligations and turn the final ROPS over to the Controller to serve as the basis of all subsequent RPTTF distributions.

Prior to the passage of the Redevelopment Dissolution Law, a minimum of twenty percent of the tax increment revenue received by the Agency was required to be set aside and utilized to increase, improve and preserve the community's supply of very low-, low- and moderate-income housing (the "Low and Moderate Income Housing Fund" or "Housing Fund"). Although the Redevelopment Dissolution Law eliminated this requirement, the Agency has affordable housing obligations through the OPAs.

Also prior to the passage of the Redevelopment Dissolution Law, the allocation of tax increment revenue to redevelopment agencies was dependent on each agency demonstrating that it requires the tax increment revenue to repay its indebtedness through an annual Statement of Indebtedness filed by all agencies with their county controller. As described above, redevelopment agencies are now required to list all obligations payable from tax increment revenue on a Recognized Obligation Payment Schedule and may only receive the amount of tax increment revenue required to meet those listed obligations. The Agency had regularly filed the previously-required Statement of Indebtedness to claim the amount of tax increment revenue required to meet its obligations. Since passage of the Redevelopment Dissolution Law it has filed the required ROPS showing its obligations, including debt service on the Bonds, and expects to continue to do so in a timely manner.

The Controller charges an administration fee to recover property tax administration costs from the Agency authorized under the Redevelopment Dissolution Law. Under the Dissolution Act, the fee is calculated on an Agency-wide basis based on the added cost burden imposed on that office by the Dissolution Act and is deducted from the total amount of tax increment for all project areas deposited in the RPTTF. The allocation of the fee among project areas is at the discretion of Agency staff. The administration fee reported as deducted from total Agency tax increment for FY 2016-17 was approximately 0.017% of tax increment, or \$29,070 of revenue in the Project Areas.

Tax increment revenue calculations made in this Report use revenue from the secured, unsecured and utility rolls.

## **AB 1290**

In 1994, all new redevelopment plans - and all existing plans amending certain fiscal terms or adding territory - became subject to a new set of pass-through requirements and plan limitations generally known as AB1290 requirements. Among the most significant changes was the replacement of a system of negotiated pass-through agreements with a specific pass-through formula applied to all taxing jurisdictions. The law also required existing plans to conform to certain time limits. The Agency brought its existing redevelopment plans into conformance with AB1290 through Ordinance 750, adopted November 29, 1994.

The Project Areas are subject to AB1290 pass-through payments, as described under *Statutory Passthrough Payments*, above.

## **ERAF Legislation**

AB1389, effective with the 2008-09 fiscal year, required all agencies to 1) make a payment to the Educational Revenue Augmentation Fund (ERAF) fund for 2008-09 by May 10, 2009; 2) to have obtained the concurrence of the county auditor with the amount of pass-through payments for the 2003-04 through 2007-08 years as set forth in a report of the county auditor submitted on or before February 1, 2009; and 3) obtain the concurrence of the county auditor with the amount of the 2008-09 pass-through payments.

With respect to the pass-through payment requirements, redevelopment agencies failing to obtain concurrence of their county auditor were subject to significant penalties, including a prohibition on the issuance of new debt. The Agency obtained the concurrence of the Controller with the amounts of pass-through payments for the 2003-04 through 2007-08 period and the 2008-09 fiscal year and is not subject to penalties.

A Superior Court decision (*CRA vs. Genest*) on April 30, 2009 found the 2008-09 payment to the ERAF fund to be unconstitutional and invalidated the Health and Safety code section requiring the payment. On September 28, 2009 the state Attorney General's office notified the court that the state would not pursue an appeal of that ruling. Consequently, the May 10, 2009 ERAF payment was not required. However, state budget legislation (ABX4-26) for 2009 required redevelopment agencies to make a contribution to the Supplemental Educational Revenue Augmentation Fund (SERAF) for the 2009-10 and 2010-11 fiscal years.

The Agency funded its FY 2009-10 and FY 2010-11 SERAF obligations using available funds and by borrowing from the Housing Fund, as permitted under redevelopment law. The law requires agencies to repay by June 30, 2015 any amounts borrowed from its housing fund to meet the FY 2009-10 SERAF obligation and by June 30, 2016 for the FY 2010-11 SERAF obligation. The law also established a penalty of a 5% increase in the required contribution to the housing fund for those agencies not reimbursing their housing fund by those dates. The Redevelopment Dissolution Law subsequently established an annual limit on the amount of all redevelopment loan repayments, including those for SERAF-related housing fund borrowings. With the elimination of the 20 percent housing set-aside by the Dissolution Law and the annual limit on loan repayments also imposed by the Dissolution Law, it is not clear how or if the original 5% penalty requiring increased contributions to the Housing Fund could be implemented. The Agency reports an outstanding balance of \$14.6 million as of June 30, 2016 ROPS for the SERAF-related Housing Fund borrowing.

Legislation passed in 2004 (SB1096) permits redevelopment agencies to extend their ability to collect tax increment by one year for each required ERAF payment made in 2004-05 and 2005-06. The extensions apply only to plans with existing limits on the effectiveness of the plan that are less than 20 years from the last day of the fiscal year in which the ERAF payment is made. The Agency has not elected to extend any of the plans under SB1096.

### **Santa Ana Section 33676 Decision**

For plans adopted between January 1, 1985 and December 31, 1993, all affected taxing entities could elect to receive a payment equal to the increase in tax increment revenue attributable to inflationary adjustments under Proposition 13. Under a 1993 Attorney General's opinion these payments are not considered tax increment and, where they occur, are deducted from tax increment revenue prior to apportionment to the agency. The payments, established under language previously included in Section 33676, are sometimes referred to as 2% or 33676 payments and are generally distributed directly to taxing entities by the county controller.

A 2002 court decision in Santa Ana regarding statutory payments made to taxing entities under the pre-1994 Section 33676 found that school districts and community college districts that had failed to elect to receive payments under that section were entitled to collect them. The Project Areas were not established during the applicable time period and is not subject to the Santa Ana decision

### **Orange County Reassessment Decision**

A court case regarding the proper method of reassessing properties once they received a temporary reduction in valuation (a Proposition 8 adjustment) was resolved on appeal in favor of the County of Orange. In that case, the assessor was found to have properly returned a property to its statutory base valuation adjusted for inflation once the Proposition 8 adjustment terminated, rather than apply only the Proposition 13 inflation limit to the reduced

Proposition 8 valuation once terminated. The assessment practice that was validated by the court is one used in San Francisco and most other counties in the state.

### TAX RATES

The tax rate applicable to redevelopment incremental assessed valuation includes the basic one percent levy. In addition, redevelopment agencies receive tax revenue from debt service override levies except those that are imposed to repay indebtedness approved by voters on or after January 1, 1989.

For fiscal years prior to 2012-13, the City and County of San Francisco imposed a pre-1989 secured tax levy of 1.004% in the single tax rate areas comprising the Project Area. That levy accrued to the Agency and was applied to the full tax roll. The secured pre-1989 levy terminated in 2011-12. The unsecured tax levy is the secured tax levy for the prior year; it terminated in 2012-13.

The Agency has no power to levy a property tax itself, has no control over the override levy, and may not receive tax revenue from any levy for voter-approved indebtedness incurred after January 1, 1989.

### PROPOSITION 13 INFLATION ADJUSTMENT

Under Section 51 of the Revenue and Taxation Code the annual increase in assessed valuation for real property is limited to the lesser of two percent or the October-to-October change in the California Consumer Price Index (CCPI) preceding the January 1 lien date. The figure is reported annually by the State Board of Equalization in late December. Since 1976-77 the CCPI has been above two percent in all but seven years, with the lowest CCPI being a negative 0.237 percent for FY 2010-11; the CCPI was a positive one percent in FY 1983-84 and was a positive 0.753 percent for FY 2011-12. The factor applied to the FY 2012-13 and FY 2013-14 rolls was 2.00%. The factor for the FY 2014-15 rolls was 0.454%, the factor for the FY 2015-16 rolls was 1.998% and the factor for FY 2016-17 was 1.525; the factor for FY 2017-18 will be 2.00%. This factor, referred to at times in this Analysis as the Proposition 13 inflation factor, is applied to land and improvements where the property has not been sold or, in the case of improvements, newly constructed. Properties whose valuations have been reduced under Proposition 8 continue to receive an inflationary adjustment under Proposition 13 on the reduced valuation.

### TAX RATE AREA CODING ADJUSTMENTS

Tax increment is allocated to the RPTTF by the Controller on the basis of tax rate area codes, which, in San Francisco County, are numeric codings assigned to each parcel to identify those located within a redevelopment project area. Certain parcels were identified in FY 2012-13 as having incorrect tax rate area codes assigned to them, resulting in tax increment from parcels located in the Project Areas not being allocated to the Project Areas, as well as tax increment from some parcels not located in the Project Areas being allocated to the Project Areas. The Controller's office has worked with Agency staff and the Assessor's office to correct these miscodings. While most of the miscodings are believed to have been corrected, there may be additional corrections to the current or subsequent rolls that may increase or decrease tax increment in the Project Areas.

## ASSESSMENT APPEALS

Appeals of assessments by property owners in the Project Areas can result in future reductions in assessed valuations that affect the Agency. It has been the practice of the Controller to not deduct appeal-related tax refunds from redevelopment agency tax increment; these refunds are instead apportioned to other taxing entities using the normal apportionment mechanism. While this practice is expected to continue indefinitely, the Controller may choose to alter or eliminate it.

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year's secured assessment based on the current economic value of the property (the assessor may also adjust valuations based on Proposition 8 criteria). In past years, assessment reductions under Proposition 8 have been generally temporary in nature and were usually restored to their previous levels, as adjusted for inflation, as economic conditions improved.

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the San Francisco county assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the 2016-17 roll data used in this report.

Property owners may also appeal the Proposition 13 base assessment of a property. Although less frequently filed, such appeals, if successful, can permanently reduce the enrolled valuation of a property and consequently affect the Agency's annual revenue. The annual filing period for all appeals extends from July 2 to September 15.

Appeal filings for the past six years are shown in Table 3 for the secured roll. The tables compare the county assessor's valuation with the applicant's opinion of the value of a property, and show the resulting valuation for resolved appeals. Appeals are considered resolved when they are withdrawn by the applicant, denied a hearing by the board of assessment appeals, granted a hearing but denied an adjustment in valuation, or granted an adjustment in valuation.

Appeals have been filed by several of the largest property owners in the Project Areas. Alexandria Real Estate has three appeals pending in FY 2016-17 and three in FY 2015-16, with disputed valuation of, respectively, \$98.6 million and \$168.6 million. Essex Portfolio LP has one appeal pending on its FY 2016-17 valuation with disputed valuation of \$102.3 million. The Hines Global REIT has appealed a parcel located at 550 Terry Francois Boulevard in FY 2015-16 with disputed valuation totaling \$83.8 million and in FY 2013-14 with disputed valuation totaling \$57.3 million; an appeal of the same property in FY 2014-15 resulted in no change to the original valuation.

An indicator of the potential exposure of Agency tax increment revenue to appeals – were the Controller's office either to change its policy of deducting appeal-related tax refunds solely from taxing entities and not from the redevelopment agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions – may be seen by applying the overall retention rate for all years in the Project Areas to the amount of roll valuation in pending appeals for the Project Areas. Applying the retention rate of 99.7% to the valuation currently subject to pending appeals, the estimated reduction in prior-year valuation would be \$3.7 million or approximately \$37,000 in gross tax increment revenue. As

this includes properties with appeals in multiple years it does not necessarily indicate an equivalent reduction in future revenue.

If the full amount of disputed valuation were to be granted by the assessment appeals board across the Project Areas, and if the Controller's office were to deduct the resulting tax refunds from Agency tax increment, the estimated reduction in prior-year assessed valuation would be 12.7% or \$599.1 million and gross tax increment revenue for the Project Areas could be reduced by approximately 13.0% or \$6.0 million; this also includes multi-year appeals and does not necessarily indicate an equivalent reduction in future revenue.

Table 3  
Assessment Appeals in the Project Areas

Roll Year	Status	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate **
2016-17 *	Resolved	1	2,159,890	1,431,300	2,159,890	100.0%
2016-17 *	Pending	16	602,015,877	316,181,667	TBD	TBD
2015-16	Resolved	8	163,452,353	102,735,000	163,346,059	99.9%
2015-16	Pending	8	517,743,083	261,757,868	TBD	TBD
2014-15	Resolved	17	736,769,817	493,510,962	736,714,817	100.0%
2014-15	Pending	-	-	-	-	-
2013-14	Resolved	38	627,164,967	462,429,647	626,780,354	99.9%
2013-14	Pending	1	114,305,085	57,000,000	TBD	TBD
2012-13	Resolved	108	979,334,738	677,911,520	976,520,787	99.7%
2012-13	Pending	-	-	-	-	-
2011-12	Resolved	105	919,751,186	659,079,921	912,742,407	99.2%
2011-12	Pending	-	-	-	-	-
All Years	Resolved	277	3,428,632,951	2,397,098,350	3,418,264,314	99.7%
All Years	Pending	25	1,234,064,045	634,939,535	TBD	TBD

Potential exposure to reductions in valuation from all pending appeals \*\*\*: 3,731,972  
 Potential exposure to reductions in valuation from all pending appeals using 100% of requested reduction: 599,124,510

\* Appeal filings for the current fiscal year are preliminary and subject to change.

\*\* Retention Rate is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the 'Valuation After Appeal' into the 'County Valuation'. For withdrawn and denied appeals, the 'Valuation After Appeal' is the original County valuation.

\*\*\* Estimated based on the county valuation for pending appeals across all years multiplied by the difference between 100% and the retention rate for resolved appeals across all years

Data obtained from the San Francisco County Assessment Appeals Board as of 12/2/2016.

## ASSESSED VALUATION AND TAX INCREMENT

Based on assessment roll data provided by the offices of the San Francisco Assessor, the Controller, and State Board of Equalization, the total assessed valuation for FY 2016-17 in the Project Areas, after deducting all exemptions except the homeowner's exemption which is reimbursed by the state, is \$4.7 billion (see Table 4). Deducting the \$124.1 million base year

valuation for the Project Areas produces an incremental assessed valuation amount of \$4.6 billion, or tax increment of \$46.1 million after applying the one percent tax rate.

The secured roll accounted for 95% of the total valuation in the Project Areas in FY 2016-17, with the unsecured roll comprising 5%. The Project Areas' volatility ratio – the ratio of base year assessed valuation to total assessed valuation – is low at 0.026.

Table 4 presents historic and current valuation and tax revenue for the Project Areas. Gross tax increment is calculated by applying a tax rate to the incremental assessed valuation. The 80% devoted to funding infrastructure in the Project Areas is deducted from gross tax increment revenue to arrive at Tax Revenues.

#### TEN LARGEST ASSESSEES

The ten largest assessees in the Project Areas are shown in Table 5 for FY 2016-17. The table includes the assessed valuations for each of the top ten property owners, the valuation for all other owners, and the total valuation for the Project Areas (valuations exclude homeowner's exemptions). The percentage of total valuation accounted for by each owner is calculated by dividing the owner's valuation into the total valuation for the Project Areas. An additional calculation showing the ten largest property owners as a percentage of incremental assessed valuation is also included. Property owners with appeals pending on their current- or prior-year roll valuation are noted. Ownership concentration for the ten largest assessees is 45.3% in the Project Areas.

The largest owner, Alexandria Real Estate, has sixteen office properties in the Project Areas; \$295.5 million of the \$645.7 total valuation for this owner is from two buildings and a garage at 409 and 499 Illinois. Nine of this owner's remaining thirteen properties are assessed as undeveloped parcels. Hines Global REIT is the owner of an office building at 550 Terry Francois Boulevard; the Gap Inc, a clothing company, is the primary tenant. GSW Arena LLC, an entity affiliated with the Golden State Warriors basketball team, is the owner of two vacant parcels bordered by 3<sup>rd</sup> Street, 16<sup>th</sup> Street, South Street and Terry Francois Boulevard; construction of an arena on the site is underway.

Bosa Development, one of the five residential property owners shown in Table 5, owns the 267-unit Arden condominium development at 718 Long Bridge Street. DCO Mission Bay LP owns a 315-unit apartment building at 1850 Channel Street, while Essex Portfolio owns two apartment buildings branded as MB360: one a 188-unit building at 701 China Basin and another a 172-unit apartment building at 1200 4<sup>th</sup> Street. MVP I LLC owns a 313-unit apartment building at 301 King Street along with a garage condominium and two retail condominium properties at the same address. Avalon Bay Communities is the owner of a 260-unit apartment building at 353 King Street, while United Dominion Realty owns a 193-unit apartment building at 355 Berry Street and Mission Bay North Financing is the owner of a 256-unit apartment building at 255 King Street.

The Project Areas includes six residential condominium buildings whose constituent condominium assessments would, if taken in the aggregate, be included among the ten largest properties for FY 2016-17. The buildings and their aggregate valuations are: 260 King Street (the Beacon) (\$440.6 million), 330 Berry Street (\$211.2 million), 335 Berry Street (\$126.7 million), 255 Berry Street (\$212.0 million), 738 Long Bridge Street (\$189.9 million), and 480 Mission Bay Boulevard North (the Madrone) (\$440.5 million).



Table 4  
Property Taxable Values and Tax Revenues (x 1,000)  
San Francisco Redevelopment Agency – Mission Bay North and Mission Bay South Project Areas

<b>Assessed Values (1):</b>	2012-13	2013-14	2014-15	2015-16	2016-17
Existing Properties:					
Real Property	2,965,829	3,150,812	3,496,934	3,977,281	4,503,152
SBE Rolls	-	-	-	-	-
Total Secured Assessed Value	2,965,829	3,150,812	3,496,934	3,977,281	4,503,152
Unsecured Assessed Value	159,791	168,093	185,800	234,661	230,238
Total Assessed Value	3,125,620	3,318,905	3,682,733	4,211,942	4,733,389
<b>Base Year Values:</b>					
Secured	110,640	110,640	110,640	110,640	110,640
Unsecured	13,446	13,446	13,446	13,446	13,446
<b>Increase Over Base Year Values:</b>					
Secured	2,855,189	3,040,172	3,386,294	3,866,642	4,392,512
Unsecured	146,345	154,647	172,353	221,214	216,791
<b>Tax Rates:</b>					
Secured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
Unsecured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
<b>Tax Increment Revenue (2):</b>					
Secured Property	28,552	30,402	33,863	38,666	43,925
Unsecured Property	1,463	1,546	1,724	2,212	2,168
Gross Tax Increment Revenue	30,015	31,948	35,586	40,879	46,093
Less 80% Allocable to Infrastructure	24,012	25,559	28,469	32,703	36,874
Tax Increment Revenue	6,003	6,390	7,117	8,176	9,219

(1) Assessed valuations shown are "full cash value" and exclude homeowner subventions.

(2) Revenue numbers equal the tax rate times the increase over base year value and do not necessarily equal amounts collected.

Source: City and County of San Francisco; Urban Analytics.

Table 5  
 Ten Largest Property Owners By Valuation, FY 2016-17  
 San Francisco Redevelopment Agency  
 Mission Bay South and Mission Bay North Project Areas

Property Owner	Assessed Value	Pct of Total Assessed Value	Land Use
ALEXANDRIA REAL ESTATE SF * (3: 2016-17, 3: 2015-16)	645,744,215	13.6%	Office
BOSA DEVELOPMENT CA	263,435,475	5.6%	Condominium
ESSEX PORTFOLIO * (1: 2016-17)	224,131,386	4.7%	Apartment Bldg
GSW ARENA LLC	187,264,710	4.0%	Vacant
HINES GLOBAL REIT 550 TERRY FR * (1: 2015-16, 1: 2013-14)	187,242,482	4.0%	Office
MVP I LLC DELAWARE	143,330,699	3.0%	Apartments/Retail
AVALONBAY COMMUNITIES INC	129,219,469	2.7%	Apartments/Retail
UNITED DOMINION REALTY LP	127,681,555	2.7%	Apartments/Retail
DCO MISSION BAY LP	122,976,808	2.6%	Apartments/Retail
MISSION BAY NORTH FINCG LP	111,456,569	2.4%	Apartments/Retail
Total, Ten Largest:	2,142,483,368	45.3%	
All Other	2,590,906,096	54.7%	
Total for the Area:	4,733,389,464	100.0%	
<i>Ten Largest as Pct of Incremental AV:</i>		46.5%	

\* Owner has the indicated number of appeals pending in the years shown.  
 Source: County Assessor; Urban Analytics.

### TAX INCREMENT PROJECTION

Allocable tax increment is projected over the duration of the plan in the Project Areas, as shown in Table 6. As described previously under “The Allocation of Tax Increment Revenue to the Agency”, the Agency claims sufficient revenue to meet its debt service payments and other obligations identified on the ROPS; Tax Revenue is also applied to pass-through obligations and project and administrative expenses as described previously under “*The Allocation of Tax Increment Revenue to the Agency*”.

The projection in Table 6 uses a Proposition 13 inflation factor for real property of 2.00% in FY 2017-18 and subsequent years, holding secured personal property and unsecured valuations constant. The portion of tax revenue pledged to infrastructure debt service is deducted from annual gross tax increment to arrive at Tax Revenues.

The projections do not take into consideration any changes in assessed valuation due to new construction, property sales, Proposition 8 reductions, assessment appeals or other factors. The actual growth rate may be less than the projected rate in the Project Areas. The tax rate used in the analysis for both the secured and unsecured roll is the one percent levy; the Agency does not receive revenue from any pre-1989 levies.

#### LIMITATIONS OF REPORT

The calculation of assessed valuations and tax increment shown in this Report are based on information believed to be complete, current and reliable at the time of this Report. Projections of tax increment are based on reasonable assumptions and may not reflect actual future revenue received by the Agency. Information regarding the practices and methods used by the City in assessing and allocating property tax revenue has been obtained from City staff and analysis of City records, while information concerning the Project Areas, their constituent redevelopment plans, their amendments and the pass-through agreements has been obtained through discussions with Agency staff and through review of the plan documents made available to the Consultant.

While the Consultant has made reasonable efforts to verify the accuracy of the figures and information presented in this Report and presumes that the information relied upon is correct, the Consultant makes no warranty as to its accuracy

Table 6  
Projection of Tax Revenues for the Project Areas

Fiscal Year	Gross Tax Increment	Revenue Allocable to Infrastructure (80%)	Tax Revenues For Housing
2016/17	46,093,035	36,874,428	9,218,607
2017/18	46,991,885	37,593,508	9,398,377
2018/19	47,908,712	38,326,970	9,581,742
2019/20	48,843,876	39,075,101	9,768,775
2020/21	49,797,743	39,838,195	9,959,549
2021/22	50,770,688	40,616,550	10,154,138
2022/23	51,763,091	41,410,473	10,352,618
2023/24	52,775,343	42,220,274	10,555,069
2024/25	53,807,839	43,046,271	10,761,568
2025/26	54,860,986	43,888,789	10,972,197
2026/27	55,935,195	44,748,156	11,187,039
2027/28	57,030,889	45,624,711	11,406,178
2028/29	58,148,496	46,518,797	11,629,699
2029/30	59,288,456	47,430,765	11,857,691
2030/31	60,451,215	48,360,972	12,090,243
2031/32	61,637,228	49,309,783	12,327,446
2032/33	62,846,963	50,277,570	12,569,393
2033/34	64,080,892	51,264,713	12,816,178
2034/35	65,339,499	52,271,599	13,067,900
2035/36	66,623,279	53,298,623	13,324,656
2036/37	67,932,734	54,346,187	13,586,547
2037/38	69,268,378	55,414,703	13,853,676
2038/39	70,630,736	56,504,588	14,126,147
2039/40	72,020,340	57,616,272	14,404,068
2040/41	73,437,736	58,750,189	14,687,547
2041/42	74,883,481	59,906,785	14,976,696
2042/43	76,358,140	61,086,512	15,271,628
2043/44	-	-	-
Total	1,619,526,854	1,295,621,483	323,905,371

Note: Tax Revenues are projected using a Proposition 13 inflation factor of 2.00% in FY 2017-18 and subsequent years for real property with no growth in unsecured and personal property and a tax levy of 1.00%. Allocable revenues are net of the 80% portion applied to infrastructure. Actual revenues may vary.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust (the “Indenture”) authorizing the 2017C Bonds that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture (copies of which may be obtained from the Trustee) for the complete terms thereof.

#### Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

**“Annual Debt Service”** means, for each Bond Year, the sum of (a) the interest payable on the 2017 Series C Bonds and any other Parity Debt in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture) and any other Parity Debt payable by their terms in such Bond Year. For purposes of such calculation, the amount of interest on any Bonds or other Parity Debt that is payable from the proceeds of such Bonds or Parity Debt that is set aside solely for such purpose shall not be included in the calculation of Annual Debt Service, and there also shall be excluded payments with respect to the 2017 Series C Bonds or any Parity Debt to the extent that amounts due with respect to the 2017 Series C Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with the Indenture or the relevant Parity Debt Instrument or to the extent the proceeds thereof are then deposited in an escrow fund from which amounts may not be released to the Successor Agency unless the amount of Tax Revenues for the most recent Fiscal Year (as evidenced in a written document from an appropriate official of the City and County), at least equals one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service which would result if any such moneys on deposit in such escrow fund were to be released and deposited in the project fund established in connection with such Parity Debt.

**“Authority”** means the City and County of San Francisco Redevelopment Financing Authority.

**“Bonds”** means the 2017 Series C Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

**“Bond Counsel”** means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

**“Bond Year”** means each twelve (12) month period extending from August 2 in one calendar year to August 1 of the succeeding calendar year, both dates inclusive; provided that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on August 1, 2017.

**“Business Day”** means any day, other than a Saturday or Sunday or a day on which commercial banks in New York, New York, or any other city or cities where the Principal Corporate Trust Office of the Trustee is located are required or authorized by law to close or a day on which the Federal Reserve System is closed.

**“City”** and **“City and County”** means the City and County of San Francisco, a chartered city and municipal corporation organized and existing under the Constitution and laws of the State.

**“Closing Date”** means the date on which a series of Bonds is delivered by the Successor Agency to the original purchaser thereof. The Closing Date with respect to the 2017 Series C Bonds is March 29, 2017.

**“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 Indenture) 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 Code.

**“Continuing Disclosure Certificate”** means that certain Continuing Disclosure Certificate, with respect to the 2017 Series C Bonds, executed by the Successor Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“Costs of Issuance”** means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, bond and reserve policy insurance premiums, if any, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, administrative costs of the Successor Agency and the City and County incurred in connection with the issuance of the Bonds, expenses of the underwriters of the Bonds, the fees and expenses of counsel to the underwriters of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

**“Costs of Issuance Fund”** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**“Debt Service Fund”** means the fund by that name established and held by the Trustee pursuant to the Indenture.

**“Defeasance Obligations”** means any of the following which, at the time of investment, are legal investments under the laws of the State for the moneys proposed to be invested therein and are in compliance with the Successor Agency’s investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Successor Agency as conclusive certification to the Trustee that investments described therein are legal and are in compliance with the Successor Agency’s investment policies then in effect):

- (a) Cash;
- (b) Federal Securities, including direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;
- (c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (d) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody’s rating), then the pre-

refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and

(e) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

**“Department of Finance”** means the Department of Finance of the State of California.

**“Dissolution Act”** means California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011, as it has heretofore been amended and as it may hereafter be amended.

**“Event of Default”** means any of the events described in the Indenture.

**“Existing Loan Agreements”** means, collectively, the Mission Bay North Existing Loan Agreements and the Mission Bay South Existing Loan Agreements.

**“Federal Securities”** means any direct, noncallable 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 and CATS and TGRS), or obligations the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America.

**“Fiscal Year”** means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

**“Former Agency”** means the now dissolved Redevelopment Agency of the City and County of San Francisco.

**“Indenture”** means the Indenture of Trust by and between the Successor Agency and the Trustee, as originally entered into or as it may be amended or supplemented by any Supplemental Indenture entered into pursuant to the provisions of the Indenture.

**“Independent Accountant”** means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

(a) is in fact independent and not under domination of the Successor Agency or the City and County;

(b) does not have any substantial interest, direct or indirect, with the Successor Agency or the City and County; and

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

**“Independent Redevelopment Consultant”** means any consultant or firm of such consultants appointed by the Successor Agency (who may be an underwriter of bonds of the Successor Agency or the City and County), and who, or each of whom:

(a) is judged by the Successor Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of the Redevelopment Project;

(b) is in fact independent and not under domination of the Successor Agency or the City and County;

(c) does not have any substantial interest, direct or indirect, with the Successor Agency or the City and County; and

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

**“Insurer”** means the 2017 Series C Insurer and, as applicable, the provider of a municipal bond or financial guaranty insurance policy with respect to Parity Debt.

**“Interest Account”** means the account by that name established and held by the Trustee pursuant to the Indenture.

**“Interest Payment Date”** means August 1, 2017 and each February 1 and August 1 thereafter for so long as any of the Bonds remain Outstanding under the Indenture.

**“Law”** means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto (including the Dissolution Act).

**“Maximum Annual Debt Service”** means, as of the date of calculation, the largest amount for the current or any future Bond Year payable on the 2017 Series C Bonds and any Parity Debt in such Bond Year and, in the case of Section 3.06, shall also mean the largest amount for the current or any future Bond Year (as such term is defined herein) payable on the Mission Bay Senior Existing Loan Agreements and any debt issued on a parity with Mission Bay Senior Existing Loan Agreements.

**“Mission Bay North Existing Loan Agreements”** means, collectively, the following loan agreements relating to the Mission Bay North Project Area:

(i) Loan Agreement dated as of August 1, 2006, among the Former Agency, The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee, and the City and County of San Francisco Redevelopment Financing Authority (the “Authority”), in the initial aggregate principal amount of \$3,900,000;

(ii) Loan Agreement dated as of October 15, 2007, among the Former Agency, The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust



Company, N.A., as trustee, and the Authority, in the initial aggregate principal amount of \$14,225,000;

(iii) Loan Agreement dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$2,920,000;

(iv) Loan Agreement dated as of December 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$975,000; and

(v) Loan Agreement dated as of April 1, 2011 among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$1,660,000.

**“Mission Bay North Owner Participation Agreement”** means Mission Bay North Owner Participation Agreement, dated as of November 16, 1998, between the Former Agency, as succeeded by the Successor Agency, and Catellus Development Corporation, a Delaware corporation, as succeeded by FOCIL-MB, LLC, a Delaware limited liability company, as heretofore amended and as hereafter may be amended in accordance with the Law.

**“Mission Bay North Project Area”** means the redevelopment project area described in the Mission Bay North Redevelopment Plan.

**“Mission Bay North Redevelopment Plan”** means, the Redevelopment Plan for the Mission Bay North Redevelopment Project, approved by ordinance of the Board of Supervisors of the City and County on October 26, 1998 as heretofore amended and as hereafter may be amended in accordance with the Law.

**“Mission Bay North Redevelopment Project”** means the undertaking of the Successor Agency pursuant to the Mission Bay North Redevelopment Plan and the Law for the redevelopment of the Mission Bay North Project Area.

**“Mission Bay North Senior Existing Loan Agreements”** means the Mission Bay North Existing Loan Agreements remaining outstanding after the issuance of the 2017 Series C Bonds being the following:

(i) Loan Agreement dated as of October 15, 2007, among the Former Agency, The Bank of New York Trust Company, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee, and the Authority, in the initial aggregate principal amount of \$14,225,000 and currently outstanding in the aggregate principal amount of \$11,915,000; and

(ii) Loan Agreement dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$2,920,000 and currently outstanding in the aggregate principal amount of \$1,095,000.

**“Mission Bay North Senior Existing Loans”** means the loans made by the Authority to the Successor Agency, as successor to the Former Agency, pursuant to the Mission Bay North Senior Existing Loan Agreements.

**“Mission Bay North Tax Revenues”** means all taxes that were eligible for allocation to the Former Agency with respect to the Mission Bay North Project Area and are allocated to the Successor Agency, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and

Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Mission Bay North Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Mission Bay North Project Area pursuant to Section 16110 et seq. of the California Government Code), and formerly required to be deposited in the Low and Moderate Income Housing Fund of the Former Agency; provided, however, that such taxes shall (a) never be less than 20% of the taxes deposited in the Redevelopment Property Tax Trust Fund with respect to the Mission Bay North Project Area following the Closing Date and (b) exclude amounts payable pursuant to the Mission Bay North Senior Existing Loan Agreements.

**“Mission Bay Senior Existing Loan Agreements”** means, collectively, the Mission Bay North Senior Existing Loan Agreements and the Mission Bay South Senior Existing Loan Agreements.

**“Mission Bay Senior Existing Loans”** means, collectively, the Mission Bay North Senior Existing Loans and the Mission Bay South Senior Existing Loans.

**“Mission Bay South Existing Loan Agreements”** means, collectively, the following loan agreements relating to the Mission Bay South Project Area:

(i) Loan Agreement dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$4,680,000;

(ii) Loan Agreement dated as of December 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$5,230,000; and

(iii) Loan Agreement dated as of April 1, 2011 among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$7,795,000.

**“Mission Bay South Existing Loans”** means the loans made by the Authority to the Successor Agency, as successor to the Former Agency, pursuant to the Mission Bay South Existing Loan Agreements.

**“Mission Bay South Owner Participation Agreement”** means the Mission Bay South Owner Participation Agreement, dated as of November 16, 1998, between the Former Agency, as succeeded by the Successor Agency, and Catellus Development Corporation, a Delaware corporation, as succeeded by FOCIL-MB, LLC, a Delaware limited liability company, as amended in the Indenture and as thereafter may be amended in accordance with the Law.

**“Mission Bay South Project Area”** means the redevelopment project area described in the Mission Bay South Redevelopment Plan.

**“Mission Bay South Redevelopment Plan”** means, the Redevelopment Plan for the Mission Bay South Redevelopment Project, approved by ordinance of the Board of Supervisors of the City and County on November 2, 1998, as heretofore amended and as may hereafter be amended pursuant to the Law.

**“Mission Bay South Redevelopment Project”** means the undertaking of the Successor Agency pursuant to the Mission Bay South Redevelopment Plan and the Law for the redevelopment of the Mission Bay South Project Area.

**“Mission Bay South Senior Existing Loan Agreements”** means the Mission Bay South Existing Loan Agreements remaining outstanding after the issuance of the 2017 Series C Bonds being the following:

(i) Loan Agreement dated as of September 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$4,680,000 relating to the Mission Bay South Project Area and currently outstanding in the aggregate principal amount of \$1,755,000; and

(ii) Loan Agreement dated as of December 1, 2009, among the Former Agency, U.S. Bank National Association, as trustee, and the Authority, in the initial aggregate principal amount of \$5,230,000 and currently outstanding in the aggregate principal amount of \$835,000.

**“Mission Bay South Senior Existing Loans”** means the loans made by the Authority to the Successor Agency, as successor to the Former Agency, pursuant to the Mission Bay South Senior Existing Loan Agreements.

**“Mission Bay South Tax Revenues”** means all taxes that were eligible for allocation to the Former Agency with respect to the Mission Bay South Project Area and are allocated to the Successor Agency, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Mission Bay South Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Mission Bay South Project Area pursuant to Section 16110 et seq. of the California Government Code), and formerly required to be deposited in the Low and Moderate Income Housing Fund of the Former Agency; provided, however, that such taxes shall (a) never be less than 20% of the taxes deposited in the Redevelopment Property Tax Trust Fund with respect to the Mission Bay South Project Area following the Closing Date and (b) exclude amounts payable pursuant to the Mission Bay South Senior Existing Loan Agreements.

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

**“Original Purchaser”** means, with respect to the 2017 Series C Bonds, collectively, Piper Jaffray & Co. and Stinson Securities, LLC, as the original purchasers of the 2017 Series C Bonds.

**“Outstanding”** when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant to the Indenture.

**“Oversight Board”** means the Oversight Board of the Successor Agency established pursuant to the Section 34179 of the Dissolution Act.

**“Owner”** or **“Bondowner”** means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

**“Parity Debt”** means any additional bonds, loans, advances or indebtedness issued or incurred by the Successor Agency on a parity with the 2017 Series C Bonds pursuant to the Indenture.

**“Parity Debt Instrument”** means resolution, indenture of trust, supplemental indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt.

**“Participating Underwriter”** has the meaning ascribed thereto in the Continuing Disclosure Certificate.

**“Permitted Investments”** means any of the following which, at the time of investment, are legal investments under the laws of the State for the moneys proposed to be invested therein and are in compliance with the Successor Agency’s investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Successor Agency as conclusive certification to the Trustee that investments described therein are legal and are in compliance with the Successor Agency’s investment policies then in effect):

(a) Federal Securities;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of Ginnie Mae (formerly known as the Government National Mortgage Association); (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of Sallie Mae (formerly known as the Student Loan Marketing Association); (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody’s of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above or by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize

pursuant to federal law, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates), but only to the extent that the amount being invested in such certificates of deposit, savings accounts, deposit accounts or money market deposits are fully insured by FDIC, including BIF and SAIF;

(g) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with an entity rated “Aa” or better by Moodys’ and “AA” or better by S&P, or unconditionally guaranteed by an entity rated “Aa” or better by Moodys’ and “AA” or better by S&P;

(h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1+” or better by S&P;

(i) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies;

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s, and “A-1+” by S&P; and

(k) The Local Agency Investment Fund that is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

**“Principal Account”** means the account by that name established and held by the Trustee pursuant to the Indenture.

**“Principal Corporate Trust Office”** means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Agency from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted, initially in Saint Paul, Minnesota.

**“Qualified Reserve Account Credit Instrument”** means, subject to the proviso below, (i) the 2017 Series C Reserve Insurance Policy and (ii) 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 Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of such issuance is at least “AA-” from S&P or “Aa3” from Moody’s (in each case, without regard to numerical or other modifier) and, in the case of an insurance company, the claims paying ability of such insurance company at the time of such issuance is “AA-” from S&P, or “Aa3” from Moody’s (in each case, without regard to numerical or other modifier); (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit, insurance policy or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee 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 Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

**“Recognized Obligation Payment Schedule”** means a Recognized Obligation Payment Schedule, each prepared and approved from time to time pursuant to subdivision (l) of Section 34177 of the California Health and Safety Code.

**“Redemption Account”** means the account by that name established and held by the Trustee pursuant to the Indenture.

**“Redevelopment Obligation Retirement Fund”** means the fund by that name established pursuant to California Health and Safety Code Section 34170.5(b) and administered by the Successor Agency.

**“Redevelopment Plans”** means, collectively, the Mission Bay North Redevelopment Plan and the Mission Bay South Redevelopment Plan.

**“Redevelopment Projects”** means the undertakings of the Successor Agency pursuant to the Redevelopment Plans and the Law for the redevelopment of the Project Areas.

**“Redevelopment Property Tax Trust Fund”** or **“RPTTF”** means the fund by that name established pursuant to California Health and Safety Code Sections 34170.5(b) and 34172(c) and administered by the Controller of the City and County.

**“Refunding Law”** means to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code.

**“Registration Books”** means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

**“Report”** means a document in writing signed by an Independent Redevelopment Consultant and including:

- (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and
- (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

**“Reserve Account”** means the account by that name established and held by the Trustee pursuant to the Indenture.

**“Reserve Requirement”** means, subject to the Indenture, with respect to the 2017 Series C Bonds, and each series of Parity Debt issued in the form of Bonds, the lesser of

- (i) 125% of the average Annual Debt Service with respect to that series of the Bonds,

(ii) Maximum Annual Debt Service with respect to that series of the Bonds, or

(iii) with respect to an individual series of Bonds, 10% of the original principal amount of a series of Bonds (or, if such series of Bonds has more than a de minimis amount of original issue discount or premium, 10% of the issue price of such series of Bonds);

provided, that the Reserve Requirement may be determined on a combined or individual basis for two or more series of Bonds, as determined by the Successor Agency and that in no event shall the Successor Agency, in connection with the issuance of Parity Debt in the form of Bonds pursuant to a Supplemental Indenture be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such Parity Debt issued in the form of Bonds, be increased only by the amount of such deposit as permitted by the Code, if applicable; and, provided further that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture.

In the event a Qualified Reserve Account Credit Instrument is delivered at any time to meet the entirety of the Reserve Requirement with respect to one or more series of Bonds (that is, no cash is being deposited or will remain deposited in the Reserve Account with respect to those series of Bonds), then, notwithstanding the foregoing definition, the Reserve Requirement will, with respect to those series of Bonds, be determined only at the time of the delivery of the Qualified Reserve Account Credit Instrument and will not be subject to increase or decrease at a later date.

**“S&P”** means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, and its successors.

**“Serial Bonds”** means all Bonds other than Term Bonds.

**“Special Fund”** means the fund held by the Successor Agency established pursuant to the Indenture.

**“State”** means the State of California.

**“Subordinate Debt”** means any loans, advances or indebtedness issued or incurred by the Successor Agency pursuant to the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the 2017 Series C Bonds and any Parity Debt.

**“Supplemental Indenture”** means any resolution, agreement or other instrument that has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

**“Tax Revenues”** means, collectively, the Mission Bay North Tax Revenues and the Mission Bay South Tax Revenues.

**“Term Bonds”** means the 2017 Series C Bonds maturing on August 1, 2037 and August 1, 2043, and that portion of any other Bonds payable from mandatory sinking account payments.

**“Trustee”** means U.S. Bank National Association, as trustee under the Indenture, or any successor thereto appointed as trustee thereunder in accordance with the provisions of the Indenture.

**“2017 Series C Bond Insurance Policy”** means the insurance policy issued by the 2017 Series C Insurer guaranteeing the payment of scheduled principal of and interest on the 2017 Series C Insured Bonds when due.

**“2017 Series C Bonds”** means the \$43,400,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects).

**“2017 Series C Insured Bonds”** means the 2017 Series C Bonds maturing on August 1, 2024 through and including August 1, 2032, August 1, 2037 and August 1, 2043.

**“2017 Series C Insurer”** means Assured Guaranty Municipal Corp., a New York stock insurance company, or its successors and assigns, as issuer of the 2017 Series C Bond Insurance Policy and the 2017 Reserve Insurance Policy.

**“2017 Series C Projects Fund”** means the fund by that name established pursuant to the Indenture.

**“2017 Series C Reserve Insurance Policy”** means the Municipal Bond Debt Service Reserve Policy issued by the 2017 Series C Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2017 Series C Bonds as provided in such policy.

**“2017 Series C Reserve Subaccount”** means the subaccount by that name established within the Reserve Account pursuant to Section 4.03.

**“Written Request of the Successor Agency” or “Written Certificate of the Successor Agency”** means a request or certificate, in writing signed by the Executive Director or the Deputy Director of Finance and Administration of the Successor Agency or her or his designee, or by any other officer of the Successor Agency or the City and County duly authorized by the Successor Agency for that purpose.

## **Pledge of Tax Revenues**

**Security of Bonds; Equal Security.** Except as provided in in the Indenture, and subject to the prior and senior pledge of and security interest in and lien on Tax Revenues in favor of the Mission Bay Senior Existing Loan Agreements as set forth in the definitions of Mission Bay North Tax Revenues and Mission Bay South Tax Revenues in the Indenture, the 2017 Series C Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund, and the 2017 Series C Bonds and any additional Bonds shall also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise be liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

The Bonds and any Parity Debt shall be also equally secured by the pledge and lien created with respect to the 2017 Series C Bonds by Section 34177.5(g) of the California Health and Safety Code on moneys deposited or available for deposit from time to time in the Redevelopment Property Tax Trust Fund, provided, however, that such pledge and lien shall only be with respect to (i) the amounts on deposit in the



Redevelopment Property Tax Trust Fund constituting Tax Revenues and (ii) the amounts that are available in the Redevelopment Property Tax Trust Fund, but only after amounts on deposit therein have been set aside and reserved, in the manner required in the applicable loan agreements, indentures, owner participation agreements, development agreements and other relevant documents now in existence or executed after the date of the Indenture, to make payments due on the indebtedness of the Former Agency and the Successor Agency. Except for the Tax Revenues and such moneys, no funds of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds and any Parity Debt.

In consideration of the acceptance of the Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the Bonds, and the covenants and agreements in the Indenture set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

### **Issuance of Parity Debt**

In addition to the 2017 Series C Bonds, the Successor Agency may issue additional bonds (including pursuant to a supplemental Indenture) or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the 2017 Series C Bonds to finance or refinance low and moderate income housing with respect to the Redevelopment Projects in such principal amount as shall be determined by the Successor Agency. The Successor Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the Indenture or under any Parity Debt Instrument shall have occurred and be continuing;

(b) The Tax Revenues after adding back amounts payable pursuant to the Mission Bay Senior Existing Loan Agreements received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Project Areas as evidenced in a written document from an appropriate official of the City and County, shall be at least equal to one hundred and twenty five percent (125%) of Maximum Annual Debt Service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt, provided that in the case of Parity Debt issued to refund, in whole or in part, the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds or Parity Debt, such coverage requirement shall not apply as long as Maximum Annual Debt Service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt does not increase;

(c) In the event the Successor Agency issues additional Bonds pursuant to a Supplemental Indenture, the Successor Agency shall cause the amount on deposit in the Reserve Account to equal the Reserve Requirement; and

(d) The Successor Agency shall deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

## **Establishment of Funds and Accounts; Flow of Funds**

**Costs of Issuance Fund.** There is established under the Indenture a separate fund to be known as the “Costs of Issuance Fund”, which shall be held by the Trustee in trust. The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance with respect to the 2017 Series C Bonds upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date with respect to the 2017 Series C Bonds, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Debt Service Fund, and the Costs of Issuance Fund shall be closed.

**2017 Series C Projects Fund.** There is established under the Indenture a separate and segregated fund to be known as the “Mission Bay 2017 Series C Projects Fund (the “2017 Series C Projects Fund”)), which the Trustee shall hold in trust for the benefit of the Successor Agency. The moneys in the 2017 Series C Projects Fund shall be maintained separate and apart from other moneys of the Successor Agency. The moneys on deposit in the 2017 Series C Projects Fund shall be used in the manner provided by the Law solely for the purpose of aiding in financing of affordable housing in accordance with the Redevelopment Plans, the Mission Bay North Owner Participation Agreement and the Mission Bay South Owner Participation Agreement including, without limitation, the payment of any unpaid Costs of Issuance on the 2017 Series C Bonds. The Successor Agency covenants that no funds on deposit in the 2017 Series C Projects Fund shall be applied for any purpose not authorized by the Law.

The Trustee shall disburse amounts at any time on deposit in the 2017 Series C Projects Fund upon receipt of a disbursement request of the Successor Agency substantially in the form attached to the Indenture. In no event shall the Trustee be responsible for the manner in which the Successor Agency applies the moneys disbursed to it by the Trustee in accordance with any such disbursement request. Such requisition shall be executed by the Executive Director or the Deputy Director of Finance and Administration, of the Successor Agency or her or his designee.

At such time as no amounts remain on deposit in the 2017 Series C Projects Fund, the 2017 Series C Projects Fund shall be closed.

**Special Fund; Deposit of Tax Revenues.** There is established under the Indenture a special fund to be known as the “Mission Bay Housing Projects 2017 Series C Special Fund” which is to be held by the Successor Agency within the Redevelopment Obligation Retirement Fund and which shall be known as the “Special Fund”. The Successor Agency agrees to hold and maintain the Special Fund as long as any Bonds are Outstanding under the Indenture or any amounts are due and owing to the 2017 Series C Insurer in respect of the 2017 Series C Bond Insurance Policy or the 2017 Series C Reserve Insurance Policy or any other Insurer with respect to any other insurance policy or financial guaranty. The Successor Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Special Fund, to the special funds and the special funds created with respect to any additional Parity Debt, promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture and (ii) with respect to any additional Parity Debt (other than additional Bonds issued pursuant to a Supplemental Indenture) pursuant to the applicable Parity Debt Instruments. If the amount of Tax Revenues available in such Bond Year shall be insufficient to deposit the full amount

required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Successor Agency shall transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Successor Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund and the other special funds mentioned in the preceding paragraph during such Bond Year pursuant to the preceding paragraph shall be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Successor Agency for any lawful purpose of the Successor Agency, including but not limited to the payment of Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

**Deposit of Amounts by Trustee.** There is established under the Indenture a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee thereunder in trust. Moneys in the Special Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority (provided that, if on the date the Successor Agency is required to transfer amounts on deposit in the Special Fund to the Trustee there are not amounts on deposit therein sufficient to make the following deposits, taking into account amounts required to be transferred with respect to Parity Debt other than the Bonds, the Successor Agency shall immediately notify the Trustee of the amount of any such insufficiency):

Interest Account. On or before the fifth (5th) Business Day preceding each Interest Payment Date, commencing with the Interest Payment Date of August 1, 2017, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

Principal Account. On or before the fifth (5th) Business Day preceding August 1 in each year beginning August 1, 2017, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next August 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next August 1 on all of the Outstanding Serial Bonds and Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and the Term Bonds, including by mandatory sinking account redemption, as the same shall become due and payable.

Reserve Account. The Trustee shall also establish, maintain and hold in trust, a separate subaccount within the Reserve Account designated as the "2017 Series C Reserve Subaccount," to which the 2017 Series C Reserve Insurance Policy shall be credited. The Reserve Requirement

for the 2017 Series C Bonds shall be satisfied by the delivery of the 2017 Series C Reserve Insurance Policy. Amounts, if any, drawn on the 2017 Series C Reserve Insurance Policy shall be available only to pay debt service on the 2017 Series C Bonds. The provisions governing the administration of the 2017 Series C Reserve Insurance Policy are set forth in the Indenture and the 2017 Series C Reserve Insurance Policy. Notwithstanding anything in the Indenture to the contrary, the Successor Agency will have no obligation to replace the 2017 Series C Reserve Insurance Policy or to fund the Reserve Account with cash if, at any time that the 2017 Series C Bonds are Outstanding, amounts are not available under the 2017 Series C Reserve Insurance Policy other than in connection with the replenishment of a draw on the 2017 Series C Reserve Insurance Policy.

Except as provided above, in the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts, or for the retirement or defeasance of the Bonds then Outstanding (as may be permitted in the Indenture), except that so long as the Successor Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before the fifth (5th) Business Days preceding each February 1 and August 1, and the date of redemption or defeasance of any Bonds, by the Trustee and deposited in the Interest Account or, in the case of the redemption or defeasance of Bonds, also in the Principal Account or an escrow account established for the defeasance of any of the Bonds. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture, (ii) if the Successor Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then to the Successor Agency.

The Successor Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (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 Parity Debt 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 Trustee, and upon delivery by the Successor Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Successor Agency to be used for any lawful purpose that does not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Bonds. The Trustee 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 Indenture. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Successor Agency 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 Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

In the event that a Qualified Reserve Account Credit Instrument delivered with respect to a series of Bonds is available to be drawn upon for only one particular issue of Bonds, a separate subaccount in the Reserve Account may be established for such issue, and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such issue of Bonds, and the Bonds secured by such Qualified Reserve Account Credit Instrument shall not have access to any other amounts on deposit in the Reserve Account except as expressly provided in the applicable Supplemental Indenture. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Successor Agency in writing to the Trustee.

If the Reserve Requirement with respect to a series of Bonds is being maintained partially in cash and Permitted Investments and partially with a Qualified Reserve Account Credit Instrument, the cash and Permitted Investments shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture, and the Qualified Reserve Account Credit Instrument shall be replenished first before the cash in such subaccount is replenished. If the Reserve Requirement with respect to a series of Bonds 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 Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture shall be pro-rata with respect to each such instrument.

Prior to drawing on the Reserve Account in order to make a payment of debt service on the Bonds, the Trustee shall notify the Successor Agency.

Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to the Indenture for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the 2017 Series C Bonds and other Bonds to be redeemed on such date pursuant to the Indenture or a similar provision of a Supplemental Indenture. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2017 Series C Bonds and on other Bonds to be redeemed pursuant to the Indenture or a similar provision of a Supplemental Indenture on the date set for such redemption. Interest due on the 2017 Series C Bonds or such other Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such 2017 Series C Bonds or such other Bonds, the Trustee may, at the direction of the Successor Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of all or a portion of the 2017 Series C Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such 2017 Series C Bonds or other Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

## **Claims Upon the 2017 Series C Bond Insurance Policy: Rights of the 2017 Series C Insurer**

So long as the 2017 Series C Bond Insurance Policy remains in force and effect, the provisions summarized below govern, notwithstanding anything to the contrary contained in the Indenture:

(a) If, on the third Business Day prior to an Interest Payment Date, there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the 2017 Series C Insured Bonds due on such Interest Payment Date, the Trustee shall give notice to the 2017 Series C Insurer and to its designated agent (if any) (the “2017 Series C Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Interest Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the 2017 Series C Insured Bonds due on such Interest Payment Date, the Trustee shall make a claim under the 2017 Series C Bond Insurance Policy and give notice to the 2017 Series C Insurer and the 2017 Series C Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the 2017 Series C Insured Bonds and the amount required to pay principal of the 2017 Series C Insured Bonds, confirmed in writing to the 2017 Series C Insurer and the 2017 Series C Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the 2017 Series C Bond Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on 2017 Series C Insured Bonds paid by the 2017 Series C Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2017 Series C Insured Bonds registered to the then current Owner of the 2017 Series C Insured Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement 2017 Series C Insured Bond to the 2017 Series C Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement 2017 Series C Insured Bond shall have no effect on the amount of principal or interest payable by the Successor Agency on any 2017 Series C Insured Bond or the subrogation rights of the 2017 Series C Insurer.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by the 2017 Series C Insurer into the 2017 Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any 2017 Series C Insured Bond. The 2017 Series C Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(d) Upon payment of a claim under the 2017 Series C Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners of the 2017 Series C Insured Bonds referred to herein as the “2017 Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the 2017 Series C Bond Insurance Policy in trust on behalf of Owners of the 2017 Series C Insured Bonds and shall deposit any such amount in the 2017 Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners of the 2017 Series C Insured Bonds in the same manner as principal and interest payments are to be made with respect to the 2017 Series C Insured Bonds under the sections of the Indenture regarding payment of 2017 Series C Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Successor Agency agrees to pay to the 2017 Series C Insurer (i) a sum equal to the total of all amounts paid by the 2017 Series C Insurer under the 2017 Series C Bond Insurance Policy (the “2017 Series C Insurer

Advances”); and (ii) interest on such 2017 Series C Insurer Advances from the date paid by the 2017 Series C Insurer until payment thereof in full, payable to the 2017 Series C Insurer at the Late Payment Rate per annum (collectively, the “2017 Series C Insurer Reimbursement Amounts”). “Late Payment Rate” means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2017 Series C Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Successor Agency hereby covenants and agrees that the 2017 Series C Insurer Reimbursement Amounts are secured by a lien on and pledge of the Tax Revenues and payable from such Tax Revenues on a parity with debt service due on the 2017 Series C Insured Bonds.

(e) The Successor Agency shall take all actions required by the Dissolution Act to ensure that all 2017 Series C Insurer Reimbursement Amounts (including any amounts due the 2017 Series C Insurer pursuant to item (n) below) are paid to the 2017 Series C Insurer when due, including the submission of Recognized Obligation Payment Schedules providing for 2017 Series C Insurer Reimbursement Amounts and such other amounts.

(f) Funds held in the 2017 Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the 2017 Policy Payments Account following an Interest Payment Date shall promptly be remitted to the 2017 Series C Insurer.

(g) The following terms and provisions of this subsection (g) shall govern with respect to the 2017 Series C Bond Insurance Policy, notwithstanding anything in the Indenture to the contrary:

(i) The 2017 Series C Insurer shall be deemed to be the sole Owner of the 2017 Series C Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the 2017 Series C Insured Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each 2017 Series C Insured Bond, the Trustee and each of the Owners of 2017 Series C Insured Bonds appoint the 2017 Series C Insurer as their agent and attorney-in-fact with respect to the 2017 Series C Insured Bonds and agree that the 2017 Series C Insurer may at any time during the continuation of any proceeding by or against the Successor Agency under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Owner of a 2017 Series C Insured Bond delegate and assign to the 2017 Series C Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner of a 2017 Series C Insured Bond with respect to the 2017 Series C Insured Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners of the 2017 Series C Insured Bonds shall include mandamus.

(ii) The rights granted to the 2017 Series C Insurer under the Indenture to request, consent to or direct any action are rights granted to the 2017 Series C Insurer in consideration of

its issuance of the 2017 Series C Bond Insurance Policy. Any exercise by the 2017 Series C Insurer of such rights is merely an exercise of the 2017 Series C Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the 2017 Series C Insured Bonds and such action does not evidence any position of the 2017 Series C Insurer, affirmative or negative, as to whether the consent of the Bondowners or any other person is required in addition to the consent of the 2017 Series C Insurer. Each obligation of the Successor Agency to the 2017 Series C Insurer under this Indenture shall survive discharge or termination of this Indenture.

(iii) The Successor Agency shall pay or reimburse the 2017 Series C Insurer any and all charges, fees, costs and expenses that the 2017 Series C Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in this Indenture; (ii) the pursuit of any remedies under the Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Indenture whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture or the transactions contemplated thereby, other than costs resulting from the failure of the 2017 Series C Insurer to honor its obligations under the 2017 Series C Bond Insurance Policy. The 2017 Series C Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(iv) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Successor Agency or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Reserve Account to the Reserve Requirement.

(v) Any amendment, supplement, modification to or waiver of the Indenture that requires the consent of the Bond Owners or adversely affects the rights and interests of the 2017 Series C Insurer shall be subject to the prior written consent of the 2017 Series C Insurer.

(vi) The 2017 Series C Insurer shall be entitled to pay principal or interest on the 2017 Series C Insured Bonds that become Due for Payment but are unpaid by reason of Nonpayment (as such term is defined in the 2017 Series C Bond Insurance Policy) by the Successor Agency, and any amounts due on the 2017 Series C Insured Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the 2017 Series C Insurer has received a Notice of Nonpayment (as such term is defined in the 2017 Series C Bond Insurance Policy) or a claim upon the 2017 Series C Bond Insurance Policy.

(vii) The 2017 Series C Insurer shall, to the extent it makes any payment of principal of or interest on the 2017 Series C Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 2017 Series C Bond Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Successor Agency to the 2017 Series C Insurer under the Indenture shall survive discharge or termination of the Indenture.

(viii) Notwithstanding satisfaction of the other conditions to the issuance of any additional notes, bonds or other obligations on a parity with the Bonds under Section 3.06 of the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Reserve Account is fully funded at the Reserve Requirement (including the proposed issue) upon the issuance of such Parity Debt, in either case unless otherwise permitted by the 2017 Series C Insurer.



(ix) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Bond Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no 2017 Series C Bond Insurance Policy.

(x) No contract shall be entered into or any action taken by which the rights of the 2017 Series C Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the 2017 Series C Insurer.

(xi) The Successor Agency shall not enter into any interest rate exchange agreement or any other interest rate maintenance agreement secured by and payable from the Tax Revenues without the prior written consent of the 2017 Series C Insurer.

(h) The 2017 Series C Insurer shall be provided with the following information by the Successor Agency or Trustee, as the case may be:

(i) Annual audited financial statements of the Successor Agency within 210 days (or such longer period agreed to by the 2017 Series C Insurer) after the end of each Fiscal Year (together with a certification of the Successor Agency that it is not aware of any default or Event of Default hereunder), and the Successor Agency's annual budget within 30 days after the approval thereof together with such other information, data or reports as the 2017 Series C Insurer shall reasonably request from time to time.

(ii) Notice of any draw upon the 2017 Series C Reserve Subaccount within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of the 2017 Series C Bonds.

(iii) Notice of any default known to the Trustee or the Successor Agency within five Business Days after knowledge thereof.

(iv) Prior notice of the advance refunding or redemption of any of the 2017 Series C Insured Bonds, including the principal amount, maturities and CUSIP numbers thereof.

(v) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto.

(vi) Notice of the commencement of any proceeding by or against the Successor Agency commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding").

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of or interest on the 2017 Series C Insured Bonds.

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture.

(ix) All reports, notices and correspondence to be delivered to Bond Owners under the terms of the Indenture.

(x) All information furnished by the Successor Agency pursuant to the Continuing Disclosure Certificate with respect to the 2017 Series C Bonds.

(xi) The 2017 Series C Insurer shall have the right to receive such additional information as it may reasonably request.

(xi) The Successor Agency will permit the 2017 Series C Insurer to discuss the affairs, finances and accounts of the Successor Agency or any information the 2017 Series C Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Successor Agency and will use commercially reasonable efforts to enable the 2017 Series C Insurer to have access to the facilities, books and records of the Successor Agency on any Business Day upon reasonable prior notice.

(xii) The Trustee shall notify the 2017 Series C Insurer of any failure of the Successor Agency to provide notices, certificates and other information to the Trustee under the Indenture.

(i) The maturity of the 2017 Series C Insured Bonds shall not be accelerated without the consent of the 2017 Series C Insurer and in the event the maturity of the 2017 Series C Insured Bonds is accelerated, the 2017 Series C Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the Successor Agency) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the 2017 Series C Insurer's obligations under the 2017 Series C Bond Insurance Policy with respect to such 2017 Series C Insured Bonds shall be fully discharged.

(j) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the 2017 Series C Insurer. No grace period shall be permitted for payment defaults.

(k) The 2017 Series C Insurer is hereby expressly made a third party beneficiary of the Indenture.

(l) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of 2017 Series C Insured Bonds to be redeemed shall be subject to the approval of the 2017 Series C Insurer. The exercise of any provision of the Indenture which permits the purchase of 2017 Series C Insured Bonds in lieu of redemption shall require the prior written approval of the 2017 Series C Insurer if any 2017 Series C Insured Bond so purchased is not cancelled upon purchase.

(m) Notwithstanding the definition of Defeasance Securities in the Indenture, only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the 2017 Series C Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the 2017 Series C Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination

thereof, shall be used to effect defeasance of the 2017 Series C Insured Bonds unless the 2017 Series C Insurer otherwise approves.

To accomplish defeasance of the 2017 Series C Insured Bonds, the Successor Agency shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the 2017 Series C Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the 2017 Series C Insured Bonds in full on the maturity or redemption date (“Verification”), (ii) an escrow deposit agreement or other written instructions to the Trustee (which shall be acceptable in form and substance to the 2017 Series C Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the 2017 Series C Insured Bonds are no longer “Outstanding” under the Indenture and (iv) a certificate of discharge of the Trustee with respect to the 2017 Series C Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Successor Agency, the Trustee and the 2017 Series C Insurer. The 2017 Series C Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

2017 Series C Insured Bonds shall be deemed “Outstanding” under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(n) Amounts paid by the 2017 Series C Insurer under the 2017 Series C Bond Insurance Policy shall not be deemed paid for purposes of the Indenture and the 2017 Series C Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Successor Agency in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the 2017 Series C Insurer have been paid in full or duly provided for.

(o) The Successor Agency covenants and agrees to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Tax Revenues under applicable law.

**Claims Upon the 2017 Series C Reserve Insurance Policy: Additional Rights of the 2017 Series C Insurer with respect to the 2017 Series C Reserve Insurance Policy**

So long as the 2017 Series C Reserve Insurance Policy remains in force and effect, the provisions summarized below govern, notwithstanding anything to the contrary contained in the Indenture:

(a) The Successor Agency shall repay any draws under the 2017 Series C Reserve Insurance Policy and pay all related reasonable expenses incurred by the 2017 Series C Insurer and shall pay interest thereon from the date of payment by the 2017 Series C Insurer at the Late Payment Rate. “Late Payment Rate” means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2017 Series C Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the 2017 Series C Insurer shall specify. If the interest provisions of this subparagraph (a) result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest

otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the 2017 Series C Insurer, with the same force and effect as if the Successor Agency had specifically designated such extra sums to be so applied and the 2017 Series C Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

The Successor Agency shall diligently make repayments for draws and payments of expenses and the interest accrued thereon at the Late Payment Rate (collectively, "2017 Series C Policy Costs") from funds available to the Successor Agency and hereby agrees to amend its then current Recognized Obligation Payment Schedule to the extent permitted by law in order to include any 2017 Series C Policy Costs not so included on such Recognized Obligation Payment Schedule.

Amounts in respect of 2017 Series C Policy Costs paid to the 2017 Series C Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the 2017 Series C Insurer on account of principal due, the coverage under the 2017 Series C Reserve Insurance Policy will be increased by a like amount, subject to the terms of the 2017 Series C Reserve Insurance Policy. The obligation to pay 2017 Series C Policy Costs shall be secured by a valid lien on the Tax Revenues (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the 2017 Series C Reserve Subaccount shall be transferred to the Debt Service Fund for payment of debt service on 2017 Series C Bonds before any drawing may be made on the 2017 Series C Reserve Insurance Policy or any other Qualified Reserve Account Credit Instrument credited to the 2017 Series C Reserve Subaccount in lieu of cash. The prior written consent of the 2017 Series C Insurer shall be a condition precedent to the deposit of any Qualified Reserve Account Credit Instrument credited to the 2017 Series C Reserve Subaccount in lieu of a cash deposit into the 2017 Series C Reserve Subaccount. Payment of any 2017 Series C Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Qualified Reserve Account Credit Instruments (including the 2017 Series C Reserve Insurance Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the 2017 Series C Reserve Subaccount (but not cash and investments available only to pay Parity Debt). Payment of 2017 Series C Policy Costs and reimbursement of amounts with respect to other Qualified Reserve Account Credit Instruments shall be made on a pro rata basis prior to replenishment of any cash drawn from the 2017 Series C Reserve Subaccount. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) If the Successor Agency fails to pay any 2017 Series C Policy Costs in accordance with the requirements of the Indenture, the 2017 Series C Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the 2017 Series C Bonds or (ii) remedies which would adversely affect owners of the 2017 Series C Bonds.

(c) The Indenture shall not be discharged until all 2017 Series C Policy Costs owing to the 2017 Series C Insurer have been paid in full. The Successor Agency's obligation to pay such amounts shall expressly survive payment in full of the 2017 Series C Bonds.

(d) The Successor Agency shall include any 2017 Series C Policy Costs then due and owing the 2017 Series C Insurer in the calculation of the additional Parity Debt test in Section 3.06 of the Indenture

(e) The Trustee shall ascertain the necessity for a claim upon the 2017 Series C Reserve Insurance Policy in accordance with the provisions of the foregoing subparagraph (a) and to provide notice to the 2017 Series C Insurer in accordance with the terms of the 2017 Series C Reserve Insurance Policy at least five Business Days prior to each date upon which interest or principal is due on the 2017 Series C Bonds. Where deposits are required to be made by the Successor Agency with the Trustee to the Debt Service Fund more often than semiannually, the Trustee shall give notice to the 2017 Series C Insurer of any failure of the Successor Agency to make timely payment in full of such deposits within two Business Days of the date due.

(f) The 2017 Series C Reserve Insurance Policy is a Qualified Reserve Account Credit Instrument under the Indenture.

(g) The Successor Agency will pay or reimburse the 2017 Series C Insurer any and all charges, fees, costs, losses, liabilities and expenses which the 2017 Series C Insurer may pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the 2017 Series C Reserve Insurance Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Successor Agency) relating to the Indenture, any party to the Indenture or the transactions contemplated by the Indenture, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture, if any, or the pursuit of any remedies under the Indenture, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to the Indenture or the 2017 Series C Reserve Insurance Policy whether or not executed or completed, or (v) any action taken by the 2017 Series C Insurer to cure a default or termination or similar event (or to mitigate the effect thereof) under the Indenture; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the 2017 Series C Insurer spent in connection with the actions described in clauses (ii) through (v) above. The 2017 Series C Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture. Amounts payable by the Successor Agency under the Indenture shall bear interest at the Late Payment Rate from the date such amount is paid or incurred by the 2017 Series C Insurer until the date the 2017 Series C Insurer is paid in full.

(h) The obligation of the Successor Agency to pay all amounts due to the 2017 Series C Insurer shall be an absolute and unconditional obligation of the Successor Agency and will be paid or performed strictly in accordance with the provisions of the Indenture, irrespective of: (i) any lack of validity or enforceability of or any amendment or other modifications of, or waiver with respect to the 2017 Series C Bonds or the Indenture; (ii) any amendment or other modification of, or waiver with respect to the 2017 Series C Reserve Insurance Policy; (iii) any exchange, release or non-perfection of any security interest in property securing the 2017 Series C Bonds or the Indenture; (iv) whether or not such 2017 Series C Bonds are contingent or matured, disputed or undisputed, liquidated or unliquidated; (v) any amendment, modification or waiver of or any consent to departure from the 2017 Series C Reserve Insurance Policy or the Indenture; (vi) the existence of any claim, setoff, defense (other than the defense of payment in full), reduction, abatement or other right which the Successor Agency may have at any time against the Trustee or any other person or entity other than the 2017 Series C Insurer, whether in connection with the transactions contemplated in the Indenture or any unrelated transactions; (vii) any statement or any other document presented under or in connection with the 2017 Series C Reserve Insurance Policy proving in

any and all respects invalid, inaccurate, insufficient, fraudulent or forged or any statement therein being untrue or inaccurate in any respect; or (viii) any payment by the 2017 Series C Insurer under the 2017 Series C Reserve Insurance Policy against presentation of a certificate or other document which does not strictly comply with the terms of the 2017 Series C Reserve Insurance Policy.

(i) The Successor Agency shall fully observe, perform, and fulfill each of the provisions (as each of those provisions may be amended, supplemented, modified or waived with the prior written consent of the 2017 Series C Insurer) of the Indenture applicable to it, each of the provisions thereof being expressly incorporated into the Indenture by reference solely for the benefit of the 2017 Series C Insurer as if set forth directly in the Indenture. No provision of the Indenture shall be amended, supplemented, modified or waived in any material respect or otherwise in a manner that could adversely affect the payment obligations of the Successor Agency under the Indenture or the priority accorded to the reimbursement of 2017 Series C Policy Costs under the Indenture, without the prior written consent of the 2017 Series C Insurer. The 2017 Series C Insurer is hereby expressly made a third party beneficiary of the Indenture.

(j) The Successor Agency covenants to provide to the 2017 Series C Insurer, promptly upon request, any information regarding the 2017 Series C Bonds or the financial condition and operations of the Successor Agency as reasonably requested by the 2017 Series C Insurer. The Successor Agency will permit the 2017 Series C Insurer to discuss the affairs, finances and accounts of the Successor Agency or any information the 2017 Series C Insurer may reasonably request regarding the security for the 2017 Series C Bonds with appropriate officers of the Successor Agency and will use commercially reasonable efforts to enable the 2017 Series C Insurer to have access to the facilities, books and records of the Successor Agency on any Business Day upon reasonable prior notice.

### **Deposit and Investment of Moneys in Funds**

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund, and any funds or account established in connection with the issuance of Parity Debt, shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (d) of the definition thereof. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (e) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Successor Agency's expense. Moneys in the Special Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made in accordance with the

Indenture. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Successor Agency monthly cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Indenture.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by the Indenture. Except as specifically provided in the Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Successor Agency for earnings derived from funds that have been invested.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued by the Successor Agency at their present value (within the meaning of section 148 of the Code). Investments on deposit in the Reserve Account shall be valued on June 30 of each year at their market value.

#### **Other Covenants of the Successor Agency**

**Limitation on Additional Indebtedness; Against Encumbrances.** The Successor Agency covenants that, so long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the 2017 Series C Bonds, any Parity Debt and any Subordinate Debt. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior or equal to the pledge and lien in the Indenture created for the benefit of the Bonds.

**Extension of Payment.** The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

**Payment of Claims.** The Successor Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing in the Indenture contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

**Books and Accounts; Financial Statements.** The Successor Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Successor Agency and the City and County, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Special Fund. Such books of record and

accounts shall at all times during business hours be subject to the inspection of any Insurer and the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Successor Agency will cause to be prepared, within one hundred and eighty (180) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Successor Agency shall promptly furnish a copy of such financial statements to the Trustee and any Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. The Trustee shall have no obligation to review any financial statements provided to it by the Successor Agency.

**Protection of Security and Rights of Owners.** The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date with respect to the 2017 Series C Bonds, the 2017 Series C Bonds shall be incontestable by the Successor Agency.

**Payments of Taxes and Other Charges.** Except as otherwise provided in the Indenture, the Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may be lawfully imposed after the date of the Indenture upon the Successor Agency or the properties then owned by the Successor Agency in the Redevelopment Project, or upon the revenues therefrom when the same shall become due. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Projects or any part thereof.

**Taxation of Leased Property.** All amounts derived by the Successor Agency pursuant to Section 33673 of the Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Indenture.

**Disposition of Property.** The Successor Agency will not participate in the disposition of any land or real property in the Project Areas to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of issuance of the 2017 Series C Bonds) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Areas unless such disposition is permitted as provided in the Indenture. If the Successor Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of the Bonds, or the rights of the Agency, the Bond Owners and the Trustee under the Indenture will not be materially impaired by said proposed disposition, the Successor Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Successor Agency shall disapprove said proposed disposition.

**Maintenance of Tax Revenues.** The Successor Agency shall comply with all requirements of the Law to ensure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the City and County and, in the case of amounts payable by the State, appropriate officials of the State. The Successor Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one or more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the



Successor Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Successor Agency's ability to pay debt service on the Bonds. Additionally, the Successor Agency shall not approve any amendment to the Redevelopment Plan which would, in and of itself, cause the amount of Tax Revenues available to the Successor Agency for application under the Indenture in any succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service without the written consent of the Insurers, if any.

**Continuing Disclosure.** The Successor Agency in the Indenture covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent the Trustee has been indemnified from and against any loss, liability, cost or expense, including, without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Trustee, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Compliance with the Dissolution Act.** The Successor Agency shall comply with all of the requirements of the Law and the Dissolution Act. Without limiting the generality of the foregoing, the Successor Agency covenants and agrees to file all required statements and hold all public hearings required under the Dissolution Act to assure compliance by the Successor Agency with its covenants under the Indenture.

Further, it will take all actions required under the Dissolution Act to include

(i) scheduled debt service on the Mission Bay Senior Existing Loan Agreements and any amounts required to replenish any reserve account established under any Mission Bay Senior Existing Loan Agreement,

(ii) scheduled debt service on the 2017 Series C Bonds and any Parity Debt and any amount required under the Indenture or any Parity Debt Instrument to replenish the Reserve Account established under the Indenture or the reserve account established under any Parity Debt Instrument, and

(iii) amounts due to any Insurer under the Indenture or under an insurance or surety bond agreement, including the 2017 Series C Bond Insurance Policy and the 2017 Reserve Insurance Policy,

in each annual Recognized Obligation Payment Schedule so as to enable the Auditor-Controller of the City and County of San Francisco to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the Bonds coming due in the respective six-month period and to pay amounts owed to any Insurer, as well as the other amounts set forth above.

These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Indenture. In particular, the Successor Agency shall, not later than April 30, 2017, submit to the State

Department of Finance and to the Auditor-Controller of the City and County of San Francisco an Oversight Board-approved amendment to the Recognized Obligation Payment Schedule previously submitted by the Successor Agency relating to the June 1, 2017 and January 2, 2018 disbursement dates, amending the amounts to be distributed on (i) June 1, 2017 to include all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient for the payment of debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt on August 1, 2017 and (ii) January 2, 2018 to include all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient for the payment of debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt on February 1, 2018 and August 1, 2018. Not later than February 1, 2018 and each February 1 thereafter (or at such other time as may be required by the Dissolution Act) for so long as any of the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds or any Parity Debt remains outstanding or any amounts owing to an Insurer remain unpaid, (a) the Successor Agency will place on the Recognized Obligation Payment Schedules relating to the January 2 disbursement date all amounts that, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt or on deposit in the Special Fund or in the special fund relating to such other debt, are sufficient to pay debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt on the immediately succeeding August 1 and February 1, and (b) if the Successor Agency determines it is necessary to do so to ensure receiving sufficient amounts to pay debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt on a timely basis, the Successor Agency will place on Recognized Obligation Payment Schedules relating to the June 1 disbursement date amounts required to pay debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt on the next succeeding August 1. Additionally, if the Successor Agency determines it is necessary to ensure timely payment of debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt, the Successor Agency may also collect on each January 1 a reserve to be held for debt service on the Mission Bay Senior Existing Loan Agreements, the 2017 Series C Bonds and any Parity Debt on February 1 and August 1 of the next succeeding calendar year. Further, the Successor Agency will place any amounts required to replenish the Reserve Account established under the Indenture or the reserve account established under any Parity Debt Instrument and any amounts owing to any Insurer under the Indenture or under an insurance or surety bond agreement, including the 2017 Series C Bond Insurance Policy and the 2017 Series C Reserve Insurance Policy, on its next Recognized Obligation Payment Schedule upon any such amounts becoming owing.

The Successor Agency further covenants that it will, on or before May 1 and December 1 of each year, file a Notice of Insufficiency with the County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the RPTTF on the upcoming June 1 or January 2, as applicable, is insufficient to pay debt service on the 2017 Series C Bonds, to pay debt service on any Parity Debt, to replenish the Reserve Account established under the Indenture or the reserve account established under any Parity Debt Instrument and to pay any Insurer any amounts owing thereunder or under an insurance or surety bond agreement, including the 2017 Series C Bond Insurance Policy or the 2017 Series C Reserve Insurance Policy.

If any amounts then due and payable to the 2017 Series C Insurer under the Indenture are not included on any current Recognized Obligation Payment Schedule and the Successor Agency is then legally permitted to amend such Recognized Obligation Payment Schedule, the Successor Agency will submit to the Oversight Board and the State Department of Finance a request to amend such Recognized Obligation Payment Schedule to include such amounts then due and payable to the 2017 Series C Insurer.

The Successor Agency will not submit to the Oversight Board and the State Department of Finance a request for the final amendment permitted for its Last and Final Recognized Obligation Payment Schedule pursuant to Section 34191.6 of the Dissolution Act without the prior written consent of the 2017 Series C Insurer, unless all amounts that could become due and payable to the 2017 Series C Insurer under the Indenture would be included as a line item on the Last and Final Recognized Obligation Payment Schedule following approval of the requested amendment.

The Successor Agency also covenants to calculate the amount of Tax Revenues received during each six-month period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Special Fund, as required by the Indenture.

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

### **Amendment of Indenture**

**Amendment With And Without Consent of Owners.** The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, to the extent permitted by law, but only for any one or more of the following purposes -

- (a) to add to the covenants and agreements of the Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Successor Agency; or
- (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or
- (c) to provide for the issuance of Parity Debt in accordance with the Indenture; or
- (d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or
- (e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of any Insurer (but only with respect to any Bonds insured by such Insurer) and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor

Agency to pay the principal, interest, or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of any Insurer or the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event shall any Supplemental Indenture modify any of the rights or obligations of any Insurer without its prior written consent.

**Effect of Supplemental Indenture.** From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

**Endorsement or Replacement of Bonds After Amendment.** After the effective date of any amendment or modification of the Indenture pursuant to the Indenture, the Successor Agency may, with the prior written consent of any Insurer, determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Successor Agency may determine that new Bonds shall be prepared at the expense of the Successor Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Principal Corporate Trust Office of the Trustee, without cost to such Owners.

**Amendment by Mutual Consent.** The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond and, provided further that written consent to such amendment shall first be obtained from any Insurer.

**Opinion of Counsel.** Prior to executing any Supplemental Indenture, the Trustee shall be furnished an opinion of counsel, upon which it may conclusively rely to the effect that all conditions precedent to the execution of such Supplemental Indenture under the Indenture have been satisfied and such Supplemental Indenture is authorized and permitted under the Indenture and does not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or adversely affect the exemption of interest on the Bonds from personal income taxation by the State.

**Copy of Supplemental Indenture to S&P and Moody's.** The Successor Agency shall provide to S&P and Moody's, for so long as S&P and Moody's, as the case may be, maintain a rating on any of the Bonds (without regard to any municipal bond or financial guaranty insurance), a copy of any Supplemental Indenture at least 15 days prior to its proposed effective date.

## **Events of Default and Remedies**

**Events of Default and Acceleration of Maturities.** The following events shall constitute Events of Default under the Indenture:

- (a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same

shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee or any Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and any Insurer) of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency (with the prior written consent of any Insurer) within such thirty (30) day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time as approved by any Insurer; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition by the Successor Agency seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Successor Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

In determining whether an Event of Default has occurred under (a) above, no effect shall be given to payments made under any municipal bond insurance policy, financial guaranty insurance policy or Qualified Reserve Account Credit Instrument.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to any Insurer and to the Successor Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of

the moneys due shall have been obtained or entered, the Successor Agency shall, with the written consent of a majority in aggregate principal amount of the Owners of the Bonds, deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to any Insurer and the Owners of all Bonds then Outstanding, and with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

**Application of Funds Upon Acceleration.** All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture (including the Trustee's share of any Tax Revenues) and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee thereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal, and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority, ratably to the aggregate of such principal and interest; and

Third, any amount due and owing to any Insurer under the Indenture.

**Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under

the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

**Limitation on Owner's Right to Sue.** No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Successor Agency, the Trustee and any Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of (and premium, if any) and interest on such Bond as provided in the Indenture, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions or any other provisions in the Indenture.

**Non-Waiver.** Nothing in the Indenture or in the Bonds, shall affect or impair the obligation of the Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged under the Indenture, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners on the respective Interest Payment Dates, as provided in the Indenture, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners and the Trustee by the Law and the Refunding Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Owners or the Trustee, the Successor Agency, the Trustee and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

**Actions by Trustee as Attorney-in-Fact.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is appointed in the Indenture (and the successive respective Owners by taking and holding the Bonds or Parity Debt shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners

for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, *provided, however*, the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

**Remedies Not Exclusive.** No remedy in the Indenture conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or on or after the date of the Indenture existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or the Refunding Law or any other law.

**Determination of Percentage of Bond Owners.** Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds determined as of the next succeeding Interest Payment Date.

#### **Discharge of Indenture.**

**Discharge of Indenture.** If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency under the Indenture with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligations of the Successor Agency under the Indenture, and (d) the obligation



of the Successor Agency to pay or cause to be paid to the Owners (or any Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee and any Insurer all fees, expenses and costs of the Trustee and any Insurer. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to the Indenture shall be paid over to the Successor Agency.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due of the Bonds is paid by any Insurer, including the 2017 Series C Insurer, pursuant to its municipal bond or financial guaranty insurance policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Successor Agency, and the assignment and pledge of the Tax Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Successor Agency to the Bond Owners so paid shall continue to exist and shall run to the benefit of such Insurer, and such Insurer shall be subrogated to the rights of such Bond Owners, as applicable.

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) in connection with its issuance of \$43,400,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the “2017C Bonds”). The 2017C Bonds are being issued in accordance with Sections 34177.5(a)(1) and 34177.7(a)(1) of the California Health and Safety Code (the “Redevelopment Law”), Article 11, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Law”), the resolution of the Successor Agency adopted on December 6, 2016 (the “Resolution”), and the Indenture of Trust, dated as of March 1, 2017 (the “Indenture”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the 2017C Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture described in the Official Statement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is six months after the end of the Successor Agency’s fiscal year (currently December 31 based on the City’s fiscal year end of June 30).

“Dissemination Agent” means the Successor Agency, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency and the Trustee a written acceptance of such designation.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the internet at <http://www.emma.msrb.org/>.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final Official Statement, dated March 7, 2017, relating to the 2017C Bonds.

“Participating Underwriters” means any of the original underwriters of the 2017C Bonds required to comply with the Rule in connection with offering of the 2017C Bonds.

“Project Areas” means the Mission Bay South Redevelopment Project Area and the Mission Bay North Redevelopment Project Area.

“Rule” means 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.

### Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than each Annual Report Date, commencing on December 31, 2017 with respect to the report for the 2016-17 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriters. Not later than fifteen (15) business days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent, if other than the Successor Agency. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial information regarding the Mission Bay Project Areas may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Successor Agency’s or the Mission Bay Project Areas’s Fiscal Year changes, the Successor Agency, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c) below. The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Successor Agency and shall have no duty or obligation to review such Annual Report.

(b) If, by fifteen (15) business days prior to the Annual Report Date, the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent in a timely manner shall provide to the MSRB (with a copy to the Trustee and the Participating Underwriters) a notice, in substantially the form attached hereto as Exhibit A.

(d) Unless the Successor Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a certificate with the Successor Agency to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Successor Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Successor Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

1. Description of any parity debt (date, amount, term, rating, insurance) issued by the Successor Agency in the fiscal year to which the Annual Report pertains and the amount of all Successor Agency debt outstanding payable with tax increment revenue from the Project Areas as of the end of the fiscal year to which the Annual Report pertains;

2. The top ten taxpayers by valuation in the Project Areas for the fiscal year to which the Annual Report pertains in a form substantially similar to that in the Official Statement;

3. Assessed valuations and tax increment revenue for the fiscal year to which the Annual Report pertains, by means of an update to the "Property Taxable Values and Tax Revenues" table as shown in Table 1 of the Official Statement with an indication of the amount of unsecured valuation and secured valuation;

4. Estimated debt service coverage for obligations of the Successor Agency in the Project Areas for the fiscal year to which the Annual Report pertains by means of an update to the "Estimated Annual Debt Service Coverage" table shown in Table 4 of the Official Statement;

5. Assessment appeals for the fiscal year to which the Annual Report pertains by means of an update to the "Assessment Appeals" table shown in Table 5 of the Official Statement; and

6. The most recently submitted Recognized Obligation Payment Schedule approved by the State Department of Finance and prepared in accordance with the then applicable law.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's internet website, currently EMMA, or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

#### Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to a Series of Bonds in a timely manner not more than ten (10) days after 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 Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar proceedings; and
10. The issuance of any private placement bonds or the entering into any bank loan of the type, in each case, that would constitute Parity Debt as defined in the Indenture, including the related debt service schedule, to the extent this is not already disclosed on EMMA.

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) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2017C Bonds, if material:

1. Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2017C Bonds or other material events affecting the tax status of the 2017C Bonds;
2. Modifications to the rights of Bondholders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution or sale of property securing repayment of the 2017C Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency, 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; and
7. Appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Successor Agency determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Successor Agency, the Successor Agency shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(d) If the Successor Agency determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Successor Agency, the Successor Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Successor Agency hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the Successor Agency and, if the Dissemination Agent is other than the Successor Agency, the Dissemination Agent shall not be responsible for determining whether the Successor Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The obligations of the Successor Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2017C Bonds. If such termination occurs prior to the final maturity of the 2017C Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. From time to time, the Successor Agency may 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. If at any time there is not designated Dissemination Agent, the Successor Agency shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days prior written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency 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(a), it may be made only 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 2017C Bonds, or type of business conducted;

(b) The undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the 2017C Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by holders of the 2017C Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the 2017C Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency 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 Successor Agency 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 Successor Agency 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 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), after receiving indemnification satisfactory to the Trustee, or any holder or beneficial owner of the 2017C Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall be entitled to the protections and limitations from liability afforded to the Trustee in Article 6 of the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its 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. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2017C Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Successor Agency:	Successor Agency to the Redevelopment Agency of the City and County of San Francisco 1 South Van Ness Avenue, 5th Floor San Francisco, CA 94103 Fax: (415) 749-2527 Attention: Deputy Director of Finance and Administration
To the Participating Underwriters:	Piper Jaffray & Co. 2321 Rosecrans, Ste. 3200 El Segundo, CA 90245 Fax: (310) 297-6001 Attention: Public Finance
To the Trustee:	U.S. Bank National Trust Association One California Street, Suite 1000 Mail Code: SF-CA-SFCT San Francisco, CA 94111



Fax: (415) 677-3769

Attention: Global Corporate Trust and Escrow Services

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2017C Bonds, and shall create no rights in any other person or entity.

Date: March 29, 2017.

SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE CITY  
AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
Deputy Director of Finance  
and Administration

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: Successor Agency to the Redevelopment Agency of the City and County of San Francisco

Name of Issue: Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects)

Date of Issuance: March 29, 2017

NOTICE IS HEREBY GIVEN that the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.11 of the Indenture. The Successor Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE CITY  
AND COUNTY OF SAN FRANCISCO

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

cc: Trustee and Participating Underwriters

## APPENDIX E

### FORM OF BOND COUNSEL FINAL OPINION

[Closing Date]

Successor Agency to the Redevelopment Agency of the  
City and County of San Francisco  
One South Van Ness Avenue, Fifth Floor  
San Francisco, California 94103

*OPINION:* \$43,400,000 Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds  
(Mission Bay New Money and Refunding Housing Projects)

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Agency”) of its \$43,400,000 principal amount Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2017 Series C Taxable Subordinate Tax Allocation Bonds (Mission Bay New Money and Refunding Housing Projects) (the “Bonds”), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California, Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (collectively, the “Law”), resolutions of the Agency adopted on December 6, 2016 and February 21, 2017, a resolution of the Oversight Board for the Agency adopted on December 12, 2016, and an Indenture of Trust dated as of March 1, 2017 (the “Indenture”), between the Agency and U.S. Bank National Association, as trustee (the “Trustee”). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is validly existing as a public entity, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein, and issue the Bonds.
2. The Indenture has been duly executed and delivered by the Agency and constitutes the valid and binding obligation of the Agency enforceable upon the Agency.

3. The Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, subject to no prior lien granted under the law, except as provided therein.

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency payable, on a parity with any Parity Debt (as such term is defined in the Indenture), solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is not intended to be excluded from gross income for federal income tax purposes. We express no opinion regarding any federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds, and the enforceability of the Bonds and the Indenture, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and may also be subject to the exercise of judicial discretion in appropriate cases. 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. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

## APPENDIX F

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix F concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. Accordingly, the DTC Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix F with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2017C Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2017C Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2017C Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2017C Bonds. The 2017C Bonds will be issued as fully-registered bonds 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 Bond certificate will be issued for each maturity of each Series of the 2017C 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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor’s 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).

Purchases of the 2017C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017C Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2017C 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 2017C 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 Bonds, except in the event that use of the book-entry system for the 2017C Bonds is discontinued.

To facilitate subsequent transfers, all 2017C 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017C Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2017C 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 2017C Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2017C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency 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 2017C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 2017C 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 Successor Agency or the Trustee 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, the Trustee, or the Successor Agency, 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 Successor Agency or the Trustee, 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 securities depository with respect to the 2017C Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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**APPENDIX G**

**CALIFORNIA DEPARTMENT OF FINANCE  
DETERMINATION LETTER APPROVING THE 2017C BONDS**

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February 14, 2017

Ms. Bree Mawhorter, Deputy Director of Finance and Administration  
City and County of San Francisco  
One South Van Ness Avenue, Fifth Floor  
San Francisco, CA 94103

Dear Ms. Mawhorter:

Subject: Approval of Oversight Board Actions

The City and County of San Francisco Successor Agency (Agency) notified the California Department of Finance (Finance) of its December 12, 2016 Oversight Board (OB) resolutions. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB actions.

Based on our review and application of the law, Finance made the following determinations:

OB Resolution No. 11-2016

OB Resolution No. 11-2016, approving the issuance of new money tax allocation bonds under HSC section 34177.7, is approved.

The Agency plans to issue 2017 Series A Taxable Tax Allocation Bonds (2017A) and 2017 Series B Tax Allocation Bonds (2017B) in the aggregate amounts of \$112,000,000 and \$50,000,000, respectively. It is Finance's understanding the 2017A and 2017B bonds are being issued solely to finance projects permitted under HSC section 34177.7 (a) (1).

OB Resolution No. 12-2016

OB Resolution No. 12-2016, approving the issuance of new money and refunding tax allocation bonds, is approved.

The Agency plans to issue 2017 Series C Taxable Tax Allocation Bonds (2017C) in the aggregate amount of \$55,000,000.

A portion of the 2017C bonds will be used to refund the Agency's debt under certain 2006, 2009, and 2011 loan agreements (Prior Debt) as they relate to 2006 Series A, 2009 Series E, and 2011 Series E Taxable Tax Allocation Revenue Bonds issued by the City and County of San Francisco Redevelopment Financing Authority. The Agency anticipates achieving approximately \$3,800,000 in savings through the refunding of the Prior Debt.

Finance notes the approval of the refunding portion of the 2017C bonds is based on the understanding that no refunding bonds will be issued unless such bonds meet the limitations

outlined in HSC section 34177.5 (a). In addition, it is Finance's understanding the proceeds from the new money portion of the 2017C bonds are to be used solely to finance projects permitted under HSC section 34177.7 (a) (1).

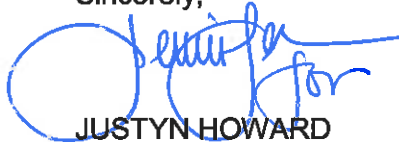
Following the issuance of the 2017A, 2017B, and 2017C bonds, the Agency's debt service payment obligations for the bonds should be placed on future Recognized Obligation Payment Schedules (ROPS) for Finance's review and approval.

In addition, OB Resolution Nos. 11-2016 and 12-2016 state the Agency is authorized to recover costs related to the issuance of the bonds from the proceeds of the bonds and the Agency entitled to receive its full administrative cost allowance under HSC section 34183 (a) (3). While Finance does not object to these actions, any associated costs not satisfied with the bond issuances, and the request for administrative cost allowance, must be placed on a subsequent ROPS for Finance's review and approval before they are considered enforceable obligations.

This is our determination with respect to the OB actions taken.

Please direct inquiries to Wendy Griffe, Supervisor, or Jonathan Cox, Lead Analyst, at (916) 322-2985.

Sincerely,



JUSTYN HOWARD  
Program Budget Manager

cc: Ms. Nadia Sesay, Interim Executive Director, City and County of San Francisco  
Mr. James Whitaker, Property Tax Manager, San Francisco County

## **APPENDIX H**

### **SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100







FOR ADDITIONAL BOOKS: [ELABRA.COM](http://ELABRA.COM) OR (888) 935-2272