



In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications, under existing law, the interest on the 2014 Series C Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is required to be taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2014 Series B Taxable Bonds and the 2014 Series C Bonds is exempt from California personal income taxes. Interest on the 2014 Series B Taxable Bonds is not intended to be excluded from federal income taxation. See "TAX MATTERS" herein.

\$67,955,000

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2014 Series B Taxable Subordinate
Tax Allocation Refunding Bonds
(San Francisco Redevelopment Projects)**

\$75,945,000

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2014 Series C Subordinate
Tax Allocation Refunding Bonds
(San Francisco Redevelopment 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 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (the "2014 Series B Taxable Bonds") and the 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (the "2014 Series C Bonds" and together with the 2014 Series B Taxable Bonds, the "Bonds" and individually, each a "Series") 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 December 1, 2014, by and between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee").

Interest on the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2015. Principal of the Bonds will be payable on the dates and in the respective principal amounts set forth on the inside cover page.

The Bonds of each Series 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 Bonds. Beneficial ownership interests in the 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 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 the 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 Bonds of each Series are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption Provisions."

The Bonds are being issued for the purpose of providing funds, together with certain other available monies, to (i) refund certain obligations of the former Redevelopment Agency of the City and County of San Francisco, as described herein under "THE REFUNDING PLAN," (ii) purchase a Municipal Bond Debt Service Reserve Insurance Policy from Build America Mutual Assurance Company for deposit in each of the subaccounts in the Reserve Account established for each Series of Bonds to satisfy such Series' reserve requirement and (iii) pay costs associated with the issuance of the Bonds. See "THE REFUNDING PLAN."

The Bonds are payable from and secured by Pledged Tax Revenues (defined herein), consisting primarily of certain revenues generated from taxes on the property within the Project Areas (defined herein) on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll. No funds or properties of the Successor Agency, other than the Pledged Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the Bonds. Pledged Tax Revenues consists of Tax Revenues (defined herein) remaining after the payment of certain outstanding obligations of the Successor Agency and, accordingly, the payment of debt service on the Bonds is subordinate to payments due on such obligations as described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Security of Bonds; Equal Security."

THE BONDS ARE LIMITED OBLIGATIONS OF THE SUCCESSOR AGENCY, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM PLEDGED TAX REVENUES AND CERTAIN OTHER AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT OF 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 CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE SUCCESSOR AGENCY IS LIABLE THEREFOR. THE 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 BONDS. ALTHOUGH THE SUCCESSOR AGENCY RECEIVES CERTAIN TAX INCREMENT REVENUES, THE SUCCESSOR AGENCY HAS NO TAXING POWER.

The 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. Curls 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 Bonds will be delivered to the Underwriters through the facilities of DTC in New York, New York on or about December 30, 2014.

2014 Series B Taxable Underwriters

2014 Series C Underwriters

Piper Jaffray & Co.

Backstrom McCarley Berry & Co., LLC

STIFEL

Stinson Securities, LLC

STIFEL

Blaylock Beal Van, LLC

MATURITY SCHEDULES

\$67,955,000

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds
(San Francisco Redevelopment Projects)**

\$54,865,000 Serial Bonds

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | CUSIP No. (Base: 79770G) [†] |
|------------------------|---------------------|------------------|--------|--|
| 2015 | \$ 8,005,000 | 0.569% | 0.569% | BN5 |
| 2016 | 7,170,000 | 1.172 | 1.172 | BP0 |
| 2017 | 7,625,000 | 1.680 | 1.680 | BQ8 |
| 2018 | 14,740,000 | 2.120 | 2.120 | BR6 |
| 2019 | 5,985,000 | 2.570 | 2.570 | BS4 |
| 2020 | 1,610,000 | 2.807 | 2.807 | BT2 |
| 2021 | 1,690,000 | 3.207 | 3.207 | BU9 |
| 2022 | 1,705,000 | 3.390 | 3.390 | BV7 |
| 2023 | 1,395,000 | 3.590 | 3.590 | BW5 |
| 2024 | 1,460,000 | 3.760 | 3.760 | BX3 |
| 2025 ^c | 1,710,000 | 3.960 | 3.960 | BY1 |
| 2026 ^c | 1,770,000 | 4.080 | 4.080 | BZ8 |

\$5,790,000 4.410% Term Bonds due August 1, 2029^c, Yield 4.410%, CUSIP No.[†] 79770G CA2

\$7,300,000 4.870% Term Bonds due August 1, 2035^c, Yield 4.870%, CUSIP No.[†] 79770G CB0

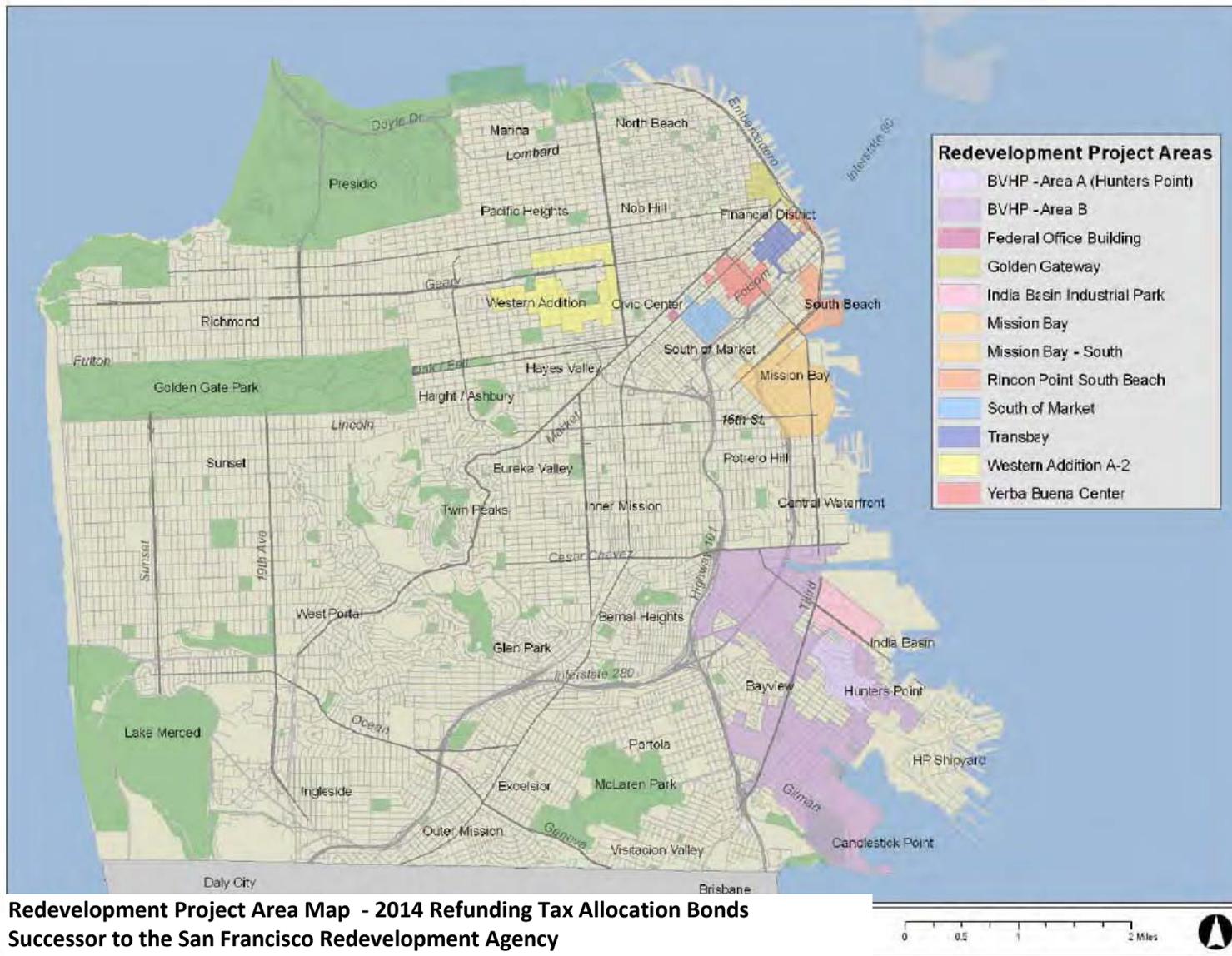
\$75,945,000

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2014 Series C Subordinate Tax Allocation Refunding Bonds
(San Francisco Redevelopment Projects)**

| Maturity (August 1) | Principal Amount | Interest Rate | Yield | CUSIP No. (Base: 79770G) [†] |
|------------------------|---------------------|------------------|--------|--|
| 2015 | \$11,555,000 | 2.000% | 0.210% | AX4 |
| 2016 | 10,640,000 | 3.000 | 0.440 | AY2 |
| 2017 | 10,975,000 | 4.000 | 0.750 | AZ9 |
| 2018 | 9,580,000 | 5.000 | 1.070 | BA3 |
| 2019 | 9,300,000 | 5.000 | 1.390 | BB1 |
| 2020 | 8,960,000 | 5.000 | 1.690 | BC9 |
| 2021 | 9,835,000 | 5.000 | 1.940 | BD7 |
| 2022 | 2,305,000 | 5.000 | 2.180 | BE5 |
| 2023 | 415,000 | 5.000 | 2.350 | BF2 |
| 2024 | 440,000 | 5.000 | 2.500 | BG0 |
| 2025 ^c | 350,000 | 5.000 | 2.670 | BH8 |
| 2026 ^c | 365,000 | 5.000 | 2.830 | BJ4 |
| 2027 ^c | 390,000 | 5.000 | 2.940 | BK1 |
| 2028 ^c | 405,000 | 5.000 | 3.040 | BL9 |
| 2029 ^c | 430,000 | 5.000 | 3.110 | BM7 |

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services and are included solely for convenience. Neither the Successor Agency nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

^c Priced to the optional redemption date of August 1, 2024 at par.



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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
Marilyn Modejar
Darshan Singh
[Vacant]

Successor Agency Staff

Tiffany Bohee, *Executive Director*
Leo Levenson, *Deputy Executive Director, Finance and Administration*
James Morales, *Interim General Counsel*
Sally Oerth, *Deputy Executive Director*

CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee, *Mayor*

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

BOARD OF SUPERVISORS

Katy Tang, *President, District 4*

| | |
|---------------------------------|---------------------------------|
| Mark Farrell, <i>District 2</i> | Scott Wiener, <i>District 8</i> |
| John Avalos, <i>District 11</i> | Norman Yee, <i>District 7</i> |
| David Campos, <i>District 9</i> | Eric Mar, <i>District 1</i> |
| [Vacant], <i>District 3</i> | Malia Cohen, <i>District 10</i> |
| Jane Kim, <i>District 6</i> | London Breed, <i>District 5</i> |

SPECIAL SERVICES

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Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisors

Public Financial Management, Inc.
San Francisco, California
Kitahata & Company
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

Disclosure Counsel

Curls Bartling P.C.
Oakland, California

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 or the City to give any information or to make any representations in connection with the offer or sale of the 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 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 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 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 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 entireties 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 Bonds.

The issuance and sale of the 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 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$67,955,000
**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO**
**2014 Series B Taxable Subordinate
Tax Allocation Refunding Bonds
(San Francisco Redevelopment Projects)**

\$75,945,000
**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO**
**2014 Series C Subordinate
Tax Allocation Refunding Bonds
(San Francisco Redevelopment Projects)**

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 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 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 \$67,955,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (the “**2014 Series B Taxable Bonds**”) and its \$75,945,000* aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (the “**2014 Series C Bonds**” and together with the 2014 Series B Taxable Bonds, the “**Bonds**” and individually, each a “**Series**”). The Bonds are being issued in accordance with Section 34177.5(a)(1) of the Redevelopment Law (defined below), 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**”), a resolution of the Successor Agency adopted November 18, 2014 (the “**Resolution**”), and an Indenture of Trust, dated as of December 1, 2014 (the “**Indenture**”), by and between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”).

The Bonds are being issued by the Successor Agency for the purpose of providing funds, together with certain other available monies, to (i) refund certain outstanding obligations of the Former Agency (defined herein), (ii) purchase a Municipal Bond Debt Service Reserve Insurance Policy (the “**Reserve Surety**”) from Build America Mutual Assurance Company (the “**Surety Provider**”) for deposit in each of the subaccounts in the Reserve Account established for each Series of Bonds (each a “**Reserve Surety**” and together the “**Reserve Sureties**”) to satisfy the reserve requirements for such Series of Bonds for deposit in its subaccount in the Reserve Account, and (iii) pay costs associated with the issuance of the Bonds, all as more fully described herein under “– The Successor Agency,” “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The City and County of San Francisco

The City and County of San Francisco (referred to herein as 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 a 40-minute drive to the south, and the wine country is about an hour’s drive to the north. The California Department of Finance Demographic Research Unit estimated the City’s population at 836,620 as of January 1, 2014.

THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS, AND 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 BONDS. THE 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 (the “**Board of Supervisors**”) of the City and County of San Francisco (the “**City**”) in 1948, to exercise the powers granted by the California Community Redevelopment Law (Sections 33000 et seq. of the California Health and Safety Code) (the “**Redevelopment Law**”).

As a result of Assembly Bill No. 26 (“**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 primary provisions enacted by AB 26 relating to the dissolution and wind down of former redevelopment agency affairs are 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 Assembly Bill No. 1484 (as amended from time to time, the “**Dissolution Act**”). See also “THE SUCCESSOR AGENCY” for further discussion of the Dissolution Act, the formation of the Successor Agency and the current powers, and limitations thereon, of the Successor Agency.

The Project Areas

The Former Agency adopted redevelopment plans for several project areas in the City. A portion of property tax revenues from nine (9) of those project areas (the “**Project Areas**”) provide the source of funds for debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” The Project Areas consist of the redevelopment project areas (except any portion thereof included in the Excluded Project Areas defined below) described in the following redevelopment plans:

- Redevelopment Plan – Bayview Hunters Point Redevelopment Project Area – Zone 2 of Project Area B (the “**Bayview Hunters Point Project Area B**”)

- Redevelopment Plan – Embarcadero-Lower Market (“Golden Gateway”) Approved Redevelopment Project Area E-1 (the “**Golden Gateway Project Area**”)
- Redevelopment Plan – Hunters Point Redevelopment Project Area (also known as the Bayview Hunters Point Redevelopment Project Area – Project Area A) (the “**Hunters Point Project Area**”)
- Redevelopment Plan – India Basin Industrial Park Redevelopment Project Area (the “**India Basin Industrial Park Project Area**”)
- Redevelopment Plan – Rincon Point – South Beach Redevelopment Project Area (the “**Rincon Point – South Beach Project Area**”)
- Redevelopment Plan – South of Market Redevelopment Project Area (previously known as the South of Market Earthquake Recovery Project Area) (the “**South of Market Project Area**”)
- Redevelopment Plan – Transbay Redevelopment Project Area (the “**Transbay Project Area**”)
- Redevelopment Plan – Western Addition Redevelopment Project Area A-2 (the “**Western Addition Project Area A-2**”)
- Redevelopment Plan – Yerba Buena Center Redevelopment Project Area D-1 (the “**Yerba Buena Center Project Area D-1**”)

Excluded Project Areas

The City has five (5) additional project areas not listed above, specifically, the Mission Bay North Redevelopment Project Area, the Mission Bay South Redevelopment Project Area, the Hunters Point Shipyard Redevelopment Project Area, the Visitacion Valley Redevelopment Project Area and the Federal Office Building Redevelopment Project Area. These 5 project areas together with Zone 1 (also referred to as the Candlestick Site) of the Bayview Hunters Point Project Area B (See “THE PROJECT AREAS – Bayview Hunters Point Project Area B”) and certain parcels within the Transbay Project Area currently or previously owned by the State (referred to herein as the “State Parcels”) (See “THE PROJECT AREAS – Transbay Project Area) are collectively referred to herein as the “**Excluded Project Areas.**” The Excluded Project Areas are not considered part of the Project Areas and tax increment revenues from these Excluded Project Areas are not pledged to pay debt service on the Bonds. See “APPENDIX B – REPORT OF FISCAL CONSULTANT.”

Tax Allocation Financing

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 drops 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 agency obligations.

The Dissolution Act authorizes refunding bonds, including the Bonds, to be secured by a pledge of the same revenues pledged to the bonds or obligations being refunded, and to be payable from and further secured by moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency (the “**Redevelopment Property Tax Trust Fund**”), which 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 REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND.**

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.”

Security and Sources of Payment for the Bonds

The Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and payable from and secured by the Pledged Tax Revenues. “**Pledged Tax Revenues**” are defined in the Indenture as all taxes that were eligible for allocation to the Former Agency with respect to the Project Areas and are allocated to the Successor Agency pursuant to Redevelopment Law and the Dissolution Act, or pursuant to other applicable State laws and that are deposited in the Redevelopment Property Tax Trust Fund, excluding (i) amounts payable pursuant to Existing Loan Agreements (defined herein), (ii) all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, unless such payments are subordinated to payments on the Bonds or any additional bonds issued pursuant to the Indenture or to the payments owed under any Parity Debt Instrument pursuant to Section 33607.5(e) of the Redevelopment Law and Section 34177.5(c) of the Dissolution Act, and (iii) amounts required to be paid to the Transbay Joint Powers Authority in accordance with Section 5.7 of the Redevelopment Plan for the Transbay Project Area. Pledged Tax Revenues do not include tax increment revenues from, or amounts deposited in, the Redevelopment Property Tax Trust Fund attributable to the Excluded Project Areas or committed to Senior Obligations (defined herein).

The Dissolution Act requires the auditor-controller of the City and County of San Francisco (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 Redevelopment Property Tax Trust Fund in accordance with the Dissolution Act. The Dissolution Act further provides that bonds authorized thereunder issued by a successor agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the 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 34177.5(g) of the Dissolution Act provides that any bonds authorized to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved 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, will be included in the Successor Agency’s Recognized Obligation Payment Schedule (defined herein) and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedules.”

The Dissolution Act requires compliance by the Successor Agency with a procedure for preparation of Recognized Obligation Payment Schedules biannually enabling receipt of funds for payment of debt service and submission thereof to its Oversight Board and the State Department of Finance for approval. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act.” Taxes levied on the property within the 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 Project Areas, to the extent that such taxes constitute tax revenues, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund 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 Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedules.” Moneys deposited by the City Controller into the Successor Agency’s Redevelopment Obligation Retirement Fund (the “**Retirement Fund**”) representing Pledged Tax Revenues will first be deposited by the Successor Agency in 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 Bonds are secured by and payable solely from the Pledged Tax Revenues and moneys in the Special Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes pursuant to the Dissolution Act” and “PLEGGED TAX REVENUES AND DEBT SERVICE.” The Project Areas, and the real and personal property therein, do not serve as security for the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE SUCCESSOR AGENCY, THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON WHICH ARE PAYABLE SOLELY FROM PLEDGED TAX REVENUES AND CERTAIN OTHER AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE BONDS ARE NOT A DEBT OF 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 CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE SUCCESSOR AGENCY IS LIABLE THEREFOR. THE 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 BONDS. ALTHOUGH THE SUCCESSOR AGENCY RECEIVES CERTAIN TAX INCREMENT REVENUES, THE SUCCESSOR AGENCY HAS NO TAXING POWER. SEE “PLEGGED TAX REVENUES.”

Senior Obligations

The pledge of tax increment revenues from the Project Areas to pay debt service on the Bonds is subordinate to the prior pledge, or priority of payment, of such tax increment to the payment of certain outstanding loan agreements and other obligations of the Successor Agency (the “**Senior Obligations**”, as defined herein). See also “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations.”

Reserve Account

The Indenture establishes a Reserve Account for the Bonds to be held by the Trustee and to be maintained in an amount at least equal to the Reserve Requirement for the Bonds as defined therein. The Indenture also establishes a “2014 Series B Taxable Subaccount” and a “2014 Series C Subaccount” within the Reserve Account for the 2014 Series B Taxable Bonds and the 2014 Series C Bonds, and the determination of the Reserve Requirement will be calculated separately for the 2014 Series B Taxable

Bonds and the 2014 Series C Bonds. The Surety Provider has committed to issue, simultaneously with the issuance of the Bonds, a Reserve Surety for each Series of Bonds in the principal amount of the Reserve Requirement for such Series of Bonds for deposit in the respective subaccounts established for each Series of Bonds within the Reserve Account. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Fund; Deposit of Pledged Tax Revenues - *Reserve Account*.”

Risk Factors

Certain events could affect the ability of the Successor Agency to pay debt service on the 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 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, 2014 (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 Bonds, the security for the Bonds, the Indenture, the Successor Agency, the Former Agency, the City, the Project Areas and certain other information relevant to the issuance of the Bonds. All references herein to the Indenture, the Refunding Law, the Redevelopment Law, the 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 Bonds are further qualified by reference to the form thereof contained in the Indenture.

The Successor Agency’s audited financial statements for the period ended June 30, 2014 are included in APPENDIX A – “SUCCESSOR AGENCY’S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014.” Urban Analytics, LLC, San Francisco, California (the “**Fiscal Consultant**”) is providing consulting services to the Successor Agency with respect to the Project Areas and their projected taxable values and anticipated tax increment revenues. The Fiscal Consultant will provide a report in substantially the form attached hereto as APPENDIX B – “REPORT OF FISCAL CONSULTANT.” The proposed form of legal opinion of Bond Counsel for the 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 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, 5th 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.

THE REFUNDING PLAN

General. The proceeds of each Series of Bonds will be applied, together with certain other available funds, to pay certain existing loan agreements entered into by the Former Agency and the City and County of San Francisco Redevelopment Financing Authority (the “**Authority**”) reflecting loans from the Authority to the Former Agency of the proceeds of certain bonds issued by the Authority for the benefit of the Former Agency, as described further below. The Former Agency used such loaned bond proceeds to finance or refinance its redevelopment activities. The proceeds of each Series of Bonds will also be used to pay costs associated with the issuance of the Bonds and to purchase a Reserve Surety for deposit in each of the subaccounts in the Reserve Account established for each Series of Bonds to satisfy the Reserve Requirement for each Series of Bonds.

Payment of Certain Existing Loan Agreements and Refunding the Related Outstanding Authority Bonds. The following tables detail the series, maturity dates and principal amounts of the outstanding bonds of the Authority (“**Refunded Authority Bonds**”) and related loan agreements (“**Refunded Loan Agreements**,” and together with the Refunded Authority Bonds, the “**Refunded Obligations**”) that will be refunded with the proceeds of a Series of the Bonds.

Refunded Obligations to be Refunded by the 2014 Series B Taxable Bonds

| Series Designation | Issue Date | Maturity Date | Base CUSIP (79771P) | Principal Amount Outstanding | Principal Amount to be Redeemed | Redemption Date |
|-----------------------------|------------|---------------|---------------------|------------------------------|---------------------------------|-----------------|
| Series 2004D ⁽¹⁾ | 6/10/2004 | 8/1/2030 | YA7 | \$ 25,040,000 | \$ 25,040,000 | 1/12/2015 |
| Series 2005C ⁽²⁾ | 6/29/2005 | 8/1/2035 | B95 | 29,355,000 | 29,355,000 | 1/12/2015 |
| Series 2006A ⁽³⁾ | 8/10/2006 | 8/1/2036 | D44 | 45,421,331 | 10,430,000 | 8/1/2016 |
| Total | | | | \$ 99,816,331 | \$ 64,825,000 | |

⁽¹⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway – South of Market Project Area; Rincon Point - South Beach Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the “2004D Loan Agreements”).

⁽²⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway Project Area; Hunters Point Project Area; India Basin Industrial Park Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the “2005C Loan Agreements”).

⁽³⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Rincon Point – South Beach Project Area and Yerba Buena Center Project Area D-1 (collectively, the “2006A Loan Agreements”).

Source: Piper Jaffray & Co.

Refunded Obligations to be Refunded by the 2014 Series C Bonds

| Series Designation | Issue Date | Maturity Date | Base CUSIP (79771P) | Principal Amount Outstanding | Principal Amount to be Redeemed | Redemption Date |
|-----------------------------|---------------|------------------|---------------------------|---------------------------------|--|--------------------|
| Series 1993B ⁽¹⁾ | 7/1/1993 | 8/1/2018 | DV4 | \$ 4,600,000 | \$ 4,600,000 | 1/12/2015 |
| Series 1998D ⁽²⁾ | 7/1/1998 | 8/1/2019 | PM1 | 15,019,002 | 3,150,000 | 1/12/2015 |
| Series 2003C ⁽³⁾ | 3/6/2003 | 8/1/2018 | VM4 | 4,350,000 | 4,350,000 | 1/12/2015 |
| Series 2004A ⁽⁴⁾ | 4/7/2004 | 8/1/2021 | WE1 | 56,690,000 | 56,690,000 | 1/12/2015 |
| Series 2004C ⁽⁵⁾ | 6/15/2004 | 8/1/2030 | XK6 | 5,880,000 | 5,880,000 | 1/12/2015 |
| Series 2005A ⁽⁶⁾ | 7/20/2005 | 8/1/2025 | YV1 | 9,865,000 | 9,865,000 | 1/12/2015 |
| Total | | | | \$ 96,404,002 | \$ 84,535,000 | |

⁽¹⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Hunters Point Project Area; India Basin Industrial Park Project Area; Rincon Point - South Beach Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the "1993B Loan Agreements").

⁽²⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway Project Area and South of Market Project Area; Hunters Point Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the "1998D Loan Agreements").

⁽³⁾ Debt service on this series of bonds is payable from loan payments pursuant to the Loan Agreement for the Yerba Buena Center Project Area D-1 (the "2003C Loan Agreement").

⁽⁴⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Hunters Point Project Area; India Basin Industrial Park Project Area; Rincon Point - South Beach Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the "2004A Loan Agreements").

⁽⁵⁾ Debt service on this series of bonds is payable from loan payments pursuant to the Loan Agreement for the Rincon Point - South Beach Project Area (the "2004C Loan Agreement").

⁽⁶⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway Project Area and the South of Market Project Area; Rincon Point - South Beach Project Area; and Western Addition Project Area A-2 (collectively, the "2005A Loan Agreements").

Source: Backstrom McCarley Berry & Co., LLC.

The refunding of each series of Refunded Obligations will be effected by depositing a portion of the proceeds of the indicated Series of 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 December 1, 2014 and will be by and between the Authority, the Successor Agency and the trustee for the applicable series of Refunded Authority Bonds, 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 Refunded 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 its indenture, except that the Owners of such Refunded Authority Bonds will be entitled to payment thereof solely from the amounts on deposit in the applicable Escrow Fund held by the Escrow Trustee.

Verification. Causey Demgen & Moore, P.C., independent certified public accountants, will verify, from the information provided to them, the mathematical accuracy as of the date of delivery of the 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 Refunded Obligations and to pay, on the redemption date therefor, the redemption price of such Refunded Bonds. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

ESTIMATED SOURCES AND USES OF FUNDS

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

| <i>Sources:</i> | <i>2014 Series B Taxable Bonds</i> | <i>2014 Series C Bonds</i> | <i>Total</i> |
|-------------------------------------|--|--------------------------------|--------------------------------|
| Par Amount | \$ 67,955,000.00 | \$75,945,000.00 | \$143,900,000.00 |
| Plus Original Issue Premium | - | 8,660,783.65 | <u>8,660,783.65</u> |
| Plus Other Money ⁽¹⁾ | - | <u>2,231,234.57</u> | <u>2,231,234.57</u> |
| Total Sources | <u>\$67,955,000.00</u> | <u>\$86,837,018.22</u> | <u>\$154,792,018.22</u> |
| <i>Uses:</i> | | | |
| 2004 Series D (Taxable) Escrow Fund | 25,698,432.99 | - | 25,698,732.99 |
| 2005 Series C (Taxable) Escrow Fund | 29,997,888.65 | - | 29,997,888.65 |
| 2006 Series A (Taxable) Escrow Fund | 11,618,161.50 | - | 11,618,161.50 |
| 1993 Series B Escrow Fund | - | 4,697,719.06 | 4,697,719.06 |
| 1998 Series D Escrow Fund | - | 3,219,446.90 | 3,219,446.90 |
| 2003 Series C Escrow Fund | - | 4,450,820.66 | 4,450,820.66 |
| 2004 Series A Escrow Fund | - | 57,695,031.31 | 57,695,031.31 |
| 2004 Series C Escrow Fund | - | 6,006,828.31 | 6,006,828.31 |
| 2005 Series A Escrow Fund | - | 10,031,086.59 | 10,031,086.59 |
| Costs of Issuance ⁽²⁾ | 326,564.76 | 394,493.56 | 721,058.32 |
| Underwriters' Discount | 313,952.10 | 341,591.83 | 655,543.93 |
| Total Uses | <u>\$67,955,000.00</u> | <u>\$86,837,018.22</u> | <u>\$154,792,018.22</u> |

⁽¹⁾ Reflects moneys held in funds and accounts relating to the Refunded Obligations.

⁽²⁾ Includes legal, financing and consultant fees, rating agency fee, verification agent fees, the fees for the Reserve Sureties and other miscellaneous expenses.

THE BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Refunding Law, Redevelopment Law and the Dissolution Act. Issuance of the Bonds and the execution of the related documents was authorized by the Successor Agency pursuant to a resolution adopted on September 12, 2014 (the “**Resolution**”), and approved by the Successor Agency’s Oversight Board pursuant to a resolution adopted on September 22, 2014 (the “**Oversight Resolution**”).

Written notice of the Oversight Board's Resolution was provided to the State Department of Finance (the "**Department of Finance**"), as required by the Dissolution Act, on September 22, 2014. On November 25, 2014, which is within the time period allotted under the Dissolution Act for the Department of Finance to review the Oversight Board's Resolution, the Department of Finance provided a letter to the Successor Agency stating that, based on the Department of Finance's review of the Oversight Board's Resolution and application of applicable law, the Department of Finance approved of the Bonds. A copy of the Department of Finance's letter is set forth in APPENDIX G.

Description of the Bonds

The Bonds of each Series will be issued in the form of fully registered bonds without coupons and in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds of each Series will be dated, and shall bear interest from, their date of delivery to the original purchasers thereof. The Bonds of each Series 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. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on each Series of the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2015 (each, an "**Interest Payment Date**"). Interest on the Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each 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 (15th) day of the month preceding an Interest Payment 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, 2015, in which event it shall bear interest from the date of delivery of the Bonds to the original purchasers thereof, provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has been previously paid or made available for payment thereon or from the date of delivery of the Bonds to the original purchasers thereof if no interest has been paid on such Bond.

Book-Entry Only System

Each Series of Bonds will be issued as fully registered bonds and 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 Bonds. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds so purchased. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal, premium, if any, and interest evidenced by the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 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 Bonds. In this Official Statement, the term "**Beneficial Owner**" means the person for whom the DTC Participant acquires an interest in the Bonds.

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 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 Bonds, (ii) confirmation of ownership interests in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its

nominee, as registered owner of the 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 PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption Provisions

Optional Redemption. The 2014 Series B Taxable Bonds maturing on or prior to August 1, 2024, are not subject to optional redemption. The 2014 Series B Taxable Bonds maturing on or after August 1, 2025, are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, on any date after August 1, 2024, by such maturity or maturities as shall be directed by the Successor Agency (or in 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 to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

The 2014 Series C Bonds maturing on or prior to August 1, 2024, are not subject to optional redemption. The 2014 Series C Bonds maturing on or after August 1, 2025, are subject to optional redemption prior to their respective maturity dates as a whole, or in part by lot, any date on or after August 1, 2024, by such maturity or maturities as shall be directed by the Successor Agency (or in 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 to be redeemed, plus accrued but unpaid interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2014 Series B Taxable Bonds that are Term Bonds maturing on August 1, 2029, are also subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, plus accrued but unpaid interest thereon to the date of redemption, on August 1 in each year, commencing August 1, 2027, respectively, and in the aggregate principal amounts set forth in the following table; provided, however, that in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below.

2014 Series B Taxable Term Bonds of 2029

| Sinking Account Redemption Date <u>(August 1)</u> | Principal Amount <u>to be Redeemed</u> |
|---|---|
| 2027 | \$1,855,000 |
| 2028 | 1,930,000 |
| 2029* | 2,005,000 |
| | <hr style="width: 50%; margin: auto;"/> \$5,790,000 |

*Maturity

The 2014 Series B Taxable Bonds that are Term Bonds maturing on August 1, 2035, are also subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption,

on August 1 in each year, commencing August 1, 2030, respectively, and in the aggregate principal amounts set forth in the following table; provided, however, that in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below.

2014 Series B Term Bonds of 2035

| Sinking Account Redemption Date (August 1) | Principal Amount to be Redeemed |
|--|------------------------------------|
| 2030 | \$2,095,000 |
| 2031 | 960,000 |
| 2032 | 990,000 |
| 2033 | 1,040,000 |
| 2034 | 1,080,000 |
| 2035* | 1,135,000 |
| | \$7,300,000 |

*Maturity

Purchase in Lieu of Redemption. In lieu of redemption of the Term Bonds pursuant to the preceding paragraphs, 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 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 Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds that were assigned the numbers so selected, but only so much of the principal amount of each such 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 first class mail no less than thirty (30) and nor more than sixty (60) days prior to the redemption date (i) to the Bondowners (i.e., Cede & Co. as nominee of DTC) or in the event that the book-entry only system is discontinued, to the respective registered owners of the Bonds designated for redemption at their addresses appearing on the registration books for the Bonds, and (ii) to the Securities Depositories and one or more Information Services. Neither failure to receive such notice nor any defect in the notice so mailed nor any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner to notify the Beneficial Owner so affected will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest thereon on the redemption date.

The Successor Agency may 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 shall 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 Bonds then called for redemption, and such cancellation shall 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.

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

Transfer and Exchange. If the Bonds are not in book-entry form, then the Bonds may be transferred or exchanged at the Principal Corporate Trust Office of the Trustee, provided that the Trustee shall not be required to register the transfer or exchange of (i) any Bonds during the period established by the Trustee for selection of the Bonds for redemption, or (ii) any Bonds selected by the Trustee for redemption pursuant to the Indenture. So long as Cede & Co. is the registered owner of the Bonds, transfers and exchanges of the 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 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 Bond to replace a Bond which has been mutilated, lost, destroyed or stolen.

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DEBT SERVICE SCHEDULE

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

| Year (Amount Payable as of August 1) | Existing Loan Agreements ⁽¹⁾ | 2014 Series B Taxable Bonds | | | 2014 Series C Bonds | | | Total Debt Service |
|--|--|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------------|
| | | Principal | Interest | Debt Service | Principal | Interest | Debt Service | |
| 2015 | \$56,145,374.83 | \$ 8,005,000 | \$ 1,018,034.76 | \$9,023,034.76 | \$11,555,000.00 | \$ 1,833,384.86 | \$13,388,384.86 | \$ 78,556,794.45 |
| 2016 | 55,268,323.52 | 7,170,000 | 1,691,382.90 | 8,861,382.90 | 10,640,000.00 | 2,896,950.00 | 13,536,950.00 | 77,666,656.42 |
| 2017 | 55,338,294.54 | 7,625,000 | 1,607,350.50 | 9,232,350.50 | 10,975,000.00 | 2,577,750.00 | 13,552,750.00 | 78,123,395.04 |
| 2018 | 56,296,846.79 | 14,740,000 | 1,479,250.50 | 16,219,250.50 | 9,580,000.00 | 2,138,750.00 | 11,718,750.00 | 84,234,847.29 |
| 2019 | 47,750,949.58 | 5,985,000 | 1,166,762.50 | 7,151,762.50 | 9,300,000.00 | 1,659,750.00 | 10,959,750.00 | 65,862,462.08 |
| 2020 | 35,615,397.55 | 1,610,000 | 1,012,948.00 | 2,622,948.00 | 8,960,000.00 | 1,194,750.00 | 10,154,750.00 | 48,393,095.55 |
| 2021 | 38,019,372.66 | 1,690,000 | 967,755.34 | 2,657,755.34 | 9,835,000.00 | 746,750.00 | 10,581,750.00 | 51,258,878.00 |
| 2022 | 46,915,743.07 | 1,705,000 | 913,557.00 | 2,618,557.00 | 2,305,000.00 | 255,000.00 | 2,560,000.00 | 52,094,300.07 |
| 2023 | 49,046,912.43 | 1,395,000 | 855,757.50 | 2,250,757.50 | 415,000.00 | 139,750.00 | 554,750.00 | 51,852,419.93 |
| 2024 | 48,891,292.51 | 1,460,000 | 805,677.00 | 2,265,677.00 | 440,000.00 | 119,000.00 | 559,000.00 | 51,715,969.51 |
| 2025 | 32,331,971.61 | 1,710,000 | 750,781.00 | 2,460,781.00 | 350,000.00 | 97,000.00 | 447,000.00 | 35,239,752.61 |
| 2026 | 32,319,689.65 | 1,770,000 | 683,065.00 | 2,453,065.00 | 365,000.00 | 79,500.00 | 444,500.00 | 35,217,254.65 |
| 2027 | 32,320,255.51 | 1,855,000 | 610,849.00 | 2,465,849.00 | 390,000.00 | 61,250.00 | 451,250.00 | 35,237,354.51 |
| 2028 | 32,307,366.51 | 1,930,000 | 529,043.50 | 2,459,043.50 | 405,000.00 | 41,750.00 | 446,750.00 | 35,213,160.01 |
| 2029 | 32,294,479.73 | 2,005,000 | 443,930.50 | 2,448,930.50 | 430,000.00 | 21,500.00 | 451,500.00 | 35,194,910.23 |
| 2030 | 32,716,099.11 | 2,095,000 | 355,510.00 | 2,450,510.00 | - | - | - | 35,166,609.11 |
| 2031 | 30,479,282.77 | 960,000 | 253,483.50 | 1,213,483.50 | - | - | - | 31,692,766.27 |
| 2032 | 30,468,176.87 | 990,000 | 206,731.50 | 1,196,731.50 | - | - | - | 31,664,908.37 |
| 2033 | 30,469,128.97 | 1,040,000 | 158,518.50 | 1,198,518.50 | - | - | - | 31,667,647.47 |
| 2034 | 30,448,955.35 | 1,080,000 | 107,870.50 | 1,187,870.50 | - | - | - | 31,636,825.85 |
| 2035 | 26,268,836.44 | 1,135,000 | 55,274.50 | 1,190,274.50 | - | - | - | 27,459,110.94 |
| Total | \$831,712,750.00 | \$67,955,000 | \$15,673,533.50 | \$83,628,533.50 | \$75,945,000.00 | \$13,862,834.86 | \$89,807,834.86 | \$1,005,149,118.36 |

⁽¹⁾ Reflects outstanding debt service on the Existing Loan Agreements and the related Authority Bonds not being refunded by the 2014 Series B Taxable Bonds and 2014 Series C Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

Under the Indenture, the Successor Agency has pledged all of its right, title and interest in and to the Pledged Tax Revenues to payment of the Bonds. The 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, security interest in and lien on the (a) Pledged Tax Revenues allocated and paid to the Successor Agency from the Project Areas, other than (i) certain administrative fees, expenses and indemnity payable by the Successor Agency to the Trustee and (ii) any rebate of excess investment earnings payable to the United States of America; (b) the amounts deposited in the Reserve Account; (c) all other moneys deposited with the Trustee from time to time in the funds and accounts established under the Indenture, including the Reserve Account; and (d) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

On a subordinate basis to the Senior Obligations (as described under “– Senior Obligations”), the Bonds are payable from and secured by deposits into the Redevelopment Property Tax Trust Fund to be derived from the Project Areas. See “– Security of Bonds; Equal Security.”

The Bonds are not a debt of the City, the State, or any of its political subdivisions, and neither the City, the State, nor any of its political subdivisions is liable therefor, nor in any event will the 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 PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM PLEDGED TAX REVENUES AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE 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 CITY, OR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE. 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 Dissolution Act for permitted administrative costs of the City Controller, constitute the amounts required under the Dissolution Act to be deposited by the City Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the “on or after January 1, 1989” reference from paragraph (a) above.

Allocation of Taxes Pursuant to the Dissolution Act

Prior to the enactment of the 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. The Dissolution Act requires that all property tax increment derived from all former project areas be deposited in a Redevelopment Property Tax Trust Fund for the Successor Agency held and maintained by the City Controller. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT REVENUES OR TAX REVENUES REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND.** Pursuant to the Dissolution Act the pledge of the Pledged Tax Revenues as defined herein, to repay the Bonds is made as if the Bonds had been issued prior to the effective date of Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

The Dissolution Act authorizes bonds, including the Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency (the “**Redevelopment Property Tax Trust Fund**”), which 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 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 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 Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the City Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved 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 Bonds. Pursuant to the Dissolution Act, the Successor Agency has covenanted to take all actions necessary to ensure that the Bonds will be included in each of the Successor Agency’s Recognized Obligation Payment Schedules as prepared from time to time under the Dissolution Act. See “– Recognized Obligation Payment Schedules” 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 does not receive, on an annual basis, all allocable tax revenues, unless required to pay debt service or other enforceable obligations. See the tables for the Project Areas under “PLEGGED TAX REVENUES AND DEBT SERVICE – Historical and Current Assessed Valuation and Tax Revenues.”

Taxes levied on the property within the 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 Project Area, to the extent they constitute tax revenues, less administrative costs, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Successor Agency's Redevelopment Obligation Retirement Fund established pursuant to the 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 Dissolution Act. See "– Recognized Obligation Payment Schedules" below.

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. Notwithstanding the foregoing, in those specific circumstances where the Former Agency found that a significant amount of the proceeds of a loan agreement entered into by the Former Agency was going to be used for low and moderate income housing purposes that also benefitted other project areas, such other project areas (referred to as contributing cross-collateralization project areas) agreed, in the event of an insufficiency in the reserve account related to such loan agreement committed, to provide funds for deposit in such reserve account in an amount and on the terms set forth in the applicable loan agreement.

However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the 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 Redevelopment Property Tax Trust Fund 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 Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, 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 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 Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area.

Despite the provisions of the Dissolution Act that appear to permit the Successor Agency to use tax increment revenue that does not constitute Pledged Tax Revenues to pay debt service on the Bonds, investors should assume that the Bonds are secured by and payable solely from the Pledged Tax Revenues and moneys in the Special Fund, and that tax revenues attributable to the Excluded Project Areas are not available for payment of debt service on the Bonds.

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 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 Bonds.

The City maintains a tax loss reserve account which, as of June 30, 2014, held approximately \$19,653,933. The overall delinquency rate for Fiscal Year 2013-14 for all secured properties in the Project Areas was 0.886% (less than one percent) as of August 27, 2014. See APPENDIX B – “REPORT OF FISCAL CONSULTANT – The Allocation of Tax Increment Revenue to the Agency.”

Elimination of Housing Set-Aside. Prior to the Dissolution Act, the Redevelopment Law required generally that redevelopment agencies set aside in a low and moderate income housing fund not less than twenty percent (20%) of all tax revenues allocated to such agencies. This twenty percent (20%) set-aside requirement was eliminated by the Dissolution Act. Further, the Former Agency is not bound by any contractual agreements with respect to any of the Project Areas to deposit a set amount (whether 20% of total tax revenues or an amount in excess of 20% of total tax revenues) in the Former Agency’s Low and Moderate Income Housing Fund. Accordingly, Pledged Tax Revenues include the amounts that, prior to dissolution, would have been required to be deposited in the Former Agency’s Low and Moderate Income Housing Fund with respect to the Project Areas, and all such amounts are available for the payment of debt service on the Bonds.

Elimination of Section 33333.7 Pass-Throughs. Prior to the Dissolution Act, Section 33333.7 of the Redevelopment Law (“**Section 33333.7**”) provided redevelopment project areas with the ability to extend their redevelopment plans and eliminate their tax increment limits so long as the school entities in such redevelopment project areas received the same amount of tax increment revenue as they would have received in the absence of the redevelopment project area. Several of the Project Areas (i.e., Golden Gateway Project Area, Hunters Point Project Area, India Basin Industrial Park Project Area, Western Addition Project Area A-2 and the Emporium Sub-Area portion of the Yerba Buena Center Project Area D-1) amended their redevelopment plans pursuant to Section 33333.7. The Successor Agency believes that Section 33333.7’s pass-through obligations were effectively repealed by Section 33333.8 of the Redevelopment Law, which removed limitations on an agency’s receipt of tax increment funds for the purpose of fulfilling replacement housing obligations, and were also eliminated by Section 34183 of the Dissolution Act, which established a priority allocation of tax increment funds for fulfilling enforceable obligations before a general allocation of funds to school entities.

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). The enactment of AB 1290 created several significant changes in the Redevelopment Law, including the following:

(a) time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are repayable from tax increment revenues. See “THE PROJECT AREAS” for a discussion of the time limitations;

(b) limitations on the use of the proceeds of loans, advances and indebtedness for auto malls and other sales tax generating redevelopment activities, as well as for city and county administrative buildings. However, AB 1290 confirmed the authority of a redevelopment agency to make loans to

rehabilitate commercial structures and to assist in the financing of facilities or capital equipment for industrial and manufacturing purposes;

(c) provisions affecting the housing set-aside requirements of an agency, including severe limitations on the amount of money that is permitted to accumulate in the Successor Agency’s housing set-aside fund. However, these limitations are such that an agency will be able (with reasonable diligence) to avoid the severe penalties for having “excess surplus” in its housing set-aside fund; and

(d) provisions relating primarily to the formation of new redevelopment project areas, including (i) changes in the method of allocation of tax increment revenues to other taxing entities affected by the formation of redevelopment project areas, (ii) restrictions on the finding of “blight” for purposes of formation of a redevelopment project area, and (iii) new limitations with respect to incurring and repaying debt and the duration of the new redevelopment plan.

AB 1290 also established 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. The first twenty-five percent (25%) of net tax increment generated by the increase in assessed value after the establishment of the project areas or the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the 11th year of collecting tax increment, an additional twenty-one percent (21%) of the increment generated by increases in assessed value after the 10th year must be so paid. Finally, beginning in the 31st year of collecting tax increment, an additional fourteen percent (14%) of the increment generated by increases in assessed value after the 30th year must be so paid.

There are nine taxing entities (the “**Taxing Entities**”) within the Project Areas. Four of these are entities of the City and County of San Francisco: the General Fund, the Children’s Fund, the Library Fund, and the Open Space Fund. The remaining five Taxing Entities are: the San Francisco Community College District, the San Francisco Superintendent of Schools, the San Francisco Unified School District, the Bay Area Air Quality Management District, and the Bay Area Rapid Transit District. In addition to the Taxing Entities, the Controller allocates a portion of revenue to the Educational Revenue Augmentation Fund (“**ERAF**”) for distribution to the schools. The proportion of pass-through payments received by each of these Taxing Entities and ERAF is shown in the following table.

Pass-through Shares By Taxing Entity

| Taxing Entity | Pass-through |
|------------------------------|--------------|
| General Fund | 0.56588206 |
| Children's Fund | 0.03000000 |
| Library Fund | 0.02500000 |
| Open Space | 0.02500000 |
| S.F. Community College | 0.01444422 |
| S.F. Schools Superintendent | 0.00097335 |
| S.F. Unified School District | 0.07698857 |
| Bay Area Air Quality Board | 0.00208539 |
| BART | 0.00632528 |
| ERAF* | 0.25330113 |
| Total | 1.00000000 |

* ERAF is not itself a Taxing Entity; revenue deposited to ERAF is distributed to schools.
Source: City Controller.

The Dissolution Act requires the City Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the City Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement

Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded by the Successor Agency (see below), (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency's enforceable obligations, pass-through payments, and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for Statutory Pass-Through Amounts, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Successor Agency is of the opinion that the provisions of AB 1290, including the time limitations provided in AB 1290, will not have an adverse impact on the payment of debt service on the Bonds. The total Statutory Pass-Through Amounts for Fiscal Year 2014-15 is estimated to be \$31.3 million. However, the Successor Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the tax revenues and the Statutory Pass-Through Amounts will effectively result in adequate Pledged Tax Revenues for the payment of principal and interest on the Bonds when due. See “– Recognized Obligation Payment Schedules.” See also “PLEGGED TAX REVENUES AND DEBT SERVICE” for additional information regarding the Statutory Pass-Through Amounts applicable to the Successor Agency and the revenues derived from the Project Areas. Section 33607.5(e) of the Redevelopment Law sets forth a process pursuant to which such payments may be subordinated to debt service on newly-issued bonds or loans. The Successor Agency notified the Taxing Entities of its intent to subordinate the Statutory Pass-Through Amounts to debt service on the Bonds. With the expiration of the requisite 45-day period, on November 17, 2014 with no disapproval notice from the Taxing Entities, the Successor Agency is deemed to have the approval of all Taxing Entities to subordinate the payment of the Statutory Pass-Through Amounts to debt service on the Bonds. The Statutory Pass-Through Amount paid through ERAF to the schools is assumed to be subordinated with the Statutory Pass-Through Amount paid directly to the schools. See also “CERTAIN RISK FACTORS – Subordination of ERAF.”

Security of Bonds; Equal Security

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in the Indenture, the Bonds will be equally secured by a pledge of, security interest in and lien on all of the Pledged Tax Revenues, and all of the moneys in the Debt Service Fund, the Interest Account, the Principal 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 Pledged Tax Revenues and such moneys, no funds or properties of the Successor Agency will be pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds.

As defined in the Indenture, “**Pledged Tax Revenues**” means, all taxes that were eligible for allocation to the Former Agency with respect to the Project Areas 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, or pursuant to other applicable State laws, and that are deposited in the Redevelopment Property Tax Trust Fund, excluding (i) amounts payable pursuant to the Existing Loan Agreements, (ii) all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments on the bonds or any additional Bonds or to the payments owed under any Parity Debt Instrument pursuant to Section 33607.5(e) of the Redevelopment Law and 34177.5(c) of the Dissolution Act, and (iii) amounts required to be paid to the Transbay Joint Powers Authority in accordance with Section 5.7 of the Redevelopment Plan of the Transbay Project Area. The Successor Agency’s collection of Pledged Tax Revenues in the Project Areas are subject to certain limitations set forth in their respective redevelopment plans. See “THE PROJECT AREAS.”

On a subordinate basis to the Existing Loan Agreements and the other Senior Obligations, the Bonds are payable from and secured by deposits into the Redevelopment Property Tax Trust Fund from tax revenues from the Project Areas. No amounts deposited into the Redevelopment Property Tax Trust Fund reflecting tax revenues from the Excluded Project Areas is pledged to, or anticipated to be available for, payment of debt service on the Bonds.

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 Pledged Tax Revenues available in any six-month period to pay the principal of and interest on the Bonds. See “– Tax Increment Financing - Generally,” “– Recognized Obligation Payment Schedules,” “LIMITATIONS ON TAX REVENUES” and “CERTAIN RISK FACTORS.”

In consideration of the acceptance of the 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 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 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 Bonds or in the Indenture.

Special Fund; Deposit of Pledged Tax Revenues

The Indenture establishes a Subordinate Bonds Special Fund (the “**Special Fund**”) to be held by the Successor Agency. On each June 1, commencing June 1, 2015, the Successor Agency shall transfer all of the Pledged Tax Revenues received in connection with the Recognized Obligation Payment Schedule for the immediately succeeding July 1 through December 31 period ratably to the Special Fund and to any other special fund created with respect to any additional Parity Debt that is not issued as bonds under the Indenture, promptly upon receipt thereof by the Successor Agency, until such time as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred in the Bond Year commencing on the immediately succeeding August 1 (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, if applicable, and (ii) with respect to any additional Parity Debt (other than additional bonds issued pursuant to a Supplemental Indenture) for deposit into the funds and accounts that may be required pursuant to the applicable Parity Debt Instruments. If the amount of Pledged Tax Revenues received in connection with the Recognized Obligation Payment Schedule for the immediately succeeding July 1 through December 31 period 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 deposit the Pledged Tax Revenues received in connection with the next succeeding Recognized Obligation Payment Schedule in the Special Fund in order to make the remainder of the transfers and deposits described above. If there nonetheless remains insufficient Pledged Tax Revenues to make the transfers and deposits required above, then the Successor Agency shall transfer such Pledged Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Pledged Tax Revenues received by the Successor Agency with respect to any Bond Year in excess of the amount required to be deposited during a Bond Year into the Special Fund and any other special fund relating to Parity Debt will be released from the pledge under the Indenture for the security of the Bonds and any Parity Debt and may be applied by the Successor Agency for any lawful purpose. 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 trust fund to be known as the Debt Service Fund, which will be held by the Trustee in trust. The Indenture requires the Successor Agency to transfer from the Special Fund to the Trustee (i) on or before the fifth (5th) business day preceding each Interest Payment Date, the amount necessary to pay principal of, and interest on, the Bonds, and (ii) at any time, the amount necessary to maintain the 2014 Series B Reserve Requirement and the 2014 Series C Reserve Requirement on deposit in the applicable subaccount of the Reserve Account (taking into account funds held by the Trustee for such purpose).

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

Interest Account. On or before the fifth (5th) business day, the Trustee will deposit in the Interest Account an 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. On or before the fifth (5th) business day preceding August 1 in each year beginning August 1, 2015, the Trustee will 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 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 Outstanding Serial Bonds and the Outstanding Term Bonds, including by mandatory sinking account redemption, as it becomes due and payable.

Reserve Account. The Indenture establishes a “**Reserve Account**” to be held by the Trustee for the benefit of the Owners of the Bonds. The amount on deposit in the Reserve Account is required to be maintained at the Reserve Requirement, which is defined in the Indenture to mean, with respect to the 2014

Series B Taxable Bonds, the 2014 Series C Bonds and each series of Parity Debt issued in the form of bonds pursuant to a Supplemental Indenture (together, “**Outstanding Bonds**”), the lesser of (i) 125% of average Annual Debt Service with respect to that series of Outstanding Bonds, (ii) Maximum Annual Debt Service with respect to that series of Outstanding Bonds, or (iii) with respect to an individual series of Outstanding Bonds, 10% of the original principal amount of such series of Outstanding Bonds (or, if such series of Outstanding Bonds has more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of such series of Outstanding Bonds); subject to the limitations and conditions in the Indenture relating to Parity Debt in the form of bonds.

The Trustee shall establish a “2014 Series B Taxable Subaccount” and a “2014 Series C Subaccount” within the Reserve Account for the 2014 Series B Taxable Bonds and the 2014 Series C Bonds, and the determination of the Reserve Requirement is calculated separately for the 2014 Series B Taxable Bonds and the 2014 Series C Bonds. The Reserve Requirement for the 2014 Series B Taxable Bonds is \$5,077,970.60 and the Reserve Requirement for the 2014 Series C Bonds is \$7,696,348.45. Amounts on deposit in the 2014 Series B Taxable Subaccount will be available only to pay debt service on the 2014 Series B Taxable Bonds, and amounts on deposit in the 2014 Series C Subaccount will be available only to pay debt service on the 2014 Series C Bonds.

The Reserve Requirement for the Bonds will be satisfied by the delivery of a Reserve Surety for each Series of Bonds by the Surety Provider to the Trustee on the Closing Date for deposit in the respective subaccounts in the Reserve Account for the Bonds. The Trustee will draw on the Reserve Sureties in accordance with their terms and conditions and the terms of the Indenture. The amounts available under a Reserve Surety for the 2014 Series B Taxable 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 all the 2014 Series B Taxable Bonds then Outstanding. The amounts available under a Reserve Surety for the 2014 Series C 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 all the 2014 Series C Bonds then Outstanding.

The Trustee will comply with all documentation relating to the Reserve Sureties as required to maintain the Reserve Sureties 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 any Reserve Surety or to fund the Reserve Account with cash if, at any time that any Series of Bonds are Outstanding, amounts are not available under the applicable Reserve Surety.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Establishment of Funds and Accounts; Flow of Funds – Debt Service Fund; Deposit of Amounts by Trustee – Reserve Account.” Amounts on deposit in the Reserve Account are not available to pay debt service in connection with any Senior Obligations. See “– Senior Obligations” below.

***The Surety Provider.** The information under this caption has been prepared by the Surety Provider 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.*

The Surety Provider is a New York domiciled mutual insurance corporation. The Surety Provider provides credit enhancement products solely to issuers in the U.S. public finance markets. The Surety Provider will only provide credit enhancement products for obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income

under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of the Surety Provider is liable for the obligations of the Surety Provider.

The address of the principal executive offices of the Surety Provider is 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

The Surety Provider is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular, Articles 41 and 69 of the New York Insurance Law.

The Surety Provider's financial strength is rated "AA/Stable" by Standard and poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The ratings of the Surety Provider should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of the Surety Provider and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of the Surety Provider in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. The Surety Provider does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

The Surety Provider's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$492.2 million, \$38.0 million and \$454.2 million, respectively.

The Surety Provider is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by the Surety Provider, subject to certain limitations and restrictions.

The Surety Provider's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on the Surety Provider's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to the Surety Provider at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

The Surety Provider makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition the Surety Provider 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 the Surety Provider, supplied by the Surety Provider presented in this section under the caption "*– The Surety Provider.*"

The Surety Provider receives compensation (a premium) for the Reserve Sureties that it is providing with respect to the Bonds. Neither the Surety Provider nor any affiliate of the Surety Provider has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

Senior Obligations

Except for obligations issued to refund any of the Existing Loan Agreements, but only if the debt service in any Bond Year (as such term is defined in the Existing Loan Agreements) does not increase as a

result of such refunding, the Successor Agency may not issue additional bonds or incur additional obligations that are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds. However, the Successor Agency’s pledge of moneys deposited in the Redevelopment Property Tax Trust Fund to payment on the Bonds is subordinate to its prior pledge of or claim on certain tax revenues to pay debt service on the Existing Loan Agreements not being refunded through the issuance of the Bonds and to make pass-through payments as described below.

Existing Loan Agreements. The pledge of tax revenues from the Project Areas under the Indenture to pay debt service on the Bonds is subordinate to the pledge thereof for payment of debt service on existing loan agreements related to bonds issued by the Authority for the benefit of the Project Areas not being refunded by the Bonds (the “**Existing Loan Agreements**”). The Existing Loan Agreements include the following Authority Bonds and related loan agreements:

| <u>Remaining Authority Bonds</u> | <u>Outstanding Principal Amount of Existing Loans (as of November 1, 2014)</u> |
|---|--|
| 1998 Series C Tax Allocation Revenue Refunding Bonds ⁽¹⁾ | \$ 1,072,519 |
| 1998 Series D Tax Allocation Revenue Refunding Bonds ⁽²⁾ | 11,869,002 |
| 2003 Series A Taxable Tax Allocation Revenue Bonds ⁽³⁾ | 13,485,000 |
| 2003 Series B Tax Allocation Revenue Bonds ⁽⁴⁾ | 25,320,000 |
| 2005 Series B Taxable Tax Allocation Refunding Revenue Bonds ⁽⁵⁾ | 860,000 |
| 2006 Series A Taxable Tax Allocation Revenue Bonds ⁽⁶⁾ | 34,991,331 |
| 2007 Series A Taxable Tax Allocation Revenue Bonds ⁽⁷⁾ | 109,215,000 |
| 2007 Series B Tax Allocation Refunding Revenue Bonds ⁽⁸⁾ | 44,140,000 |
| 2009 Series A Taxable Tax Allocation Revenue Bonds ⁽⁹⁾ | 54,120,000 |
| 2009 Series B Tax Allocation Revenue Bonds ⁽¹⁰⁾ | 13,490,000 |
| 2009 Series E Taxable Tax Allocation Revenue Bonds ⁽¹¹⁾ | 71,970,000 |
| 2009 Series F Tax Allocation Revenue Bonds ⁽¹²⁾ | 6,475,000 |
| 2010 Series A Taxable Tax Allocation Revenue Bonds ⁽¹³⁾ | 39,105,000 |
| 2011 Series A Taxable Tax Allocation Revenue Bonds ⁽¹⁴⁾ | 21,660,000 |
| 2011 Series B Tax Allocation Revenue Bonds ⁽¹⁵⁾ | 16,020,000 |
| TOTAL | \$ 463,792,852 |

⁽¹⁾ Debt service on this series of bonds is payable from loan payments pursuant to the Loan Agreement for the Rincon Point - South Beach Project Area (the “1998C Loan Agreement”).

⁽²⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway Project Area and South of Market Project Area; Hunters Point Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the “1998D Loan Agreements”).

⁽³⁾ Debt service on this series of bonds is payable from loan payments pursuant to the Loan Agreement for the Golden Gateway Project Area and South of Market Project Area (the “2003A Loan Agreement”).

⁽⁴⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway Project Area and South of Market Project Area; Rincon Point - South Beach Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the “2003B Loan Agreements”).

⁽⁵⁾ Debt service on this series of bonds is payable from loan payments pursuant to the Loan Agreement for the Western Addition Project Area A-2 (the “2005B Loan Agreement”).

⁽⁶⁾ Debt service on this series of bonds is payable from loan payments pursuant to the Loan Agreement for each of the following Project Areas: Golden Gateway Project Area and Mission Bay North Project area (collectively, the “2006A Loan Agreements”).

⁽⁷⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Bayview Hunters Point Project Area B; Mission Bay North Redevelopment Project Area; Rincon Point - South Beach Project Area; South of Market Project Area; Transbay Project Area; and Yerba Buena Center Project Area D-1 (collectively, the “2007A Loan Agreements”).

⁽⁸⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway Project Area and the South of Market Project Area; Hunters Point Project Area; India Basin Industrial Park Project Area; Rincon Point - South Beach Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the “2007B Loan Agreements”).

⁽⁹⁾ Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Bayview Hunters Point Project Area B; Mission Bay North Redevelopment Project Area; Mission Bay South Redevelopment Project Area; Rincon Point -

South Beach Project Area; Transbay Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the “2009A Loan Agreements”).

(Footnotes continue on the following page.)

⁽¹⁰⁾Debt service on this series of bonds is payable from loan payments pursuant to the Loan Agreements for each of the following Project Areas: Bayview Hunters Point Project Area B; South of Market Project Area; Transbay Project Area; and Yerba Buena Center Project Area D-1 (collectively, the “2009B Loan Agreements”).

⁽¹¹⁾Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Bayview Hunters Point Project Area B; Mission Bay North Redevelopment Project Area; Mission Bay South Redevelopment Project Area; Rincon Point - South Beach Project Area; Western Addition Project Area A-2; and Yerba Buena Center Project Area D-1 (collectively, the “2009E Loan Agreements”).

⁽¹²⁾Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Bayview Hunters Point Project Area B; South of Market Project Area; and Transbay Project Area (collectively, the “2009F Loan Agreements”).

⁽¹³⁾Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Golden Gateway Project Area; Transbay Project Area; and Western Addition Project Area A-2 (collectively, the “2010A Loan Agreements”).

⁽¹⁴⁾Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Bayview Hunters Point Project Area B; Golden Gateway Project Area; Hunters Point Project Area; South of Market Project Area; Transbay Project Area; and Western Addition Project Area A-2 (collectively, the “2011A Loan Agreements”).

⁽¹⁵⁾Debt service on this series of bonds is payable from loan payments pursuant to Loan Agreements for each of the following Project Areas: Bayview Hunters Point Project Area B; South of Market Project Area; and Transbay Project Area (collectively, the “2011B Loan Agreements”).

Sources: Piper Jaffray & Co., and Backstrom McCarley Berry & Co., LLC.

Project Area Specific Obligations. Tax increment revenues from certain of the Project Areas is subject to other obligations that are senior to the payment debt service on the Bonds. The Golden Gateway Project Area and the South of Market Project Areas have been fiscally merged with the Federal Office Building Project Area (an Excluded Project Area). Negative tax increment generated from the Federal Office Building Project Area is applied (results in a reduction) to the tax increment revenues from the Golden Gateway Project Area and the South of Market Project Areas, which reduction is applied prior to the calculation of tax increment available for payment of debt service on the Bonds. See “THE PROJECT AREAS – Golden Gateway Project Area – *Senior Obligations*” and “– South of Market Project Area – *Senior Obligations*.” A portion of the tax increment revenue from the Original Sub-Area of the South of Market Project is allocable to school districts under Section 33676(a) of the Redevelopment Law and the Santa Ana USD Case, which portion is allocated prior to the calculation of tax increment available for payment of debt service on the Bonds. See “THE PROJECT AREAS – South of Market Project Area – *Senior Obligations*.” In the Yerba Buena Center Project Area D-1, consistent with an amendment to its redevelopment plan, a portion of the tax increment revenues (i.e., 2% of growth) from the Emporium Sub-Area are allocated to certain taxing entities. Distribution of this 2% occurs prior to calculation of tax increment revenue available for payment of debt service on the Bonds. See “THE PROJECT AREAS – Yerba Center Project Area D-1 – *Senior Obligations*.”

Property Tax Administration Fees. Pursuant to the Dissolution Act, beginning for Fiscal Year 2012-13, the City Controller charges the Successor Agency fee to recover property tax administration costs. This administration fee is approximately 0.017% of tax increment and is allocated among all of the project areas as determined at the discretion of the Successor Agency. For Fiscal Year 2013-14, the County’s administrative charge to the Successor Agency for all of its project areas was \$39,128. For Fiscal Year 2014-2015, it is expected to be approximately \$31,622. See also “LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures – *Property Tax Administrative Costs*.”

Limitations on Additional Indebtedness

Senior Debt. Under the Indenture, the Successor Agency has covenanted that it will not issue additional bonds or incur additional obligations that are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds except for obligations issued to refund any of the Existing Loan Agreements, but only if the debt service in any Bond Year (as such term is defined in the Existing Loan Agreements) does not increase as a result of such refunding.

Parity Debt. In addition to the Bonds, the Successor Agency may issue additional bonds or incur other loans, advances or indebtedness, which are secured by and payable from Pledged Tax Revenues on a parity with the lien established under the Indenture for payment of the Bonds (“**Parity Debt**”) but only to refund Existing Loan Agreements or outstanding Bonds or Parity Debt in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions 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 unless such event of default will be cured by the issuance of such Parity Debt;

(b) The debt service on the Parity Debt either will be less than the debt service on the Existing Bonds or the Bonds or Parity Debt being refunded in each Bond Year or, alternatively, Pledged Tax Revenues 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, 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 Bonds and any other Parity Debt that will be outstanding immediately following the issuance of such Parity Debt;

(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 certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Subordinate. Nothing contained in the Indenture prevents the Successor Agency from issuing and selling any 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 Pledged Tax Revenues; or (b) secured by a pledge of or lien upon the Pledged Tax Revenues that is subordinate to the pledge of and lien upon the Pledged Tax Revenues under the Indenture for the security of the Bonds (collectively, “**Subordinate Debt**”).

Recognized Obligation Payment Schedules

The Dissolution Act require that, not less than ninety (90) days prior to each January 2 and June 1, successor agencies prepare, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule (the “**Recognized Obligation Payment Schedule**”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

As defined in the Dissolution Act, “enforceable obligation” includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency’s low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule 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 six-month period.

In the Indenture, the Successor Agency acknowledges that, due to the passage of the Dissolution Act, it will need to take certain actions to ensure that it collects sufficient Pledged Tax Revenues to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and in order to ensure the payment of debt service on the Bonds, on a timely basis. The Successor Agency covenants that it will take all such actions as required to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and to make the timely payment of debt service on the Bonds. The Successor Agency further acknowledges that the provisions of the Dissolution Act require that it establish the Retirement Fund, into which all tax revenues are required to be deposited. The Successor Agency has heretofore established the Retirement Fund as required by Section 34170.5(a) of the California Health and Safety Code, and covenants that it shall continue to hold and maintain the Retirement Fund so long as any of the Bonds are Outstanding. The Successor Agency hereby agrees that it will hold the Special Fund, as well as any special funds established with respect to any future Parity Debt, as an account within Retirement Fund and will continue to deposit all Pledged Tax Revenues, as and when received, into the Special Fund and such other special funds as required by the Indenture in order to ensure that all Pledged Tax Revenues are available for the payment of debt service on the Bonds, and any Parity Debt on a timely basis.

The Successor Agency further covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds and any Parity Debt on the date, at the place and in the manner provided in the Bonds and the applicable Parity Debt Instruments, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Existing Loans, Bonds and any additional Parity Debt, all amounts required to be deposited in the Special Fund and the special funds relating to any Parity Debt pursuant to and in accordance with the Indenture, as well as any amount required under the Indenture to replenish the Reserve Account and the reserve accounts relating to the Existing Loans, Bonds and any Parity Debt, and amounts due to any Insurer under an insurance policy or reserve surety in Recognized Obligation Payment Schedules (as defined in the Dissolution Act) for each six-month period so as to enable the Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund on each January 2 and June 1 all amounts required for the Successor Agency to pay principal of, and interest on, the Existing Loans, Bonds and any Parity Debt coming due in the respective six-month period and pay amounts owed to any Insurer. Specifically, the Successor Agency covenants that it will place on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board and State Department of Finance, all amounts required by the Indenture until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act. In particular, for so long as any Existing Loans remain outstanding, (a) the Successor Agency will place on the Recognized Obligation Payment Schedules relating to the June 1 disbursement date an amount sufficient, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the 2014 Bonds and any Parity Debt on such dates or on deposit in the Special Fund or in the special fund relating to any Parity Debt, to pay debt service on the 2014 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 Pledged Tax Revenues to pay debt service on the 2014 Bonds and any Parity Debt, the Successor Agency will place on Recognized Obligation Payment Schedules relating to the January 2 disbursement date amounts required to pay debt service on the 2014 Bonds and any Parity Debt on the next succeeding February 1 or August 1.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved 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, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules.

Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue, and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the Department’s approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the State Department of Finance, then the State Department of Finance’s review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that they are required by the prior enforceable obligation. For the estimated 2015 Recognized Obligation Payment Schedule, see “CERTAIN RISK FACTORS – Recognized Obligation Payment Schedules.”

On November 25, 2014, the Department of Finance issued its determination letter with regards to the issuance of the Bonds. See APPENDIX G – “STATE DEPARTMENT OF FINANCE DETERMINATION LETTER APPROVING THE BONDS.”

THE SUCCESSOR AGENCY

The Successor Agency was established by the Board of Supervisors of the City following dissolution of the Former Agency pursuant to the Dissolution Act. 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 Dissolution Act, and the limitations thereon.

The Successor Agency maintains a website at 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**” 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> |
|----------------|---------------------|------------------------|---------------------|
| Marly Mondejar | Community Organizer | 2012 | November 3, 2014* |
| Mara Rosales | Attorney | 2012 | November 3, 2014* |
| Darshan Singh | Businessman | 2012 | November 2016 |
| Miguel Bustos | Banker | 2014 | November 2018 |
| [Vacant] | | | |

*Although a Commission Member’s term expires, he/she serves until a successor Commission Member is appointed.

The Successor Agency currently employs approximately 50.6 full-time equivalent positions. The Executive Director, Tiffany Bohee, was appointed to that position in February 2012. The other principal

full-time staff positions are: the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration; the Deputy Executive Director, Housing; and the Successor Agency General Counsel. Each project area in which the Successor Agency continues to implement redevelopment plans is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Successor Agency has its own fiscal, legal, administrative and property management staffs, including a separate staff to manage the South Beach Harbor Marina.

Effect of the Dissolution Act

AB 26. The Former Agency was established under the Redevelopment Law in 1948. 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 agency all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Resolution No. 11-12 (the “**Establishing Resolution**”) adopted by the Board of Supervisors of the City on January 24, 2012 and signed by the Mayor on January 26, 2012, and Sections 34171(j) and 34173 of the Dissolution Act, the Board of Supervisors of the City confirmed the City’s role as successor to the Former Agency. On June 27, 2012, the Redevelopment Law was amended by Assembly Bill 1484 (“**AB 1484**”), which clarified that successor agencies are separate political entities and that the 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.

Pursuant to Ordinance No. 215-12 finally passed by the Board of Supervisors of the City 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 an “oversight board” and to the review or approval by the Department of Finance, including the issuance of bonds such as the Bonds.

Oversight Board

The Oversight Board was formed pursuant to the Establishing Resolution. The Oversight Board is governed by a seven-member governing board, with four (4) members appointed by the Mayor, and one (1) member appointed by each of the Bay Area Rapid Transit District (BART), the Chancellor of the California Community Colleges, and the County Superintendent of Education.

Department of Finance Finding of Completion

The 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 within the project areas of the former redevelopment agencies. This determination process was required to be completed through the final step (review by the State 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 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 Department of Finance in the amount of \$959,147. The Successor Agency has made all payments required under AB 1484 and has received its finding of completion from the Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

The 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 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 of the City 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, including the nine (9) Project Areas. However, 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 North and South Redevelopment Project Areas; (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1/Candlestick Site of the Bayview Hunters Point Project Area B; and (iii) the Transbay Redevelopment Project Area. 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 must be wound down under the Dissolution Act as well as the retained housing obligations which include ensuring the development of affordable housing in the Major Approved Development Projects as well as fulfilling a replacement housing obligation.

THE 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.

As discussed under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Tax Increment Financing,” the Bonds are secured by Pledged Tax Revenues comprised of certain tax revenues from the nine (9) Project Areas, specifically:

- Bayview Hunters Point Project Area B (excluding Zone 1)
- Golden Gateway Market Project Area
- Hunters Point Project Area
- India Basin Industrial Park Project Area
- Rincon Point – South Beach Project Area
- South of Market Project Area
- Transbay Project Area (excluding the State Parcels)
- Western Addition Project Area A-2
- Yerba Buena Center Project Area D-1

The Project Areas do not include the Excluded Project Areas and Pledged Tax Revenues do not include tax revenues from the Excluded Project Areas. See “INTRODUCTION – Excluded Project Areas.”

Redevelopment plan detail and limits for each of the Project Areas is set forth in the below table.

Table 1
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Plan Limits for the Project Areas

| | Plan Limit Termination Dates | | | | | Revenue Limits (\$ 000) | | Limit on Bonds Outstanding (x \$1,000) |
|---|------------------------------|------------------|-------------------------|---------------|---------------------------------|-------------------------|---|--|
| | Date of Adoption | Ordinance Number | Debt Incurrence | Plan Duration | Last Date to Repay Indebtedness | Tax Increment Limit | Approximate Amount Remaining ⁽⁸⁾ | |
| Bayview Hunters Point Area B ⁽¹⁾ | 06/01/06 | 113-06 | 06/01/36 ⁽⁷⁾ | 06/01/36 | 06/01/51 | None | N/A | 400,000 |
| Golden Gateway ⁽²⁾ | 05/25/59 | 301-59 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| Hunters Point ⁽²⁾ | 01/20/69 | 25-69 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| India Basin ⁽²⁾ | 01/20/69 | 26-69 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| Rincon Point-South Beach ⁽³⁾ | 01/05/81 | 14-81 | 01/05/21 | 01/05/21 | No Limit | None | N/A | None |
| South of Market: ⁽⁴⁾ | | | | | | | | |
| <i>Original Area</i> | 06/11/90 | 234-90 | 06/11/20 | 06/11/20 | 06/11/30 | 200,000 | 98,074 | 80,000 |
| <i>Western Expansion Area</i> | 12/16/05 | 276-05 | 12/16/25 | 06/11/20 | 12/16/35 | None | N/A | |
| Transbay | 06/21/05 | 124-05 | 06/21/35 ⁽⁷⁾ | 06/21/35 | 06/21/50 | None | N/A | 800,000 |
| Western Addition A2 ⁽⁵⁾ | 10/13/64 | 273-64 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| Yerba Buena Center D1 ⁽⁶⁾ | | | | | | | | |
| <i>Original Area</i> | 04/25/66 | 98-66 | 01/01/11 | 01/01/11 | No Limit | None | N/A | None |
| <i>Emporium Site Area</i> | 10/13/00 | 236-00 | 10/13/30 ⁽⁷⁾ | 10/13/30 | 10/13/45 | None | N/A | 110,000 |

⁽¹⁾ The redevelopment plan for the Bayview Hunters Point Redevelopment Project Area was amended on August 3, 2010. This amendment, among other things, made the following changes to such redevelopment plan: (1) divided the Bayview Hunters Point Redevelopment Project Area, Project Area B, into two sub-areas: Zone 1, which is the same as the Candlestick Site, and Zone 2; (2) increased the amount of bonded indebtedness of the Agency to be repaid from the allocation of taxes to the Agency from the Bayview Hunters Point Redevelopment Project Area, Project Area B, which can be outstanding at one time, to \$1.2 billion; and (3) established that notwithstanding the foregoing, the principal amount of bonded indebtedness of the Agency to be repaid from allocation of taxes to the Agency from the Candlestick Site may not exceed a total of \$800,000,000.

⁽²⁾ The redevelopment plans of the Golden Gateway, Hunters Point and India Basin Project Areas were amended on January 11, 2005 under Sections 33333.7 and Section 33333.8 to extend the time limit on the establishment of indebtedness until January 1, 2014 for the purposes of meeting the Agency’s affordable housing obligation and to remove the time limit on the repayment of debt until the Agency’s affordable housing obligation is met. Prior to the adoption of that plan amendment the last date to repay indebtedness in these areas had been January 1, 2009.

(Footnotes continue on the following page.)

- (3) The redevelopment plan of Rincon Point-South Beach was amended on May 18, 2007, pursuant to Sections 33333.8 and 33333.6(e)(4)(B) of the Redevelopment Law to suspend the limits on the amount of debt that can be outstanding at any one time from the issuance of tax increment bonds, and to remove the January 5, 2031 limit on the receipt of tax increment for the exclusive purpose of financing low and moderate income housing.
- (4) South of Market Original Area tax increment limit was raised to \$200 million pursuant to amendment of its Plan adopted December 6, 2005; this limit is not applicable to the Western Expansion Area. The Agency estimates it will require \$101.9 million to meet its obligations over the duration of the Original Area; at growth rates of 3% and above the total amount of tax increment generated in the project area may reach the tax increment cap prior to the last date to repay indebtedness. The maximum amount of bonded indebtedness that can be outstanding at any one time, \$80,000,000, is applicable to the Project Area as a whole. The provisions of the Plan, other than the ability to issue and repay debt, terminate June 11, 2020.
- (5) Western Addition Project Area A-2 was amended on December 19, 2008 under Sections 33333.7 and 33333.8 to extend the time limit on the establishment of indebtedness until January 1, 2014 for the purposes of meeting the Agency's affordable housing obligation and to remove the time limit on the repayment of debt until the Agency's affordable housing obligation is met. Prior to the adoption of that plan amendment the last date to repay indebtedness had been January 1, 2009.
- (6) On December 8, 2009, the Yerba Buena Center redevelopment plan was amended with respect to the Original Area pursuant to Sections 33333.6(e)(2)(C), 33333.7 and 33333.8 of the Redevelopment Law. The redevelopment plan was amended to, among other things, make the following changes to the Original Area (excluding the Emporium Site Area): (i) extend the last day to incur debt by one year to January 1, 2011, and provide an exception to the deadline for incurring debt for the purpose of funding the Agency's affordable housing obligations, (ii) extend the effectiveness of the plan by one year to January 1, 2011, and provide an exception to the termination date of the plan for the exclusive purpose of funding the Agency's affordable housing obligations, (iii) change the time limit to receive tax increment and repay indebtedness from January 1, 2020 to the date, which is ten (10) years from the expiration or termination of the effectiveness of the plan with respect to the Original Area, and provide an exception to the deadline for receipt of tax increment for the exclusive purpose of funding the Agency's affordable housing obligations, and (iv) upon expiration of the effectiveness of the plan, suspend the limitation on the total amount of tax increment that the Agency may receive to enable the Agency to fund its affordable housing obligations. The amendment to the plan with respect to the one-year extension of the effectiveness of the plan and the time limit to repay indebtedness were made pursuant to the 2009 SERAF Legislation (see "Legislation").
- (7) The Agency may not incur debt for purposes other than financing low and moderate income housing ten years prior to this date.
- (8) Amount remaining consists of the total tax increment under the Plan revenue limit less the sum of (i) tax increment received to date and (ii) debt service to be paid under existing loan agreements.

Sources: The Successor Agency and Urban Analytics, LLC.

Certain specific information regarding each of the Project Areas and their redevelopment plan follows.

Bayview Hunters Point Project Area B

General. The 1,361 acre Bayview Hunters Point Project Area B consists of residential, commercial, industrial, and public uses in Bayview Hunters Point. The Bayview Hunters Point Project Area B includes the majority of the length of Bayview's portion of the Third Street commercial corridor, which extends from Cesar Chavez Street on the north side, to Meade Street and Highway 101 on the south side. The southern portion of Bayview Hunters Point Project Area B is included in the intensive planning effort related to the proposed integrated Candlestick Point/Shipyards project spearheaded by the Office of Economic and Workforce Development. The redevelopment plan seeks to eliminate conditions of physical and economic blight through creating new affordable and mixed income housing, furthering economic development, creating jobs, addressing environmental problems, providing open space, fostering cultural development, and improving the physical environment and transportation systems of the area. Particular attention is being given to Third Street, the historic neighborhood-serving commercial street and the major arterial in the community.

Redevelopment Plan and Limitations. The Bayview Hunters Point Redevelopment Plan was adopted by the Board of Supervisors on May 23, 2006, and approved by the Mayor on June 1, 2006, through a plan amendment process and includes two (2) distinct geographic areas: the previous Hunters Point Redevelopment Project Area ("**Project Area A**") and the larger land area added as "**Project Area B.**" On August 3, 2010, the Board of Supervisors adopted, and the Mayor signed, an ordinance that further amended the Bayview Hunters Point Redevelopment Plan (the "**2010 BVHP Plan Amendment**").

The 2010 BVHP Plan Amendment divided Project Area B into two sub-areas: Zone 1, which is the same as the Candlestick Site, and Zone 2 which consists of all of the remaining property in the Project Area. The term "**Candlestick Site**" has the meaning given such term in a certain Disposition and Development Agreement (Candlestick Point and Phase 2 of the Hunters Point Shipyards) entered into by

and between the Former Agency and CP Development Co., LP, a Delaware limited partnership (the “Candlestick DDA”). The Candlestick Site includes, among other things: (i) the Alice Griffith Housing Development, also known as Double Rock; (ii) the Candlestick Point State Recreation Area; and (iii) the City-owned stadium, currently named Candlestick Park, which was previously the home to the San Francisco 49ers. Zone 1, also known as the Candlestick Site, of the Bayview Hunters Point Project Area B is excluded from the Project Areas. Tax revenue from the Candlestick Site portion of the Project Area as defined in the Candlestick Point DDA, is available to pay debt service and replenish the reserve accounts for parity debt issued prior to that agreement but is not available for debt service on or to replenish the reserve accounts for subsequent parity debt. Therefore, tax increment revenue attributable to Zone 1 is not available for payment of debt service on the Bonds. See “INTRODUCTION – Excluded Project Areas.” Tax increment revenue for the Candlestick Site for Fiscal Year 2014-15 is approximately \$126,000. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

The Bayview Hunters Point Project Area B redevelopment plan has no tax increment limit, and the last date under the plan to repay indebtedness is June 1, 2051. The Project Area has an aggregate \$400 million limit on the amount of bonds that can be outstanding at one time. As of November 1, 2014, the Successor Agency had \$26,225,000 in tax allocation debt outstanding in this Project Area.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assessees in Fiscal Year 2014-15 for the Bayview Hunters Point Project Area B.

Senior Obligations. Other than its obligations in connection with its 2007A Loan Agreement, 2009A Loan Agreement, 2009B Loan Agreement, 2009E Loan Agreement, 2009F Loan Agreement, 2011A Loan Agreement, and 2011B Loan Agreement, there are no other bonds outstanding involving this Project Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*”

Tax Sharing Obligations. The Bayview Hunters Point Project Area B is subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*”

Golden Gateway Project Area

General. The Golden Gateway Redevelopment Project Area is a 51-acre area along the Embarcadero, largely north of Market Street and east of Battery Street. Completed development in the Project Area includes 1,400 housing units, an 840 room hotel, approximately 3.5 million square feet of office and commercial space and twelve (12) acres of public parks and open space, as well as the Embarcadero Station of the Bay Area Rapid Transit system.

Redevelopment Plan and Limitations. The redevelopment plan for the Golden Gateway Project Area was adopted by the Board of Supervisors on May 25, 1959, subsequently amended nine (9) times, and expired on January 1, 2009. However, the most recent amendment of such Redevelopment Plan, which became effective in January 2005 pursuant to Senate Bill 2113 and Sections 33333.6(e)(A), 33333.7 and 33333.8 of the Redevelopment Law, extended the time limit for the establishment and repayment of indebtedness secured by tax increment from the Golden Gateway Project Area for affordable housing in the Project Area, until such time as the Project Area’s affordable housing obligation and related indebtedness was repaid. The Project Area’s tax increment cap contained in its Redevelopment Plan was also eliminated to the extent used for purposes of meeting its affordable housing obligations and repaying related debt. See also “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes

pursuant to the Dissolution Act - *Elimination of Housing Set-Aside*” and “- *Elimination of Section 33333.7 Pass-Throughs*” and “CERTAIN RISK FACTORS – Plan Limits.” The Pledged Tax Revenues generated from the Golden Gateway Project Area are available to pay debt service on the Bonds through their final maturity date.

Although this Project Area’s redevelopment plan provides that the last date that debt can be incurred is January 1, 2014, the issuance of the Bonds is not considered the incurrence of debt, but the refunding/refinancing of current debt and not subject to this limit. The Golden Gateway Project Area redevelopment plan has no tax increment limit.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assessees for Fiscal Year 2014-15 for the Golden Gateway Project Area.

The Golden Gateway Project Area was merged for fiscal purposes with the South of Market Project Area on November 20, 1995. The redevelopment plan for the Federal Office Building Project Area, one of the Excluded Project Areas, was adopted on October 14, 1997 and was simultaneously fiscally merged with the South of Market and Golden Gateway Project Areas. The Federal Office Building Project Area generates negative tax increment of approximately \$48,000 annually. As a result, due to the fiscal merger, this negative tax increment is applied against the tax increment revenue from the Golden Gateway and South of Market Project Areas before calculating tax increment available from these Project Areas to pay debt service on the Bonds.

Senior Obligations. Other than its obligations in connection with its 1998D Loan Agreement, 2003A Loan Agreement, 2003B Loan Agreement, 2007B Loan Agreement, 2010A Loan Agreement, 2011A Loan Agreement and a portion of its 2006A Loan Agreement (and excluding those Refunded Obligations for which this Project Area has loan agreement(s)), there are no other bonds outstanding involving this Project Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*”

Tax Sharing Obligations. The Golden Gateway Project Area is subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*”

Hunters Point Project Area (also known as Bayview Hunters Point Redevelopment Project Area - Project Area A)

General. Hunters Point Project Area is a 137-acre hilly tract located in the southeastern sector of San Francisco on a site formerly occupied by temporary federal wartime housing. It is bounded by Fairfax Avenue on the north, Griffith Street on the east, Palou Avenue on the south and Mendell Street on the west. It extends five (5) blocks on its east-west axis and ten (10) blocks in the north-south direction. The areas to the west and south of the Hunters Point Project Area consist of modest, well-maintained single-family homes. Low-income public housing is situated east and northeast of the Hunters Point Project Area, while the India Basin Redevelopment Project Area abuts to the north. Pursuant to the Hunters Point Redevelopment Plan, over 1,760 new rental, co-op, condominium and ownership units have been constructed and 122 homes have been rehabilitated in this Project Area. Community improvements include major new roadways and their associated streetscape improvements, a number of neighborhood parks, community facilities and schools.

Redevelopment Plan and Limitations. The Board of Supervisors approved the Hunters Point Redevelopment Plan for the Hunters Point Redevelopment Project Area on January 20, 1969, and amended the Redevelopment Plan on August 24, 1970, December 1, 1986, December 12, 1994 and January 21, 2005. On May 23, 2006, an ordinance was adopted amending the Hunters Point Redevelopment Plan to create the Bayview Hunters Point Redevelopment Plan and Project Area, which among other things, added new territory. The territory formerly known as the Hunters Point Redevelopment Project Area is now known as Bayview Hunters Point Redevelopment Project Area A (although referred to herein as Hunters Point Project Area). The provisions of the Bayview Hunters Point Project Area A Redevelopment Plan add a height requirement for development in the Hunters Point Project Area but otherwise retain the policies contained in the original Hunters Point Redevelopment Plan, which provided for the rehabilitation of a residential neighborhood of mixed-income housing.

The above-referenced 2005 amendment was adopted in accordance with Sections 33333.7 and 33333.8 of the Redevelopment Law and extended the time limit to incur and repay debt in connection with affordable housing in the Project Area. It also eliminated the Project Area's tax increment cap contained in its Redevelopment Plan for purposes of meeting its affordable housing obligations and repaying related debt. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes pursuant to the Dissolution Act - *Elimination of Housing Set-Aside*" and "– *Elimination of Section 33333.7 Pass-Throughs*" and "CERTAIN RISK FACTORS – Plan Limits." The Pledged Tax Revenues generated from the Hunters Point Project Area are available to pay debt service on the Bonds through their final maturity date.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assesseees for Fiscal Year 2014-15 for the Hunters Point Project Area.

Senior Obligations. Other than its obligations in connection with its 2007B Loan Agreement, 2011A Loan Agreement and a portion of its 1998D Loan Agreement, (and excluding those Refunded Obligations for which this Project Area has loan agreement(s)), there are no other bonds outstanding involving this Project Area. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*"

Tax Sharing Obligations. The Bayview Hunters Point Project Area A is subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*"

India Basin Industrial Park Project Area

General. The India Basin Industrial Park Project Area encompasses approximately 126 acres in the southeastern section of San Francisco. It is bounded by Third Street on the west, Jennings Street on the east, Arthur Avenue on the north and Hudson Avenue and Galvez Avenue on the south. This Project Area includes a large United States Postal Service distribution facility, several light industrial, commercial service and multimedia businesses and some retail businesses. No residential uses are allowed in the Project Area.

Redevelopment Plan and Limitations. The Board of Supervisors approved the India Basin Industrial Park Redevelopment Plan on January 20, 1969, and amended it on December 1, 1986, April 20, 1987, and December 12, 1994. The redevelopment plan was adopted to remove blight that was characterized by unsafe, incompatible and overcrowded commercial and industrial buildings; inadequate utilities and drainage, dilapidated streets, poor soil conditions, and economic stagnation. Among the principal objectives of the India Basin Industrial Park Redevelopment Plan was the establishment of labor-intensive industries in the area in order to provide job opportunities for the residents of the Bayview Hunters Point community.

The India Basin Industrial Park Project Area is now a thriving industrial park consisting of a major distribution facility for the U.S. Postal Service, a number of light industrial, commercial, service and multimedia businesses, and some retail businesses, located at Bayview Plaza at the southeast corner of Third Street and Evans Avenue.

The Redevelopment Plan expired on January 1, 2009. However, based on the Board of Supervisors' adoption on January 11, 2005, of an ordinance pursuant to Section 33333.7 of the Redevelopment Law, the Redevelopment Plan's time limit to incur debt and its time limit for repayment of indebtedness was extended for purposes of financing affordable housing in the Project Area. The Project Area's tax increment cap was also eliminated to the extent tax increment is to be used for purposes of paying debt service in connection with the Project Area's affordable housing. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes pursuant to the Dissolution Act - *Elimination of Housing Set-Aside*" and "*– Elimination of Section 33333.7 Pass-Throughs*" and "CERTAIN RISK FACTORS – Plan Limits." The Pledged Tax Revenues generated from the India Basin Industrial Park Project Area are available to pay debt service on the Bonds through their final maturity date.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assesseees for Fiscal Year 2014-15 for the India Basin Industrial Park Project Area.

Senior Obligations. Other than its obligations in connection with its 2007B Loan Agreement (and excluding those Refunded Obligations for which this Project Area has loan agreement(s)), there are no other bonds outstanding involving this Project Area. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*"

Tax Sharing Obligations. The India Basin Industrial Park Project Area is subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*"

Rincon Point-South Beach Project Area

General. The Rincon Point-South Beach Project Area is a 115-acre area consisting of two (2) noncontiguous subareas located within the northeastern waterfront area of the City, immediately south of the Ferry Building. The major artery through such Project Area is the Embarcadero Roadway which connects such Project Area to the City's financial district in the north and the Mission Bay district in the south.

The purpose of the Rincon Point-South Beach Redevelopment Plan was the creation of a new mixed-use high-density waterfront neighborhood. The redevelopment of the Rincon Point-South Beach Project Area has now been largely completed. Public improvements completed by the Former Agency include the 700-berth South Beach Harbor; two (2) major waterfront parks, South Beach Park and Rincon Park; and roadway and streetscape improvements. Over 2,800 residential units have been constructed (24% affordable), including the Bayside Village (868 units), Rincon Towers (320 units) and South Beach Marina (414 units) rental projects, and the Oriental Warehouse (130 units), Brannan Towers (336 units), Brannan Square (238 units) and 88 King Street (233 units) condominium projects. Over 1 million square feet of commercial/office space has been developed, including the world headquarters of Gap Inc., Bayside Plaza, and the Rincon Annex Post Office. In 2000, the 43,000 seat major league baseball park for the San Francisco Giants (now AT&T Park) opened in the Project Area on land owned by the Port of San Francisco.

Redevelopment Plan and Limitations. The Rincon Point-South Beach Project Area was established by the adoption of a Redevelopment Plan for the area by the City's Board of Supervisors on January 5, 1981, and was amended on January 23, 1984, November 25, 1991, May 11, 1992, December 12, 1994, March 24, 1997, July 7, 1997, and August 18, 1997. In May 2007, the Board of Supervisors adopted an ordinance pursuant to Section 33333.6(e)(4)(B) and 33333.8 of the Redevelopment Law to amend this Project Area's Redevelopment Plan to enable the creation of debt and the receipt of tax revenues for the purpose of funding affordable housing, by suspending the amount of bonds that can be outstanding at any one time and eliminating the time limit for receipt of tax increment for financing affordable housing and to repay related indebtedness. Such ordinance was amended on August 7, 2007, to remove certain items that were not required by State law.

The Rincon Point-South Beach Project Area redevelopment plan expires on January 5, 2021 and has a time limit of January 5, 2031 on the receipt of tax increment, which does not apply to the receipt of tax increment to repay indebtedness related to affordable housing. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes pursuant to the Dissolution Act - *Elimination of Housing Set-Aside*" and "CERTAIN RISK FACTORS – Plan Limits." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - *Elimination of Housing Set-Aside*" and "CERTAIN RISK FACTORS – Plan Limits." The Pledged Tax Revenues generated from the Rincon Point-South Beach Project Area are available to pay debt service on the Bonds through their final maturity date.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assessees for Fiscal Year 2014-15 for the Rincon Point-South Beach Project Area.

Senior Obligations. Other than its obligations in connection with its 1998C Loan Agreement, 2003B Loan Agreement, 2007A Loan Agreement, 2007B Loan Agreement, 2009A Loan Agreement, and 2009E Loan Agreement and a portion of its 2006A Loan Agreement (and excluding those Refunded Obligations for which this Project Area has loan agreement(s)), there are no other bonds outstanding involving this Project Area. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*"

Tax Sharing Obligations. The Rincon Point-South Beach Project Area Project Area is subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*"

South of Market Project Area

General. The South of Market Project Area, includes two (2) areas: the Original Sub-Area and the Western Expansion Sub-Area. The South of Market Project Area is approximately sixty-nine (69) acres in size and located in the central city area of San Francisco. Such Project Area is roughly bounded by Stevenson, Mission and Natoma Streets on the north, Fifth Street on the east, Harrison Street on the south and Seventh Street on the west. Its focus is the Sixth Street corridor, a mixed-use community located between Market and Harrison Streets and characterized by a prevalence of older residential and commercial buildings, including many single room occupancy hotels, several commercial and light industrial uses, and a large number of vacant ground-floor spaces. The remainder of the South of Market Redevelopment Project Area consists mainly of a combination of older residential and commercial buildings, as well as the new Bessie Carmichael School and the new Victoria Manalo Draves Park.

Redevelopment Plan and Limitations. The South of Market Project Area, created in 1990 as an earthquake recovery redevelopment project area, was originally adopted to repair damage caused by the 1989 Loma Prieta Earthquake.

In December 2005, a plan amendment was adopted for the original South of Market Earthquake Recovery Redevelopment Plan in order to convert it to a standard redevelopment plan (the “**South of Market Plan Amendment**”). The South of Market Plan Amendment allowed the Former Agency to: 1) expand the scope of redevelopment actions to fully address all conditions of blight in the South of Market Redevelopment Project Area; 2) extend its ability to incur debt by an additional ten (10) years, providing the Former Agency with greater financial resources; 3) expand the boundary of the original Project Area to include the Western Expansion Area; 4) adopt new redevelopment goals and objectives focused on creating new housing and revitalizing the entire Project Area; and 5) acquire certain blighted properties through eminent domain, subject to the limitations contained in the South of Market Plan Amendment, if owners are unwilling to address the blight themselves or negotiate a fair market value sale.

The Original Sub-Area was adopted June 11, 1990, and the last dates to incur and repay debt are, respectively, June 11, 2020 and June 11, 2030. The Original Sub-Area has a limit on the amount of tax increment that can be collected of \$200 million. The sum of all prior tax increment received plus the sum of all future debt service and pass through obligations attributable to the South of Market Project Area is approximately \$101.9 million. The Successor Agency is not permitted to issue new obligations and may only retain the amount of tax increment necessary to meet its existing annual obligations. However, the Successor Agency does not expect to require tax increment in excess of the tax increment cap in order to meet its obligations in the Original Sub-Area. In Appendix B, the Fiscal Consultant has presumed growth rates in assessed valuation of two percent (2%) annually. However, under annual growth rates of eight percent (8%) or higher, the total amount of tax increment generated in the Original Sub-Area may reach the tax increment cap prior to the last date to receive tax increment. If this were to occur, the Successor Agency expects there to be sufficient tax increment from the Golden Gateway Project Area with which this Project Area is fiscally merged or from the other Project Areas.

For the Western Expansion Sub-Area of the South of Market Project Area, the last date to incur indebtedness is December 16, 2025, and the last date to repay indebtedness is December 16, 2035. The Western Expansion Sub-Area has no limit on the amount of tax increment that may be collected.

The redevelopment plan for both the Original Sub-Area and the Western Expansion Sub-Area remains effective until June 11, 2020. However, the redevelopment plan allows the Successor Agency to issue and repay debt beyond this date and provides that the plan will continue in effect in order to repay debt.

The South of Market Project Area has an aggregate \$80 million limit on the amount of bonds that can be outstanding at one time. The Successor Agency had \$14.6 million in tax allocation debt outstanding in this Project Area as of November 1, 2014.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assessees for Fiscal Year 2014-15 for the South of Market Project Area.

Senior Obligations. Other than its obligations in connection with its 2003A Loan Agreement, 2003B Loan Agreement, 2007A Loan Agreement, 2007B Loan Agreement, 2009B Loan Agreement, 2009F Loan Agreement, 2011A Loan Agreement, 2011B Loan Agreement and a portion of its 1998D Loan Agreement (and excluding those Refunded Obligations for which this Project Area has loan agreement(s)),

there are no other bonds outstanding involving this Project Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements*.”

The South of Market Project Area was fiscally merged with the Golden Gate Project Area and the Federal Office Building Project Area. As a result, negative tax increment generated from the Federal Office Building Project Area is applied against the tax increment revenue of the Golden Gateway and the South of Market Project Areas. See also “– Golden Gateway Project Area – *Assessed Values and Other Information*,” above.

The Original Area of the South of Market Project Area is also subject to the 2% Allocation (See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *2% Allocation*”) in accordance with the Santa Ana USD Case (discussed below). The case affects redevelopment agencies, such as the Successor Agency, which amended or added territory between the years 1985 and 1993 (inclusive). The redevelopment plan for the Original Area of the South of Market Project Area was established during this time-frame and is subject to the Santa Ana USD case.

The Fourth District of the California Court of Appeal rendered the decision in *Santa Ana Unified School District v. Orange County Development Agency* (the “**Santa Ana USD Case**”) which involved the allocation of tax increment revenues pursuant to Section 33676(a) of the Redevelopment Law as it existed before the passage of AB 1290. Generally, before AB 1290, Section 33676(a) provided that, prior to the adoption of a redevelopment plan (or an amendment adding territory to a project area), under certain conditions, “any affected taxing agency may elect, and every school and community college district shall elect, to be allocated all or any portion of the tax revenues” derived based on an annual adjustment of the base year assessed value of real properties in the project area (or the added territory). The words “every school and community college district shall elect” were added pursuant to a 1984 amendment. The amount of property taxes that a taxing entity may receive under the former Section 33676(a) is derived by increasing the base year value of taxable real property in the project area (or the added territory) by an inflationary factor of not greater than 2% per year (the “**2% Section 33676 Allocation**”). In effect, the 2% Section 33676 Allocation reduced the tax increment revenues that a redevelopment agency received from the project area (or, if applicable, an added area to the project area).

In the Santa Ana USD Case, the redevelopment plan at issue was adopted in 1986. In 1996, the Santa Ana Unified School District (“**Santa Ana USD**”) adopted a resolution electing to be paid its share of the 2% Section 33676 Allocation. The Orange County Development Agency took the position that Santa Ana USD was not entitled to the 2% Section 33676 Allocation because the election to receive such allocation should have been made before the adoption of the redevelopment plan for the project area. In turn, Santa Ana USD argued that the mandatory nature of the words “shall elect” in the statute made the allocation mandatory with respect to a school district. The lower court ruled in favor of Santa Ana USD. In an opinion published June 29, 2001, the Court of Appeal affirmed. As a result, Santa Ana USD received the award it had requested, i.e., its share of the 2% Section 33676 Allocation from 1996, the year Santa Ana USD made the Section 33676 election. The State Supreme Court denied review of the Santa Ana USD Case on September 19, 2001. The obligation to use tax revenues from the Original Area of the South of Market Area for the 2% Section 33676 Allocation is senior to its obligation to pay debt service on the Bonds. The amount of tax increment payable to the school entities pursuant to this 2% Section 33676 Allocation for Fiscal Year 2014-15 is approximately \$53,000. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

Tax Sharing Obligations. The South of Market Project Area is subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs*.”

Transbay Project Area

General. The Transbay Project Area was adopted in June 2005. This Project Area is approximately 40 acres in size and roughly bounded by Mission Street on the north, Main Street on the east, Folsom Street on the south, and Second Street on the west, and is currently composed of transportation-related infrastructure, a large number of vacant parcels, and commercial uses.

The most significant feature of the Transbay Redevelopment Project Area, the existing Transbay Terminal, a transportation facility, the use of which has been discontinued, is in the process of being demolished. The remainder of such Project Area is composed primarily of vacant and underutilized properties and older buildings, many of which are substantially deteriorated and/or unreinforced masonry buildings. All of these conditions constitute blight that the Redevelopment Plan for the Transbay Redevelopment Project Area (the “**Transbay Redevelopment Plan**”) is intended to address.

Redevelopment Plan and Limitations. The Transbay Redevelopment Plan’s goals and objectives are to eliminate blight through a wide range of projects and activities, including:

- Construction of a major new multi-modal transit terminal on the site of the existing Transbay Terminal and extension of Peninsula Corridor rail service to the new terminal (Caltrain Extension)—the Transbay Joint Powers Authority is responsible for planning, designing, building, and eventually operating the new Transbay Transit Center and Caltrain Downtown Extension, but will receive financial support from certain redevelopment activities, as discussed below;
- Redevelopment of vacant and underutilized land in the Transbay Redevelopment Project Area into a vibrant mixed-use, transit-oriented neighborhood consisting of more than 2,700 new housing units, approximately 1,000 of which will be affordable to very low, low, and moderate income households; and
- Construction of public improvements throughout the area including two new public parks, new pedestrian-oriented alleys, widened sidewalks and other active recreation spaces.

A major portion of the tax increment from this Project Area relating to certain parcels currently or previously owned by the State (referred to herein as the “**State Parcels**”) has been pledged to the Transbay Joint Powers Authority to help pay the cost of rebuilding the Transbay Terminal. The State Parcels are excluded from the Project Areas and tax increment revenue attributed thereto is not available for payment of debt service on the Bonds. See “INTRODUCTION – Excluded Project Areas.” Net tax increment revenue from the State Parcels for Fiscal Year 2014-15 is approximately \$1.7 million. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

The remaining tax increment generated in the Transbay Redevelopment Project Area will be used for Successor Agency activities. Approximately fifty percent (50%) of the total tax increment allocated for Successor Agency activities will fund the Successor Agency’s affordable housing program. By state law, thirty-five percent (35%) of all new housing units built in the Transbay Redevelopment Project Area must be affordable to very low, low and moderate income households. The remaining tax increment allocated for housing will be used for planning, site preparation and development, public facilities, infrastructure and utilities, circulation improvements, building rehabilitation, façade improvements, historic preservation, economic development and other non-housing projects and activities.

A major portion of the Successor Agency’s non-housing program will be to facilitate development on the vacant publicly-owned parcels in the Transbay Redevelopment Project Area, which include certain of the State Parcels and a parcel currently owned by the Successor Agency. The development plan includes

high-density, transit-oriented residential development along Folsom Street and between Main and Beale Streets, as well as office and hotel space surrounding the new transit center. At the same time, the concept plan embodies a balanced approach to density, with fewer, taller towers far enough apart to allow sunlight and open space in the new neighborhood, and controls to ensure that ground-floor space is activated. The concept plan also incorporates significant new public improvements, including a major new public park, new pedestrian-oriented alleyways and widened sidewalks.

The Redevelopment Plan includes a time limit on the incurrence of non-housing-related debt of twenty (20) years from the date of plan adoption, or June 21, 2025; under the plan, the Successor Agency may issue housing-related debt beyond the twenty (20) year limit. The last date to repay indebtedness is forty-five (45) years from plan adoption, or June 21, 2050. The redevelopment plan has no limit on the amount of tax increment it can receive, but has a limit of \$800 million in the amount of indebtedness that can be outstanding. As of November 1, 2014, the Transbay Project Area had \$52,075,000 of indebtedness currently outstanding.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assessees for Fiscal Year 2014-15 for the Transbay Project Area.

Senior Obligations. Other than its obligations in connection with its 2007A Loan Agreement, 2009A Loan Agreement, 2009B Loan Agreement, 2009F Loan Agreement, 2010A Loan Agreement, 2011A Loan Agreement, and 2011B Loan Agreement, there are no other bonds outstanding involving this Project Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*”

Tax Sharing Obligations. In addition to the pledge of a portion of tax increment from the Project Area to the Transbay Joint Powers Authority as described above, the Transbay Project Area is subject to statutory tax sharing under AB 1290. Payment of these tax-sharing obligations is subordinate to payment of debt service, including debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*”

Western Addition Project Area A-2

General. The Western Addition Project Area A-2 is an approximately 277-acre area located in the northeast quadrant of the City near downtown San Francisco. It is bounded by Van Ness Avenue on the east, which is part of U.S. 101, Bush Street on the north, St. Joseph’s Street on the west and Grove Street on the south. This Project Area is primarily residential, with retail, public and institutional uses as part of the permitted uses. It surrounds a previous redevelopment project area, known as the A-1 area, which was enacted in the 1950s to widen Geary Boulevard as a major traffic artery running east and west between downtown San Francisco and the ocean shoreline.

The Western Addition Project Area A-2 is largely built out. With the expiration of the redevelopment plan for such Project Area, the Former Agency began its transitional activities in earnest in late 2005 and primarily focused on the development of the remaining Agency parcels in such Project Area and toward strengthening the economic vitality of the Fillmore Jazz Preservation District. The opening of the Fillmore Heritage Center, a 13 story mixed-use development which houses eighty one-, two- and three-bedroom condominiums offering 68 Market-Rate and 12 affordable homes, all of which have been sold, added a significant incentive to the creation of the Fillmore Jazz Preservation District (the “**Jazz District**”) as a San Francisco destination. The Fillmore Heritage Center also is home to the Addition, previously known as the world-famous Yoshi’s San Francisco Jazz Club and Japanese Restaurant, on 1300 Fillmore,

a Jazz Heritage Center art gallery, screening room and historical display, and the Successor Agency owned public parking garage.

Redevelopment Plan and Limitations. The Western Addition Project Area A-2 Redevelopment Plan was adopted by the Board of Supervisors on October 13, 1964 and was amended on August 3, 1970, June 6, 1976, December 15, 1986, November 9, 1987, August 10, 1992, October 3, 1994, April 19, 2005, and December 19, 2008. The 2008 amendment to the redevelopment plan amended the plan in accordance with Sections 33333.7 and 33333.8 of the Redevelopment Plan.

The 2008 amendment extended the time limit on the incurrence of debt to the earlier of January 1, 2014 or until its affordable housing obligations are met, and its time limit for repayment of such indebtedness was extended to January 1, 2044 or until the Former Agency met its affordable housing obligation. There is no time limit on the repayment of debt incurred solely for the purpose of meeting the Former Agency's housing obligations (although for other purposes it expires as of January 1, 2044). The 2008 Amendment also eliminated the Project Area's tax increment cap for purposes of meeting its affordable housing obligations and repaying related debt. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes pursuant to the Dissolution Act - *Elimination of Housing Set-Aside*" and "*Elimination of Section 33333.7 Pass-Throughs*" and "CERTAIN RISK FACTORS – Plan Limits." The Pledged Tax Revenues generated from the Western Addition Project Area A-2 are available to pay debt service on the Bonds through their final maturity date.

There is no limit on the amount of tax revenues that may be collected or on the amount of bonds that can be outstanding. Prior to the 2008 amendment, the Western Addition Project Area A-2 redevelopment plan was to expire on January 1, 2009.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assessesees of Fiscal Year 2014-15 for the Western Addition Project Area A-2.

Senior Obligations. Other than its obligations in connection with its 2003B Loan Agreement, 2005B Loan Agreement, 2007B Loan Agreement, 2009A Loan Agreement, 2009E Loan Agreement, 2010A Loan Agreement, 2011A Loan Agreement and a portion of its 1998D Loan Agreement, (and excluding those Refunded Obligations for which this Project Area has loan agreement(s)), there are no other bonds outstanding involving this Project Area. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*"

Tax Sharing Obligations. The Western Addition Project Area A-2 is subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*"

Yerba Buena Center Project Area D-1

General. The Yerba Buena Center Project Area D-1 comprises an approximately 87-acre area that formerly consisted of dilapidated hotels, commercial and industrial buildings and open parking lots. The project is located southwest of San Francisco's downtown office and retail districts and extends from Market Street on the north to Harrison Street on the south, and from Second Street on the east to Fourth Street on the west.

The Yerba Buena Center Project Area D-1 is San Francisco's key cultural, convention and visitor district. At the heart of the project area is the 6-acre Yerba Buena Gardens, which includes the Esplanade,

the Martin Luther King Memorial, the Children's Center with a childcare center, an ice rink/bowling alley, and a playground with the historic Playland carousel, which are built over the Moscone North and South convention halls. The cultural facilities developed by or in partnership with the Former Agency include the Center for the Arts, the Museum of Modern Art, the Zeum arts and technology center, the Museum of the African Diaspora, the Contemporary Jewish Museum and, still in the planning, the Mexican Museum. The Yerba Buena Center Project Area D-1 includes major visitor facilities developed through the Former Agency, including the Marriot, Four Seasons, W, Westin Market Street, and St. Regis Hotels, which total over 2,500 hotel rooms. Major commercial developments include several office projects, the 260,000 square foot Metreon cinema and retail complex, and the redeveloped Bloomingdale's and Westfield Shopping Centre on the site of the former Emporium department store, which connect Union Square to this burgeoning district. Residential development includes over 2,500 units, including both luxury rental and condominium units and over 1,400 units of affordable senior housing. Though easily accessible by public transportation, additional parking to this Project Area has been provided by the expansion to the nearby Fifth and Mission Street garage and construction of the 450-car Jessie Square garage.

Redevelopment Plan and Limitations. The Board of Supervisors of the City approved the Yerba Buena Center Redevelopment Plan on April 25, 1966 and amended such Redevelopment Plan on July 26, 1971, October 9, 1973, September 13, 1976, August 8, 1977, August 13, 1979, November 2, 1981, December 1, 1986, November 21, 1994, January 27, 1997, August 3, 2000, October 13, 2000 and December 8, 2009.

The October 2003 amendment added the Emporium Sub-Area to the Project Area. The two (2) sub-areas (i.e., the Original Sub-Area and the Emporium Sub-Area) have separate limits under the plan.

Redevelopment Plan Limits. The Original Sub-Area has a last date to incur debt of January 1, 2011. It initially included a tax increment limit of \$600 million that was removed when the redevelopment plan, as amended by the 2009 Amendment, terminated on January 1, 2011. The 2009 Amendment to the Redevelopment Plan extended the effectiveness of the plan and the time limit to repay indebtedness pursuant to the 2009 SERAF Legislation under Section 33333.6(e)(2)(C) of the Redevelopment Law and removed the tax increment cap in order to fund affordable housing obligations pursuant to Sections 33333.7 and 33333.8 of the Redevelopment Law. The Original Sub-Area has no limit on the amount of bonds that can be outstanding at one time and no limit on the time to repay indebtedness in connection with affordable housing obligations. See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes pursuant to the Dissolution Act - *Elimination of Housing Set-Aside*" and "*Elimination of Section 33333.7 Pass-Throughs*" and "CERTAIN RISK FACTORS – Plan Limits." The Pledged Tax Revenues generated from the Original Sub-Area of Yerba Buena Center Project Area D-1 are available to pay debt service on the Bonds through their final maturity date.

With respect to the Emporium Sub-Area, the redevelopment plan as it relates the Emporium Sub-Area ends on October 13, 2030 and the last date to repay indebtedness is October 13, 2045. The Emporium Sub-Area also has a limit on the amount of debt that can be outstanding, which amount is \$110 million. As of November 1, 2014, the Emporium Sub-Area has approximately \$22.2 million of indebtedness currently outstanding.

Assessed Values and Other Information. The Fiscal Consultant Report set forth in APPENDIX B includes information regarding historical and projected assessed valuation, land use, assessment appeals and information regarding the largest assessees in this Project Area for Fiscal Year 2014-15.

Senior Obligations. Other than its obligations in connection with its 2003B Loan Agreement, 2007A Loan Agreement, 2007B Loan Agreement, 2009A Loan Agreement, 2009B Loan Agreement, and 2009E Loan Agreement and a portion of its 1998D Loan Agreement (and excluding those Refunded Obligations for which this Project Area has loan agreement(s)), there are no other bonds outstanding

involving this Project Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Senior Obligations – *Existing Loan Agreements.*”

The redevelopment plan for the Emporium Sub-Area provides that tax revenue derived from a fixed 2% growth rate applied to the Sub-Area’s base year assessed valuation be distributed to taxing entities and not to the Successor Agency. This amount is deducted from tax increment prior to calculating the revenue available for debt service. The amount of tax increment payable to the taxing entities from this 2% growth rate (the “**2% Emporium Amount**”) in accordance with this requirement for Fiscal Year 2014-15 is approximately \$224,000. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

Tax Sharing Obligations. The Yerba Buena Center Project Area D-1 is also subject to statutory tax sharing under AB 1290. Payment of this tax-sharing obligation is subordinate to payment of debt service, including debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*”

Assessed Valuation and Other Information Regarding the Project Areas

The assessed valuation of each of the Project Areas for the current Fiscal Year by land use category is set forth on the following Table 2.

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Table 2
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Land Use in the Project Areas, Fiscal Year 2014-15

| Category by Value | Bayview Hunters Point Project Area B | Golden Gateway Project Area | Hunters Point Project Area | India Basin Industrial Park Project Area | Rincon Point - South Beach Project Area | South of Market Project Area |
|---------------------------------------|--|--|---|--|---|--|
| Commercial | \$ 176,579,146 | \$2,155,056,880 | - | \$ 32,271,949 | \$ 544,406,263 | \$106,572,548 |
| Industrial | 724,216,654 | - | - | 63,356,210 | - | 92,852,016 |
| Residential | | | | | | |
| <i>Condominiums</i> | 103,197,630 | 170,063,005 | \$35,074,410 | - | 879,922,828 | 214,635,591 |
| <i>Other Residential</i> | 480,906,529 | 76,192,566 | 83,824,161 | - | 338,452,792 | 171,490,698 |
| Vacant | 93,680,173 | 4,707,486 | 393,407 | 6,825,920 | - | 15,711,828 |
| Other Secured | 111,713,990 | 1,178,556 | 855,526 | - | 57,389,751 | 26,422,726 |
| SBE-Assessed Utilities ⁽¹⁾ | 1,010,600 | 177,702 | - | - | 907,500 | - |
| Unsecured | 129,309,431 | 412,936,135 | 114,996 | 22,611,634 | 513,231,455 | 17,255,637 |
| Total | \$1,820,614,153 | \$2,820,312,330 | \$120,262,500 | \$125,065,713 | \$2,334,310,589 | \$644,941,044 |
| Acreage | 1,361 | 51 | 137 | 126 | 115 | 69 |
| Category by Value | Transbay Project Area | Western Addition Project Area A-2 | Yerba Buena Center Project Area D-1 | Total Value | % of Total Value | Number of Properties Levied ⁽²⁾ |
| Commercial | \$1,856,409,578 | \$454,919,959 | \$1,907,822,512 | \$ 7,234,038,835 | 41.45% | 1,848 |
| Industrial | 25,042,028 | 1,858,011 | 14,047,854 | 921,372,773 | 5.28 | 862 |
| Residential | | | | | | |
| <i>Condominiums</i> | 812,727,532 | 875,809,558 | 925,746,448 | 4,017,177,003 | 23.02 | 5,125 |
| <i>Other Residential</i> | 4,154,290 | 604,803,278 | 331,931,552 | 2,091,755,865 | 11.99 | 2,564 |
| Vacant | 302,783,373 | 12,382,129 | 1,409,506 | 437,893,822 | 2.51 | 653 |
| Other Secured | 1,664,905 | 163,287,833 | 221,008,656 | 583,521,943 | 3.34 | 226 |
| SBE-Assessed Utilities ⁽¹⁾ | - | - | 271,838 | 2,367,640 | 0.01 | - |
| Unsecured | 294,143,260 | 56,030,602 | 717,378,575 | 2,163,011,725 | 12.39 | - |
| Total | \$3,296,924,967 | \$2,169,091,370 | \$4,119,616,940 | \$17,451,139,606 | 100.00% | 11,278 |
| Acreage | 40 | 277 | 87 | 2,263 | | |

⁽¹⁾ Non-unitary property assessed by the State Board of Equalization.

⁽²⁾ Excludes the totals for the SBE-Assessed Utilities and Unsecured value categories which represent duplicate parcel counts.

Source: Urban Analytics, LLC.

The top ten largest taxpayers by valuation in the Project Areas in the current Fiscal Year are set forth below in Table 3. Ownership concentration for these top assesseees is 26.6% of total assessed valuation and 30.8% of incremental assessed valuation in the Project Areas.

Table 3
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Top Ten Taxpayers By Valuation in the Project Areas, Fiscal Year 2014-15

| Assessee Name | Project Area | Last Date to Receive Tax Increment from Project Area | Use | Parcel Count | Fiscal Year 2014-15 Value | Percent of Total Aggregate Value | Percent of Incremental Value |
|---|---------------------|---|-------------------|---------------------|----------------------------------|---|-------------------------------------|
| BOSTON PROPERTIES | Golden Gateway | 01/01/44 | Office | 3 | \$ 994,764,299 | 5.7% | 6.6% |
| EMPORIUM MALL LLC* (3: 2013-14) | YBC - Emporium | 10/13/45 | Commercial/Retail | 5 | 709,270,226 | 4.1 | 4.7 |
| UNION INVESTMENT REAL ESTATE G | Transbay | 06/21/50 | Office | 1 | 457,497,651 | 2.6 | 3.0 |
| CHINA BASIN BALLPARK CO | Rincon | No Limit | Sports Facility | 3 | 457,199,979 | 2.6 | 3.0 |
| MARRIOTT HOTEL | YBC - Original | No Limit | Hotel | 1 | 443,232,573 | 2.5 | 2.9 |
| SHC EMBARCADERO LLC | Golden Gateway | 01/01/44 | Office | 1 | 400,692,199 | 2.3 | 2.7 |
| PPF OFF ONE MARITIME PLAZA LP* (3: 2013-14) | Golden Gateway | 01/01/44 | Office | 4 | 382,105,646 | 2.2 | 2.5 |
| HUDSON RINCON CENTER LLC* (2: 2013-14) | Rincon | No Limit | Office/Retail | 2 | 275,014,722 | 1.6 | 1.8 |
| 405 HOWARD LLC | Rincon | No Limit | Office | 1 | 259,721,103 | 1.5 | 1.7 |
| FILLMORE CENTER ASSOCS LP | Western Addition | No Limit | Apartments/Retail | 77 | 256,244,045 | 1.5% | 1.7% |
| TOTAL | | | | 98 | \$4,635,742,443 | 26.6% | 30.8% |

*Owner has the indicated number of appeals pending in the years shown.
Sources: Assessor and Urban Analytics LLC.

PLEGGED TAX REVENUES AND DEBT SERVICE

Pursuant to the Indenture, Pledged 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 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Fund; Deposit of Pledged Tax Revenues.” The Successor Agency has retained Urban Analytics, LLC (“**Fiscal Consultant**”) to provide projections of taxable valuation, tax increment and Pledged Tax Revenues from developments in the Project Areas.

Historical and Current Assessed Valuation and Tax Revenues

A summary of the projected total taxable valuation and tax increment for the Project Areas for Fiscal Year 2014-15 is set forth in Table 4 below. The total assessed valuation for Fiscal Year 2014-15 in the Project Areas, after deducting all exemptions, except the homeowner’s exemption which is reimbursed by the State, is \$17.5 billion. Deducting the \$2.4 billion base year valuation for the Project Areas produces an incremental assessed valuation amount of approximately \$15.0 billion. The largest contributor to incremental assessed valuation, at 22.0%, is the Yerba Buena Center Project Area – Original Area, followed by the Golden Gateway Project Area at 18.6% and the Rincon – South Beach Project Area at 15.4%. Gross tax increment, calculated by applying a one percent tax rate to the incremental assessed valuation, is \$150.5 million for Fiscal Year 2014-15.

Table 4
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Tax Increment Estimates by Project Areas, Fiscal Year 2014-15

| Project Area | Number of Acres | Final Date to collect Increment | Total Valuation | Less Base Year Valuation | Incremental Valuation | % of Incremental Valuation | Gross Tax Increment |
|--|------------------------|--|-------------------------|---------------------------------|------------------------------|-----------------------------------|----------------------------|
| Bayview Hunters Point Project Area B | 1,361 | 06/01/51 | \$ 1,820,614,153 | \$1,165,228,645 | \$ 655,385,508 | 4.4% | \$ 6,553,855 |
| Golden Gateway Project Area | 51 | 01/01/44 | 2,820,312,330 | 21,172,000 | 2,799,140,330 | 18.6 | 27,991,403 |
| Hunters Point Project Area | 137 | 01/01/44 | 120,262,500 | 2,847,427 | 117,415,073 | 0.8 | 1,174,151 |
| India Basin Industrial Park Project Area | 126 | 01/01/44 | 125,065,713 | 13,691,137 | 111,374,576 | 0.7 | 1,113,746 |
| Rincon Point - South Beach Project Area | 115 | No Limit | 2,334,310,589 | 18,092,701 | 2,316,217,888 | 15.4 | 23,162,179 |
| South of Market Project Area | | | | | | | |
| <i>Original Area</i> | 63 | 06/11/30 | 623,024,225 | 108,585,675 | 514,438,550 | 3.4 | 5,144,386 |
| <i>Western Expansion Area</i> | 6 | 12/16/35 | 21,916,819 | 9,360,179 | 12,556,640 | 0.1 | 125,566 |
| Transbay Project Area | 40 | 06/21/50 | 3,296,924,967 | 880,853,389 | 2,416,071,578 | 16.1 | 24,160,716 |
| Western Addition Project Area A-2 | 277 | No Limit | 2,169,091,370 | 61,239,180 | 2,107,852,190 | 14.0 | 21,078,522 |
| Yerba Buena Center Project Area D-1 | | | | | | | |
| <i>Original Area</i> | 74 | No Limit | 3,369,431,162 | 52,656,706 | 3,316,774,456 | 22.0 | 33,167,745 |
| <i>Emporium Site Area</i> | 13 | 10/13/45 | 750,185,778 | 69,957,924 | 680,227,854 | 4.5 | 6,802,279 |
| Total | 2,263 | | \$17,451,139,606 | \$2,403,684,963 | \$15,047,454,643 | 100.0% | \$150,474,546 |

Sources: Assessor, Successor Agency, and Urban Analytics, LLC.

The following Table 5 shows the historic and current assessed valuation for the Project Areas. Net Available Tax Increment Revenue is determined by deducting from gross tax increment the portion of tax increment, net of pass-through payments attributable to the Candlestick Site and the State Parcels, the 2% Section 33676 Allocation, the 2% Emporium Amount and the Federal Building negative tax increment.

Table 5
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Historical and Current Assessed Valuations and Net Available Tax Increment Revenue by Project Areas

| Project Area | Fiscal Year | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Bayview Hunters Point Project Area B | \$1,586,990,311 | \$1,691,085,358 | \$1,735,421,426 | \$1,796,514,288 | \$1,820,614,153 |
| Golden Gateway Project Area | 2,616,656,364 | 2,634,124,265 | 2,673,231,307 | 2,745,358,555 | 2,820,312,330 |
| Hunters Point Project Area | 111,775,359 | 111,913,772 | 116,731,966 | 133,551,088 | 120,262,500 |
| India Basin Industrial Park Project Area | 130,062,150 | 129,658,213 | 129,473,668 | 125,414,075 | 125,065,713 |
| Rincon Point - South Beach Project Area | 1,881,916,977 | 1,866,207,454 | 1,931,283,999 | 1,960,405,398 | 2,334,310,589 |
| South of Market Project Area | 530,630,510 | 534,514,760 | 558,858,552 | 598,013,842 | 644,941,044 |
| Transbay Project Area | 2,219,369,409 | 2,222,296,409 | 2,546,582,119 | 2,670,324,353 | 3,296,924,967 |
| Western Addition Project Area A-2 | 1,929,148,561 | 1,945,332,744 | 1,981,552,017 | 2,080,975,580 | 2,169,091,370 |
| Yerba Buena Center Project Area D-1 | 3,722,646,273 | 3,759,492,760 | 3,764,329,891 | 3,852,697,238 | 4,119,616,940 |
| Total Value⁽¹⁾ | \$14,729,195,914 | \$14,894,625,735 | \$15,437,464,945 | \$15,963,254,417 | \$17,451,139,606 |
| <i>% Change</i> | <i>7.80%</i> | <i>1.12%</i> | <i>3.64%</i> | <i>3.41%</i> | <i>9.32%</i> |
| Base year | 2,403,684,963 | 2,403,684,963 | 2,403,684,963 | 2,403,684,963 | 2,403,684,963 |
| Total Incremental Value | 12,325,510,951 | 12,490,940,772 | 13,033,779,982 | 13,559,569,454 | 15,047,454,643 |
| <i>% Change</i> | <i>9.47%</i> | <i>1.34%</i> | <i>4.35%</i> | <i>4.03%</i> | <i>10.97%</i> |
| Gross Tax Increment ⁽²⁾ | \$123,255,110 | \$124,909,408 | \$130,337,800 | \$135,595,695 | \$150,474,546 |
| Less Excluded Project Areas Revenue ⁽³⁾ | 274,194 | 374,783 | 379,589 | 379,598 | 1,899,820 |
| Less Senior Obligations ⁽⁴⁾ | 211,309 | 231,132 | 274,133 | 296,287 | 302,412 |
| Net Available Tax Increment Revenue | \$122,769,607 | \$124,303,493 | \$129,684,078 | \$134,919,809 | \$148,272,315 |

⁽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.

⁽³⁾ In the Bayview Hunters Point Project Area B, revenue from the Candlestick Site (Zone 1) portion of the Project Area, estimated to be \$126,000 in FY2014-15, is not available to pay debt service on the Bonds. In the Transbay Terminal Project Area, revenue from designated parcels are not available to pay debt service on the Bonds. Revenue from the South of Market and Golden Gateway Project Area is offset by negative revenue of approximately \$48,000 from the Federal Office Building project area through a fiscal merger of these project areas.

⁽⁴⁾ In the Yerba Buena Center Project Area D-1, a portion of the base-year value increases each year pursuant to that Project Area's redevelopment plan. This (the 2% Emporium Amount) is calculated as a two percent (2%) increase per annum on the base year assessed value of the Westfield multi-use commercial development in the Emporium Site Sub Area added to the Yerba Buena Center Redevelopment Project Area pursuant to a plan amendment dated August 3, 2000. In the South of Market Project Area, a portion of revenue is allocable to school districts under Section 33676 and the Santa Ana USD Case (the 2% Section 33676 Allocation). Beginning in Fiscal Year 2012-13, the City Controller charges a property tax administration fee, per the Dissolution Act, of approximately 0.017% of tax increment. Source: Urban Analytics, LLC.

Projected Pledged Tax Revenues and Debt Service Coverage

Set forth below are tables showing projected tax revenues and estimated debt service coverage for the Bonds, net available tax increment, projected Pledged Tax Revenues. The below projections reflect the existing redevelopment plan limitations for the Project Areas described above under “THE PROJECT AREAS” and assume approximately two percent (2%) annual growth in gross tax increment revenues beginning in Fiscal Year 2015-16 through the maturity of the Bonds. At such assumed growth rates, none of the Project Areas are projected to reach their cumulative tax increment limits prior to maturity of the Bonds.

The Successor Agency believes that the assumptions (set forth in the footnotes below and in APPENDIX B – “REPORT OF THE 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 Pledged Tax Revenues received during the forecast period may vary from the projections and the variations may be material.

Table 6
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Projected Pledged Tax Revenues
(The Project Areas)

| Fiscal Year | Assessed Valuation | Base Year Valuation | Incremental Valuation | Gross Tax Increment Revenues ⁽¹⁾ | Excluded Revenue ⁽²⁾ | County Admin Charge ⁽³⁾ | Senior Obligations ⁽⁴⁾ | Net Available Tax Increment Revenues |
|--------------|--------------------------|-------------------------|--------------------------|---|---------------------------------|------------------------------------|-----------------------------------|--------------------------------------|
| 2014/15 | \$ 17,451,139,606 | \$ 2,403,684,963 | \$ 15,047,454,643 | \$ 150,474,546 | \$ (1,899,820) | \$ (25,581) | \$ (276,831) | \$ 148,272,315 |
| 2015/16 | 17,755,752,497 | 2,403,684,963 | 15,352,067,534 | 153,520,675 | (1,934,351) | (26,099) | (298,024) | 151,262,201 |
| 2016/17 | 18,066,457,645 | 2,403,684,963 | 15,662,772,682 | 156,627,727 | (1,966,349) | (26,627) | (319,641) | 154,315,110 |
| 2017/18 | 18,383,376,897 | 2,403,684,963 | 15,979,691,934 | 159,796,919 | (1,999,016) | (27,165) | (341,691) | 157,429,047 |
| 2018/19 | 18,706,634,533 | 2,403,684,963 | 16,302,949,570 | 163,029,496 | (2,032,364) | (27,715) | (364,181) | 160,605,235 |
| 2019/20 | 19,036,357,323 | 2,403,684,963 | 16,632,672,360 | 166,326,724 | (2,066,407) | (28,276) | (387,121) | 163,844,919 |
| 2020/21 | 19,372,674,568 | 2,403,684,963 | 16,968,989,605 | 169,689,896 | (2,101,158) | (28,847) | (410,520) | 167,149,370 |
| 2021/22 | 19,715,718,158 | 2,403,684,963 | 17,312,033,195 | 173,120,332 | (2,136,629) | (29,430) | (434,387) | 170,519,885 |
| 2022/23 | 20,065,622,619 | 2,403,684,963 | 17,661,937,656 | 176,619,377 | (2,172,835) | (30,025) | (458,732) | 173,957,784 |
| 2023/24 | 20,422,525,170 | 2,403,684,963 | 18,018,840,207 | 180,188,402 | (2,209,789) | (30,632) | (483,563) | 177,464,418 |
| 2024/25 | 20,786,565,772 | 2,403,684,963 | 18,382,880,809 | 183,828,808 | (2,247,506) | (31,251) | (508,891) | 181,041,161 |
| 2025/26 | 21,157,887,186 | 2,403,684,963 | 18,754,202,223 | 187,542,022 | (2,285,999) | (31,882) | (534,725) | 184,689,415 |
| 2026/27 | 21,536,635,029 | 2,403,684,963 | 19,132,950,066 | 191,329,501 | (2,325,285) | (32,526) | (561,076) | 188,410,613 |
| 2027/28 | 21,922,957,828 | 2,403,684,963 | 19,519,272,865 | 195,192,729 | (2,365,377) | (33,183) | (587,954) | 192,206,214 |
| 2028/29 | 22,317,007,083 | 2,403,684,963 | 19,913,322,120 | 199,133,221 | (2,406,292) | (33,853) | (615,370) | 196,077,706 |
| 2029/30 | 22,718,937,323 | 2,403,684,963 | 20,315,252,360 | 203,152,524 | (2,448,046) | (34,536) | (643,334) | 200,026,608 |
| 2030/31 | 22,278,759,249 | 2,295,099,288 | 19,983,659,961 | 199,836,600 | (2,490,654) | (33,972) | (567,612) | 196,744,362 |
| 2031/32 | 22,680,199,856 | 2,295,099,288 | 20,385,100,568 | 203,851,006 | (2,534,133) | (34,655) | (592,956) | 200,689,262 |
| 2032/33 | 23,089,669,275 | 2,295,099,288 | 20,794,569,987 | 207,945,700 | (2,578,500) | (35,351) | (618,806) | 204,713,043 |
| 2033/34 | 23,507,328,082 | 2,295,099,288 | 21,212,228,794 | 212,122,288 | (2,623,772) | (36,061) | (645,174) | 208,817,281 |
| 2034/35 | 23,933,340,066 | 2,295,099,288 | 21,638,240,778 | 216,382,408 | (2,669,967) | (36,785) | (672,069) | 213,003,586 |
| 2035/36 | 24,337,369,015 | 2,285,739,109 | 22,051,629,906 | 220,516,299 | (2,717,103) | (37,488) | (699,502) | 217,062,206 |
| 2036/37 | 24,780,087,130 | 2,285,739,109 | 22,494,348,021 | 224,943,480 | (2,762,228) | (38,240) | (727,484) | 221,415,528 |
| 2037/38 | 25,231,659,607 | 2,285,739,109 | 22,945,920,498 | 229,459,205 | (2,808,288) | (39,008) | (756,025) | 225,855,884 |
| 2038/39 | 25,692,263,534 | 2,285,739,109 | 23,406,524,425 | 234,065,244 | (2,855,301) | (39,791) | (785,137) | 230,385,015 |
| 2039/40 | 26,162,079,540 | 2,285,739,109 | 23,876,340,431 | 238,763,404 | (2,903,286) | (40,590) | (814,831) | 235,004,697 |
| 2040/41 | 26,641,291,865 | 2,285,739,109 | 24,355,552,756 | 243,555,528 | (2,952,260) | (41,404) | (845,119) | 239,716,743 |
| 2041/42 | 27,130,088,437 | 2,285,739,109 | 24,844,349,328 | 248,443,493 | (3,002,244) | (42,235) | (876,013) | 244,523,001 |
| 2042/43 | 27,628,660,940 | 2,285,739,109 | 25,342,921,831 | 253,429,218 | (3,005,732) | (43,083) | (907,525) | 249,472,878 |
| 2043/44 | 25,413,018,162 | 2,233,082,403 | 23,179,935,759 | 258,514,658 | (3,057,791) | (43,947) | (939,667) | 254,473,252 |
| Total | \$667,922,063,996 | \$70,453,451,123 | \$597,468,612,873 | \$6,001,401,429 | \$(73,558,484) | \$(1,020,238) | \$(17,673,965) | \$5,909,148,742 |

(Footnotes on the following page.)

- ⁽¹⁾ Gross tax increment equals the tax rate times the increase over base year value and does not necessarily equal amounts collected.
- ⁽²⁾ In the Bayview Hunters Point Project Area B, revenue from the Candlestick Site (Zone 1) portion of the Project Area, estimated to be \$126,000 in FY2014-15, is not available to pay debt service on the Bonds. In the Transbay Terminal Project Area, revenue from designated parcels are not available to pay debt service on the Bonds. Revenue from the South of Market and Golden Gateway Project Areas is offset by negative revenue of approximately \$48,000 from the Federal Office Building project area through a fiscal merger of these project areas.
- ⁽³⁾ From FY 2012-13, the County Auditor-Controller charges a property tax administration fee, per the Dissolution Act, of approximately 0.017% of tax increment.
- ⁽⁴⁾ In the Yerba Buena Center Project Area D-1, a portion of the base-year value increases each year pursuant to that project area's redevelopment plan. This is calculated as a two percent (2%) increase per annum on the base year assessed value of the Westfield multi-use commercial development in the Emporium Site Area added to the Yerba Buena Center Redevelopment Project Area pursuant to a plan amendment dated August 3, 2000. In the South of Market Project Area, a portion of revenue is potentially allocable to school districts under Section 33676 and a court decision.

Source: Urban Analytics, LLC.

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Table 7
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Projected Tax Increment Revenues by Project Areas and Estimated Debt Service on the Bonds
(The Project Areas)

| Fiscal Year | Bayview Hunters Point Project Area B | Golden Gateway Project Area | Hunters Point Project Area | India Basin Industrial Park Project Area | Rincon Point - South Beach Project Area | South of Market Project Area | Transbay Project Area | Western Addition Project Area A-2 | Yerba Buena Center Project Area D-1 | Total Net Available Tax Increment Revenues ⁽¹⁾ | Total Debt Service ⁽²⁾ |
|--------------|--------------------------------------|-----------------------------|----------------------------|--|---|------------------------------|-----------------------|-----------------------------------|-------------------------------------|---|-----------------------------------|
| 2014/15 | \$ 6,427,032 | \$ 27,939,121 | \$ 1,173,951 | \$ 1,113,556 | \$ 23,158,241 | \$ 5,215,726 | \$ 22,430,021 | \$ 21,074,939 | \$ 39,739,727 | \$ 148,272,315 | \$ 78,556,794 |
| 2015/16 | 6,764,407 | 28,418,238 | 1,197,939 | 1,134,042 | 23,520,057 | 5,338,155 | 22,995,924 | 21,494,517 | 40,398,922 | 151,262,201 | 77,666,656 |
| 2016/17 | 7,108,531 | 28,906,937 | 1,222,407 | 1,154,938 | 23,889,109 | 5,463,032 | 23,576,370 | 21,922,486 | 41,071,300 | 154,315,110 | 78,123,395 |
| 2017/18 | 7,459,536 | 29,405,410 | 1,247,364 | 1,176,252 | 24,265,542 | 5,590,407 | 24,168,395 | 22,359,015 | 41,757,126 | 157,429,047 | 84,234,847 |
| 2018/19 | 7,817,562 | 29,913,853 | 1,272,821 | 1,197,991 | 24,649,504 | 5,720,330 | 24,772,232 | 22,804,275 | 42,456,668 | 160,605,235 | 65,862,462 |
| 2019/20 | 8,182,748 | 30,432,464 | 1,298,786 | 1,220,166 | 25,041,144 | 5,852,851 | 25,388,119 | 23,258,440 | 43,170,201 | 163,844,919 | 48,393,096 |
| 2020/21 | 8,555,238 | 30,961,448 | 1,325,271 | 1,242,784 | 25,440,618 | 5,988,022 | 26,016,297 | 23,721,688 | 43,898,005 | 167,149,370 | 51,258,878 |
| 2021/22 | 8,935,177 | 31,501,011 | 1,352,285 | 1,265,855 | 25,848,081 | 6,125,897 | 26,657,012 | 24,194,201 | 44,640,365 | 170,519,885 | 52,094,300 |
| 2022/23 | 9,322,716 | 32,051,365 | 1,379,840 | 1,289,387 | 26,263,694 | 6,266,530 | 27,310,517 | 24,676,164 | 45,397,572 | 173,957,784 | 51,852,420 |
| 2023/24 | 9,718,005 | 32,612,727 | 1,407,946 | 1,313,389 | 26,687,618 | 6,409,975 | 27,977,067 | 25,167,767 | 46,169,923 | 177,464,418 | 51,715,970 |
| 2024/25 | 10,121,200 | 33,185,316 | 1,436,614 | 1,337,872 | 27,120,022 | 6,556,289 | 28,656,926 | 25,669,202 | 46,957,722 | 181,041,161 | 35,239,753 |
| 2025/26 | 10,532,459 | 33,769,356 | 1,465,855 | 1,362,844 | 27,561,073 | 6,705,529 | 29,350,358 | 26,180,665 | 47,761,276 | 184,689,415 | 35,217,255 |
| 2026/27 | 10,951,943 | 34,365,078 | 1,495,681 | 1,388,316 | 28,010,945 | 6,857,754 | 30,057,638 | 26,702,358 | 48,580,901 | 188,410,613 | 35,237,355 |
| 2027/28 | 11,379,817 | 34,972,714 | 1,526,104 | 1,414,297 | 28,469,815 | 7,013,023 | 30,779,041 | 27,234,484 | 49,416,919 | 192,206,214 | 35,213,160 |
| 2028/29 | 11,816,248 | 35,592,502 | 1,557,135 | 1,440,797 | 28,937,862 | 7,171,398 | 31,514,852 | 27,777,253 | 50,269,657 | 196,077,706 | 35,194,910 |
| 2029/30 | 12,261,408 | 36,224,686 | 1,588,787 | 1,467,828 | 29,415,270 | 7,332,941 | 32,265,360 | 28,330,877 | 51,139,450 | 200,026,608 | 35,166,609 |
| 2030/31 | 12,715,471 | 36,869,514 | 1,621,072 | 1,495,400 | 29,902,226 | 187,608 | 33,030,857 | 28,895,574 | 52,026,639 | 196,744,362 | 31,692,766 |
| 2031/32 | 13,178,616 | 37,527,239 | 1,654,002 | 1,523,522 | 30,398,922 | 192,179 | 33,811,646 | 29,471,565 | 52,931,572 | 200,689,262 | 31,664,908 |
| 2032/33 | 13,651,023 | 38,198,118 | 1,687,591 | 1,552,208 | 30,905,551 | 196,841 | 34,608,032 | 30,059,076 | 53,854,603 | 204,713,043 | 31,667,647 |
| 2033/34 | 14,132,878 | 38,882,415 | 1,721,852 | 1,581,467 | 31,422,313 | 201,597 | 35,420,328 | 30,658,336 | 54,796,095 | 208,817,281 | 31,636,826 |
| 2034/35 | 14,624,371 | 39,580,397 | 1,756,798 | 1,611,311 | 31,949,410 | 206,447 | 36,248,853 | 31,269,583 | 55,756,417 | 213,003,586 | 27,459,111 |
| 2035/36 | 15,125,693 | 40,292,339 | 1,792,443 | 1,641,752 | 32,487,049 | 0 | 37,093,932 | 31,893,054 | 56,735,945 | 217,062,206 | 0 |
| 2036/37 | 15,637,042 | 41,018,521 | 1,828,801 | 1,672,802 | 33,035,441 | 0 | 37,958,865 | 32,528,994 | 57,735,063 | 221,415,528 | 0 |
| 2037/38 | 16,158,618 | 41,759,225 | 1,865,886 | 1,704,472 | 33,594,800 | 0 | 38,841,065 | 33,177,653 | 58,754,164 | 225,855,884 | 0 |
| 2038/39 | 16,690,625 | 42,514,744 | 1,903,713 | 1,736,777 | 34,165,347 | 0 | 39,740,876 | 33,839,285 | 59,793,648 | 230,385,015 | 0 |
| 2039/40 | 17,233,272 | 43,285,373 | 1,942,296 | 1,769,727 | 34,747,305 | 0 | 40,658,653 | 34,514,150 | 60,853,920 | 235,004,697 | 0 |
| 2040/41 | 17,786,773 | 44,071,415 | 1,981,651 | 1,803,336 | 35,340,902 | 0 | 41,594,755 | 35,202,513 | 61,935,398 | 239,716,743 | 0 |
| 2041/42 | 18,351,343 | 44,873,178 | 2,021,793 | 1,837,618 | 35,946,371 | 0 | 42,549,550 | 35,904,642 | 63,038,506 | 244,523,001 | 0 |
| 2042/43 | 18,927,205 | 45,738,499 | 2,062,738 | 1,872,585 | 36,563,949 | 0 | 43,523,412 | 36,620,815 | 64,163,676 | 249,472,878 | 0 |
| 2043/44 | 19,514,584 | 46,572,653 | 2,104,502 | 1,908,252 | 37,193,879 | 0 | 44,516,723 | 37,351,310 | 38,600,591 | 254,473,252 | 0 |
| Total | \$371,081,540 | \$1,091,435,855 | \$47,893,929 | \$44,231,542 | \$885,932,059 | \$100,592,528 | \$973,513,676 | \$853,954,880 | \$1,513,801,974 | \$5,909,148,742 | \$1,005,149,118 |

⁽¹⁾ Net Available Tax Increment Revenues are calculated by deducting from gross tax increment the portion of tax increment, net of pass-through payments, payable to the Transbay Joint Powers Authority under the redevelopment plan for the Transbay Project Area, the payments to school districts under Section 33676 in the Original Area of the South of Market Project Area the tax increment from the Candlestick Point portion of the Bayview Hunters Point Area B Project Area, the revenue derived from a 2% inflation factor applied to the base year valuation in the Emporium Site Area of the Yerba Buena Center Project Area, the negative tax increment from the Federal Office Building project area, one of the Excluded Project Areas, associated with the fiscal merger of that project area with the South of Market and Golden Gateway Project Areas; and the fee charged by the City Controller for the administration of property taxes under the Dissolution Act.

⁽²⁾ Reflects debt service on the Existing Loan Agreements, the 2014 Series B Taxable Bonds and 2014 Series C Bonds payable in the calendar year that begins in such Fiscal Year.

Sources: Urban Analytics, LLC, Piper Jaffray & Co., and Backstrom McCarterly Berry & Co., LLC.

Table 8
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Estimated All-In Debt Service Coverage (Senior Bonds and Bonds)
(The Project Areas)

| Fiscal Year | Net Available Tax Increment Revenues⁽¹⁾ | Existing Loan Agreements⁽²⁾ | Pledged Tax Revenues | 2014B Bonds⁽³⁾ | 2014C Bonds⁽⁴⁾ | Total Payments for All-In Debt Service Coverage Calculation⁽⁵⁾ | All-In Debt Service Coverage⁽⁶⁾ |
|--------------------|---|---|-----------------------------|----------------------------------|----------------------------------|--|---|
| 2014-15 | \$148,272,315 | \$56,145,374.83 | \$92,126,940.17 | \$9,023,034.76 | \$13,388,384.86 | \$78,556,794.45 | 1.89 |
| 2015-16 | 151,262,201 | 55,268,323.52 | 95,993,877.48 | 8,861,382.90 | 13,536,950.00 | 77,666,656.42 | 1.95 |
| 2016-17 | 154,315,110 | 55,338,294.54 | 98,976,815.46 | 9,232,350.50 | 13,552,750.00 | 78,123,395.04 | 1.98 |
| 2017-18 | 157,429,047 | 56,296,846.79 | 101,132,200.21 | 16,219,250.50 | 11,718,750.00 | 84,234,847.29 | 1.87 |
| 2018-19 | 160,605,235 | 47,750,949.58 | 112,854,285.42 | 7,151,762.50 | 10,959,750.00 | 65,862,462.08 | 2.44 |
| 2019-20 | 163,844,919 | 35,615,397.55 | 128,229,521.45 | 2,622,948.00 | 10,154,750.00 | 48,393,095.55 | 3.39 |
| 2020-21 | 167,149,370 | 38,019,372.66 | 129,129,997.34 | 2,657,755.34 | 10,581,750.00 | 51,258,878.00 | 3.26 |
| 2021-22 | 170,519,885 | 46,915,743.07 | 123,604,141.93 | 2,618,557.00 | 2,560,000.00 | 52,094,300.07 | 3.27 |
| 2022-23 | 173,957,784 | 49,046,912.43 | 124,910,871.57 | 2,250,757.50 | 554,750.00 | 51,852,419.93 | 3.35 |
| 2023-24 | 177,464,418 | 48,891,292.51 | 128,573,125.49 | 2,265,677.00 | 559,000.00 | 51,715,969.51 | 3.43 |
| 2024-25 | 181,041,161 | 32,331,971.61 | 148,709,189.39 | 2,460,781.00 | 447,000.00 | 35,239,752.61 | 5.14 |
| 2025-26 | 184,689,415 | 32,319,689.65 | 152,369,725.35 | 2,453,065.00 | 444,500.00 | 35,217,254.65 | 5.24 |
| 2026-27 | 188,410,613 | 32,320,255.51 | 156,090,357.49 | 2,465,849.00 | 451,250.00 | 35,237,354.51 | 5.35 |
| 2027-28 | 192,206,214 | 32,307,366.51 | 159,898,847.49 | 2,459,043.50 | 446,750.00 | 35,213,160.01 | 5.46 |
| 2028-29 | \$196,077,706 | 32,294,479.73 | 163,783,226.27 | 2,448,930.50 | 451,500.00 | 35,194,910.23 | 5.57 |
| 2029-30 | \$200,026,608 | 32,716,099.11 | 167,310,508.89 | 2,450,510.00 | - | 35,166,609.11 | 5.69 |
| 2030-31 | \$196,744,362 | 30,479,282.77 | 166,265,079.23 | 1,213,483.50 | - | 31,692,766.27 | 6.21 |
| 2031-32 | \$200,689,262 | 30,468,176.87 | 170,221,085.13 | 1,196,731.50 | - | 31,664,908.37 | 6.34 |
| 2032-33 | \$204,713,043 | 30,469,128.97 | 174,243,914.03 | 1,198,518.50 | - | 31,667,647.47 | 6.46 |
| 2033-34 | \$208,817,281 | 30,448,955.35 | 178,368,325.65 | 1,187,870.50 | - | 31,636,825.85 | 6.60 |
| 2034-35 | <u>\$213,003,586</u> | <u>26,268,836.44</u> | <u>186,734,749.56</u> | <u>1,190,274.50</u> | <u>-</u> | <u>27,459,110.94</u> | 7.76 |
| | \$3,791,239,535 | \$831,712,750 | \$2,959,526,785 | \$83,628,533.50 | \$89,807,834.86 | \$1,005,149,118 | |

(footnotes follow on the next page)

- ⁽¹⁾ Reflects moneys deposited into Redevelopment Property Tax Trust Fund less county administrative charges, and excluding the Excluded Project Areas: Mission Bay South, Mission Bay North, Hunters Point Shipyard, Visitacion Valley and Federal Office Building Project Areas and Zone 1 of the Bayview Hunters Point Project Area B (the “Candlestick Site”), and the State Parcels within the Transbay Project Area.
 - ⁽²⁾ The pledge of tax revenues under the Indenture to pay debt service on the Bonds is subordinate to the pledge thereof for payment of debt service on existing loan agreements related to bonds issued by the Authority not being refunded by the Bonds (the “Existing Loan Agreements”).
 - ⁽³⁾ Reflects debt service on the 2014 Series B Taxable Bonds payable in the calendar year that begins in such Fiscal Year.
 - ⁽⁴⁾ Reflects debt service on the 2014 Series C Bonds payable in the calendar year that begins in such Fiscal Year.
 - ⁽⁵⁾ Reflects the sum of debt service on Existing Loan Agreements and debt service payments on the 2014 Series B Taxable Bonds and 2014 Series C Bonds.
 - ⁽⁶⁾ Net Available Tax Increment Revenues divided by Total Payments for All-In Debt Service Coverage Calculation.
- Sources: Urban Analytics, LLC, Piper Jaffray & Co., and Backstrom McCarley Berry & Co., LLC.

Assessment Appeals

Appeals of assessments by property owners in the Project Areas can result in future reductions in assessed valuations that affect the Successor Agency. 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 instead 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.

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 Project Areas for the past six (6) years are shown in Table 9 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 board of assessment appeals, granted a hearing but denied an adjustment in valuation, or granted an adjustment in valuation.

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Table 9
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Assessment Appeals in the Project Areas

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate* |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|-----------------|
| 2013-14 | Resolved | 82 | 194,428,461 | 112,149,150 | 191,633,511 | 98.56% |
| 2013-14 | Pending | 80 | 3,647,770,534 | 2,153,058,360 | TBD | - |
| 2012-13 | Resolved | 252 | 2,488,665,706 | 1,742,407,676 | 2,478,058,536 | 99.57% |
| 2013-13 | Pending | 24 | 1,312,097,084 | 681,670,312 | TBD | - |
| 2011-12 | Resolved | 296 | 3,463,044,100 | 1,972,411,593 | 3,341,658,887 | 96.49% |
| 2011-12 | Pending | 6 | 856,003,332 | 519,467,825 | TBD | - |
| 2010-11 | Resolved | 384 | 5,159,675,072 | 3,263,089,465 | 4,753,585,380 | 92.13% |
| 2010-11 | Pending | 6 | 684,809,421 | 340,740,947 | TBD | - |
| 2009-10 | Resolved | 399 | 4,239,492,971 | 2,148,463,822 | 3,970,678,321 | 93.66% |
| 2009-10 | Pending | 2 | 395,998,591 | 244,000,000 | TBD | - |
| 2008-09 | Resolved | 109 | 1,710,619,058 | 1,024,149,946 | 1,709,592,115 | 99.94% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 1,522 | 17,255,925,368 | 10,262,671,652 | 16,445,206,750 | 95.30% |
| All Years | Pending | 118 | 6,896,678,962 | 3,938,937,444 | TBD | - |

Potential exposure to reductions in valuation from all pending appeals**:

324,020,064

* 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. The potential reduction includes properties with appeals in multiple years and does not necessarily indicate an equivalent reduction in future revenue.

Source: Urban Analytics, LLC. Data obtained from the San Francisco County Assessment Appeals Board as of 9/24/2014.

Pending appeals have been filed by two of the largest property owners in the Project Area, specifically Emporium Mall, LLC and Hudson Rincon Center, LLC. Emporium Mall, LLC has three appeals pending on its Fiscal Year 2013-14 valuation. Appeals filed by the owner on these properties in the prior two years have been resolved with no change in valuation. Hudson Rincon Center LLC has two pending appeals for Fiscal Year 2013-14. Appeals filed by the owner for these properties in the past three years have been resolved with no change in valuation. There are also two pending appeals filed by PPP Office, One Maritime Plaza for Fiscal Year 2013-14 valuations. Appeals on these properties were filed in Fiscal Year 2012-13 and Fiscal Year 2011-12 and were resolved with no change in valuation, while appeals filed by this owner in Fiscal Year 2010-11 were resolved with a reduction in valuation of \$118.7 million.

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 95.3% to the valuation currently subject to pending appeals, the estimated reduction in prior-year assessed valuation would be \$324 million or approximately \$3.2 million in gross tax increment. 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 City's Assessment Appeals Board (the "Assessment Appeals Board") across the 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 \$2.96 billion for the Project Areas and approximately \$29.6 million in gross tax increment; this also includes 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 Bonds. The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the Bonds and 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.

Plan Limits

The Project Areas are subject to time period limits on the receipt of tax increment revenues. However, for six (6) of the Project Areas (i.e. Golden Gateway Project Area, India Industrial Basin Park Project Area, Hunters Point Project Area, Rincon Point – South Beach Project Area, the Western Addition Project Area A-2, the Original Sub-Area of the Yerba Buena Center Project Area D-1), there is no time limit for the receipt of tax increment to pay debt service on debt relating to affordable housing. For certain areas within such Project Areas, the last date to receive tax increment revenues for any purpose (or, with respect to the above mentioned Project Areas, for non-housing relating purposes) occurs before the maturity of the Bonds. Bonds that mature after the time period to receive tax increment revenue expires will not be secured by tax increment revenues derived from these Project Areas. See “THE PROJECT AREAS.”

Notwithstanding the above, the Successor Agency currently estimates that it will have sufficient tax increment revenues collectively from the Project Areas to pay the principal of and interest on the Bonds.

However, there can be no assurance that the actual amount of tax increment revenues received will be as set forth in the Successor Agency’s projections. See “PLEDGED TAX REVENUES AND DEBT SERVICE” and APPENDIX B.

Recognized Obligation Payment Schedules

As described in greater detail above under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation Payment Schedules,” the Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Tax revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. If the Successor Agency were to fail to complete an approved Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Pledged Tax Revenues to the Successor Agency to pay debt service on the Bonds could be adversely affected for such period. See “PLEDGED TAX REVENUES AND DEBT SERVICE – Allocation of Taxes Subsequent to the Dissolution Act – *Recognized Obligation Payment Schedules.*”

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Table 10
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
2015 Estimated Recognized Obligation Payment Schedule *

| | Calendar Year 2015 | | Calendar Year 2016 | | Calendar Year 2017 | | Calendar Year 2018 | | Calendar Year 2019 | | Calendar Year 2020 | | Calendar Year 2021 | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Jan 2 | June 1 |
| Gross Tax Increment ⁽¹⁾ | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 | \$75,237,000 |
| Excluded Project Areas Revenue ⁽²⁾ | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) | (950,000) |
| County Admin | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) | (13,000) |
| Senior Obligations ⁽³⁾ | (138,000) | (138,000) | (149,000) | (149,000) | (160,000) | (160,000) | (171,000) | (171,000) | (182,000) | (182,000) | (194,000) | (194,000) | (205,000) | (205,000) |
| Existing Loan Agreements Debt Service | (56,145,375) | - | (55,268,324) | - | (55,338,295) | - | (56,296,847) | - | (41,750,950) | - | (35,615,398) | - | (38,019,373) | - |
| Project Areas Revenues Available for 2014 Bonds | \$17,990,625 | \$74,136,000 | \$18,856,676 | \$74,125,000 | \$18,775,705 | \$74,114,000 | \$17,806,153 | \$74,103,000 | \$26,341,050 | \$74,092,000 | \$38,464,602 | \$74,080,000 | \$36,049,627 | \$74,069,000 |
| Less: Reserve for Future Period ⁽⁴⁾ | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Plus: Reserve from Prior Period | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Available for 2014 Bonds Debt Service | \$17,990,625 | \$74,136,000 | \$18,856,676 | \$74,125,000 | \$18,775,705 | \$74,114,000 | \$17,806,153 | \$74,103,000 | \$26,341,050 | \$74,092,000 | \$38,464,602 | \$74,080,000 | \$36,049,627 | \$74,069,000 |
| 2014 Bonds Debt Service⁽⁵⁾ | | | | | | | | | | | | | | |
| 2014B Bonds | - | (\$ 9,023,035) | (\$ 845,691) | (\$ 8,015,691) | (\$803,675) | (\$8,428,675) | (\$ 739,625) | (\$15,479,625) | (\$ 583,381) | (\$ 6,568,381) | (\$ 506,474) | (\$ 2,116,474) | (\$ 483,878) | (\$ 2,173,878) |
| 2014C Bonds | - | (13,388,385) | (1,448,475) | (12,088,475) | (1,288,875) | (12,263,875) | (1,069,375) | (10,649,375) | (829,875) | (10,129,875) | (597,375) | (9,557,375) | (373,375) | (10,208,375) |
| Subtotal Debt Service | - | (22,411,420) | (2,294,166) | (20,104,166) | (2,092,550) | (20,692,550) | (1,809,000) | (26,129,000) | (1,413,256) | (16,698,256) | (1,103,849) | (11,673,849) | (857,253) | (12,382,253) |
| Semi-Annual Debt Service Coverage | - | 3.31x | 8.22x | 3.69x | 8.97x | 3.58x | 9.84x | 2.84x | 18.64x | 4.44x | 34.85x | 6.35x | 42.05x | 5.98x |
| Excess Revenues | \$17,990,625 | \$51,724,580 | \$16,562,510 | \$ 54,020,834 | \$16,683,155 | \$53,421,450 | \$15,997,153 | \$ 47,974,000 | \$24,927,794 | \$57,393,744 | \$37,360,753 | \$62,406,151 | \$35,192,375 | \$61,686,747 |

* Preliminary, subject to change.

⁽¹⁾ Projected Redevelopment Property Tax Trust Fund Revenues based projections no AV growth from Urban Analytics. Distribution above assumes annual Redevelopment Property Tax Trust Fund revenue is funded based on a 50/50 split each Calendar Year Reserve Obligation Payment Schedule period.

⁽²⁾ In the Bayview Hunters Point Area B Project Area revenue from the Candlestick Site portion of the Project Area, estimated to be \$126,000 in Fiscal Year 2014-15, is not available to pay debt service or replenish any reserve account for parity debt after 2009. In the Transbay Terminal Project Area, revenue from designated parcels are not available to pay debt service on existing Agency bonds. Revenue from the South of Market and Golden Gateway project areas is offset by negative revenue of approximately \$48,000 from the Federal Office Building project area through a fiscal merger.

⁽³⁾ In the Yerba Buena Center Project Area D-1, a portion of the base-year value increases each year pursuant to that project area's redevelopment plan. This is calculated as a two percent (2%) increase per annum on the base year assessed value of the Westfield multi-use commercial development in the Emporium Site Area added to the Yerba Buena Center Redevelopment Project Area pursuant to a plan amendment dated August 3, 2000. In the South of Market Project Area, a portion of revenue is potentially allocable to school districts under Section 33676 and a court decision.

⁽⁴⁾ Funds from the June 1 Redevelopment Property Tax Trust Fund can be reserved for the following February interest payment if revenues after payment of Senior Existing Loan Agreements are insufficient for the February 1 payment.

⁽⁵⁾ Preliminary estimate of debt service on 2014B and 2014C Bonds provided by Piper Jaffray & Co., and Backstrom McCauley Berry & Co., LLC.

Source: Successor Agency to the Redevelopment Agency of the City and County of San Francisco.

Estimates of Tax Revenues

To estimate the tax revenues ultimately available to pay debt service on the Bonds, the Successor Agency has made certain assumptions with regard to the present and future assessed valuation of taxable property in the Project Areas, future tax rates, growth in tax revenues over time, percentage of taxes collected, other senior obligations, the amount of funds available for investment and the interest rate at which those funds will be invested. 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, the percentages collected, the amount of the funds available for investment or the interest rate at which they are invested, are less than the Successor Agency's assumptions, the Pledged Tax Revenues be less than those projected and may be insufficient to pay debt service on the Bonds.

Subordination of ERAF

The Successor Agency has obtained the approval of the Taxing Entities to subordinate payment of their AB 1290 Statutory Pass-Through Amounts to the payment of debt service on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*” As ERAF is not an entity, but a fund, there is not a mechanism to seek affirmative approval of the subordination of monies payable to ERAF. The Successor Agency believes that the Statutory Pass-Through Amounts to be deposited in ERAF have also been subordinated, given that the Taxing Entities, to whom the amounts deposited in ERAF will be distributed, have approved the subordination of the Statutory Pass-Through Amounts directly payable to them. Should a Taxing Entity or the State disagree with the Successor Agency's position with regards to the subordination of the ERAF and determine that the Statutory Pass-Through Amounts due to ERAF cannot be subordinated, such amounts would be a Senior Obligation and payment thereof would have to be made prior to payment of debt service on the Bonds. The Statutory Pass-Through Amount for ERAF is approximately eight million dollars (\$8,000,000). The Successor Agency does not believe that a obligation to pay the ERAF amounts on a basis senior to the payment of debt service on the Bonds will have a materially adverse effect on its ability to pay debt service on the Bonds.

Reduction in Tax Base and Assessed Values

Tax revenues allocated to the Redevelopment Property Tax Trust Fund constitute the ultimate source of payment on the Bonds, the Existing Loans and any Parity Debt. Such tax revenues are determined by the amount of the incremental taxable value of property in the Project Areas, the current rate or rates at which property in the Project Areas is taxed and the percentage of taxes collected in the Project Areas. A reduction of the taxable values of property in the 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 Project Areas, relocation out of the 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. In addition, taxable values may 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, some of the Project Areas have a high concentration of major taxpayers. See “PLEGGED TAX REVENUES AND DEBT SERVICE – Table 3, Top Ten Taxpayers,” above. There are appeals to assessed valuation which could result in a substantial reduction thereof. See “PLEGGED TAX REVENUES AND DEBT SERVICE – Assessment Appeals” above.

An indicator of the potential exposure of Successor Agency tax increment revenue to appeals were the City Controller either 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 95.3% to the aggregate valuation currently subject to pending appeals in the Project Areas, the Fiscal Consultant reduction in valuation of \$324.0 million or approximately \$3.2 million in total available tax revenues. If the full amount of disputed valuation were to be granted by the assessment appeals board across the Project Areas, and if the City Controller were to deduct the resulting tax refunds from the tax increment allocated to the Successor Agency, the Fiscal Consultant estimates a reduction in assessed valuation of \$2.96 billion and that the total allocable tax revenues for the Project Areas could be reduced by approximately \$29.6 million. Any such reductions in taxable values could cause a reduction in the Pledged Tax Revenues securing the Bonds and could have an adverse effect on the Successor Agency's ability to make timely payments with respect to such 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 twelve percent (12%) of the overall assessed value for Fiscal Year 2014-15.

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 Pledged Tax Revenues to be available to it to make payments with respect to the Bonds, the Successor Agency has assumed two percent (2%) inflationary increases. The projected Pledged 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 Pledged Tax Revenues. See "PLEGGED TAX REVENUES AND DEBT SERVICE" and "LIMITATIONS ON TAX REVENUES – Article XIII A of California Constitution" herein.

In addition to the other limitations on and required application under the Dissolution Act of tax revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing tax revenues allocated to the Redevelopment Property Tax Trust Fund 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 Pledged Tax Revenues and adversely affect the source of repayment and security of the 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 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 "PLEGGED 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 Project Areas, which may arise out of successful appeals by property owners, will affect the amount of present or future Pledged 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 2014-15 roll data shown in the tables under "PLEGGED TAX REVENUES AND DEBT SERVICE."

Three (3) of the top ten (10) largest property taxpayers in the Project Areas have pending property tax appeals. See "PLEGGED TAX REVENUES AND DEBT SERVICE – Table 3, Top Ten Taxpayers," and "– Assessment Appeals" for a description of pending appeals and the potential impact on allocable tax revenues if the appeals are granted.

State Budget Issues; Changes in the Law

AB 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its Fiscal Years 2011-12 and 2012-13, respectively, as efforts to address structural deficits in the State general fund budget. In general terms, these bills 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). 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 Pledged 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 Dissolution Act or other laws or the Constitution of the State resulting in a reduction of Pledged Tax Revenues, or that otherwise have an adverse effect on the Successor Agency's ability to pay debt service on the Bonds.

Certain litigation is challenging some of the terms of the Dissolution Act, and it is anticipated that there will be additional future legislation in this area. The Successor Agency cannot predict what measures may be proposed or implemented for the current fiscal year or in the future.

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

Development Risks

Although the Project Areas are substantially developed, there remain undeveloped areas within certain Project Areas, particularly within the Transbay Project Area and the Bayview Hunters Point Project Area B.

The remaining developments within the Project Areas will be subject to all the risks generally associated with real estate development. Projected development within the Project Areas 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 Project Areas could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Areas is delayed or halted, the economy of the Project Areas could be affected. If such events lead to a decline in assessed values, they could cause a reduction in Pledged Tax Revenues. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the 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 Project Areas. In addition, the insolvency or bankruptcy of one or more large owners of property within the 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 damage to property improvements. In addition, the property within the Project Areas is located on landfill, which could result in an increase in any damage occurring to property within the Project Areas as a result of an earthquake. 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 Project Areas could depreciate substantially and owners of property may be less willing or able to pay property taxes.

Earthquake. According to the Community Safety element of the General Plan of the City and County of San Francisco (October 2012) (the “**Community Safety Element**”), a working group of earthquake scientists formed by the National Earthquake Prediction Evaluation Council concluded in 2008 that there is a 67% likelihood of one or more major earthquakes (magnitude 6.7 or greater and capable of resulting in substantial damage) occurring in the Bay Area in the next 30 years (<http://earthquake.usgs.gov/regional/nca/ucerf/>). This means that a major quake is twice as likely to occur as it is not to occur.

The City is in a seismically active area, where damaging earthquakes have occurred and are likely to occur again along the two earthquake fault lines that affect San Francisco, which are the San Andreas fault line and the Hayward fault line. Significant recent 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 environs, including portions of the Project 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.

Sea Level Rise. 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 Project Areas – is at risk for inundation because of low elevation and subsidence over time due to compaction from buildings and soil desiccation. The Community Safety Element notes that best available projections for California and the Bay Area currently assume 12-18 inches of sea level rise by 2050 and 21-55 inches of sea level rise by 2100, given current carbon emissions trends, although it also notes that these projections are likely to change over time as climate science progresses.

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 runups that have occurred in the prehistoric past, there is considerable uncertainty over the extent of tsunami runup that could occur.

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 Project Areas of varying seriousness, 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 Project Areas and could result in a significant reduction in Pledged Tax Revenues. Such reduction of Pledged Tax Revenues could have an adverse effect on the Successor Agency's payment of debt service on the Bonds.

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 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 Bonds. The Successor Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Bonds and specifying the related deadline for any

challenge to the Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, 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 Bonds and the Oversight Board Resolution on October 22, 2014.

It is possible that a lawsuit challenging the 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 Dissolution Act to provide for distribution of Pledged Tax Revenues to the Successor Agency for payment on the Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Bonds.

Any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Bonds could be subject to the same issues regarding an impairment of contract or unconstitutional taking without just compensation as raised in the Syncora Lawsuit (see “LITIGATION” herein). The Successor Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Successor Agency and the availability of Pledged Tax Revenues for the payment of debt service on the Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Successor Agency does not guarantee that any lawsuit challenging the 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 Bonds.

Reductions in Unitary Values

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1987), a portion of the county-wide unitary values assigned to public utilities was allocated to the Project Areas. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Pledged Tax Revenues. For further information concerning unitary values, see “LIMITATIONS ON TAX REVENUES – Taxation of Unitary Property.”

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 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 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 Bonds could reduce Pledged 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 BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Teeter Plan*.” Such plan may be discontinued at any time.

Investment Risk

All funds held by the Trustee under the Indenture and all funds held by the Successor Agency in the Special Fund, into which all Pledged 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 Bonds.

Bankruptcy and Foreclosure

The payment of the property tax revenue from which Pledged 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 Bonds and the enforceability of the obligation to make payments on the 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 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 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 Redevelopment Obligation Retirement Fund from being applied to pay interest on the Bonds and/or to redeem 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. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Pledged Tax Revenues, and accordingly, could have an adverse impact on the ability of the Successor Agency to pay debt service on the 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 Bond payments. 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 any Project Area, the owners of property within such Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Pledged Tax Revenues received by the Successor Agency from the Project Area.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2014 Series C Bonds, the Successor Agency has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), and the Successor Agency has covenanted in the Indenture to comply with certain provisions of the Tax Code. The interest on the 2014 Series C Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the 2014 Series C Bonds as a result of acts or omissions of the Successor Agency in violation of these or other covenants in the Indenture applicable to the 2014 Series C Bonds. The 2014 Series C Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See "TAX MATTERS."

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "**IRS**"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "**TE/GE Division**"), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. There is no

assurance that if an IRS examination of the 2014 Series C Bonds was undertaken it would not adversely affect the market value of the 2014 Series C Bonds. See “TAX MATTERS.”

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or if a secondary market exists, that the 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 market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including, without limitation, amendments to the Tax Code), or by any state constitutional amendments, court decisions, changes in interpretation of the Code, 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 Bonds for audit examination, or the course or result of any IRS audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

Parity Obligations

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Limitations on Additional Indebtedness – *Parity Debt*,” the Successor Agency may issue or incur obligations payable from Pledged Tax Revenues on a parity with its pledge of Pledged Tax Revenues to payment of debt service on the Bonds.

Bonds are Limited Obligations

The Bonds are special, limited obligations of the Successor Agency and as such are not debt of the City, the State or any of their political subdivisions other than the Successor Agency, and none of 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 Bonds are payable solely from Pledged Tax Revenues allocated to the Successor Agency from the Project Areas and certain other funds pledged therefor under the Indenture. The 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 BONDS.” No Owner of the 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 Bonds.

Limited Recourse on Default

If the Successor Agency defaults on its obligations under the Indenture, the Trustee has the right to accelerate the 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 Bonds.

LIMITATIONS ON TAX REVENUES

The Bonds are secured by a pledge of Pledged Tax Revenues attributable to the 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 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 Redevelopment Property Tax Trust Fund 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 Project Areas, Pledged 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 Dissolution Act allow administrative costs of the county auditor-controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund.

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.

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 two percent (2%) annual adjustment 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 Pledged 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. Pledged 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 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 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

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2014 Series C Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2014 Series C Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes

of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

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

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

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

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 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 Bonds other than as expressly described above.

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 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 Bonds. In the opinion of counsel to the Successor Agency, there is no lawsuit or claim 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 Bonds as it becomes due.

Syncora Lawsuit – Challenge to Dissolution Act

With respect to California successor agencies and the Dissolution Act in general, on August 1, 2012, Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") filed a lawsuit against the State, the State Controller, the State Director of Finance, and the Auditor-Controller

of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento) (the “**Syncora Lawsuit**”). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleges that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleges that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation.

The Syncora Lawsuit was brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation and injunctive relief. The injunctive relief sought includes an injunction enjoining the respondents from implementing, enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing agencies pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the Redevelopment Property Tax Trust Fund, or a similar fund, for the exclusive benefit of, and distribution to, bondowners until such a time when the bondowners are completely repaid.

On May 29, 2013, the Superior Court issued a preliminary ruling, in which it denied Syncora’s claims that the Dissolution Act unconstitutionally impaired its contracts on the grounds that those claims are premature; the court noted that Syncora had provided no evidence that successor agencies actually are unable to meet their obligations as they become due, or that successor agencies will be prevented from ultimately paying all redevelopment obligations. The Superior Court concluded that Syncora’s takings claims are not necessarily premature, but that an evidentiary hearing should be conducted to address those claims. Finally the superior court concluded that possible certification of a class of county auditor-controllors was moot because the auditor-controllors have no role or duty in connection with the alleged takings or in providing compensation for those takings.

Subsequently, on August 16, 2013, the parties entered into a stipulated judgment dismissing all of Syncora’s claims, although the dismissal was without prejudice with respect to Syncora’s impairment of contract and takings claims. In dismissing its impairment of contract and takings claims without prejudice, Syncora preserves any rights it may have in the future to initiate the Syncora Litigation and reassert its contract clause and takings challenges to AB 26. The stipulated judgment was entered as final on October 3, 2013.

A number of other lawsuits have been filed that challenge the 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 Dissolution Act or on the Successor Agency’s ability to make payments of principal of and interest on the Bonds.

CONTINUING DISCLOSURE

The Successor Agency has covenanted for the benefit of the Owners of the 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

report for the 2014-15 fiscal year (the “**Annual Report**”) and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Successor Agency, or the Dissemination Agent, if any, on behalf of the Successor Agency, with the MSRB. The notices of events will also 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. While the Former Agency failed on occasion to file notices of bond insurer-related rating downgrades on a timely basis, such failures were only with respect to downgrades below the underlying rating of the bond. Additionally, due to the dissolution of the Former Agency and delays in the preparation of audited financials for Fiscal Year ended 2012 for the Successor Agency, the Successor Agency and the Former Agency filed their respective audited financial statements approximately thirty (30) days late. The Former Agency had, however, filed unaudited financial statements for the Former Agency for the first (7) seven months of the fiscal year in a timely manner. Additionally, 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. The Successor Agency has filed notices of all bond rating downgrades and the missing tabular information noted above. The Successor Agency has also established procedures that 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 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 Bonds will be passed upon for the Successor Agency by its General Counsel. Curls Bartling P.C. 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 Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California.

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

Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

FINANCIAL ADVISORS

Public Financial Management, Inc. and Kitahata & Company have served as co-Financial Advisors to the Successor Agency and provided advice with respect to the sale of the Bonds. Each of the Financial 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 Financial 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 Bonds. The Financial 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 Financial Advisors will receive compensation contingent upon the sale and delivery of the 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 Refunded Bonds will be verified by Causey Demgen & Moore, P.C, Denver, Colorado.

RATING

Standard & Poor's Rating Service, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned a rating to the Bonds of "A+." Such rating reflects only the view of such organization, and an explanation of the significance of the rating may be obtained by contacting S&P. Such rating is not a recommendation to buy, sell or hold the Bonds. There is no assurance that such 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 such rating may have an adverse effect on the market price of the 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, 2014, are included as part of APPENDIX A – "SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014." 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.

FISCAL CONSULTANT REPORT

In connection with the issuance of the Bonds, the Successor Agency has engaged Urban Analytics, LLC, San Francisco, California, to prepare a Fiscal Consultant Report. See APPENDIX B – "REPORT OF FISCAL CONSULTANT."

UNDERWRITING

The 2014 Series B Taxable Bonds will be sold to Piper Jaffray & Co., as representative of itself and Stifel, Nicolaus & Company, Inc. and Stinson Securities, LLC (collectively, the "**2014 Series B Taxable Underwriters**"), pursuant to a bond purchase contract (the "**2014 Series B Taxable Purchase Contract**") between the Successor Agency and the 2014 Series B Taxable Underwriters. The 2014 Series B Taxable Underwriters have agreed to purchase the 2014 Series B Taxable Bonds for \$67,641,047.90 (which amount represents the \$67,955,000 aggregate principal amount of the 2014 Series B Taxable Bonds, less an underwriters' discount of \$313,952.10).

The 2014 Series C Bonds will be sold to Backstrom McCarley Berry & Co., LLC, as representative of itself and Stifel, Nicolaus & Company, Inc. and Blaylock Beal Van, LLC (collectively, the “**2014 Series C Underwriters**”), pursuant to a bond purchase contract (the “**2014 Series C Purchase Contract**”) between the Successor Agency and the 2014 Series C Underwriters. The 2014 Series C Underwriters have agreed to purchase the 2014 Series C Bonds for \$84,264,191.82 (which amount represents the \$75,945,000 aggregate principal amount of the 2014 Series C Bonds, plus original issue premium of \$8,660,783.65, and less an underwriters’ discount of \$341,591.83).

Backstrom McCarley Berry & Co., LLC (“BMcB”), has entered into separate distribution agreements (each a “Distribution Agreement”) with Wedbush Securities (“Wedbush”), Mesirov Financial (“Mesirov”) and D.A. Davidson & Co. (“Davidson”) that enables each distributor to distribute certain new issue municipal securities underwritten by or allocated to BMcB, which could include the 2014 Series C Bonds. Under these Distribution Agreements, BMcB may share with Wedbush, Mesirov, and Davidson a portion of the fee or commission paid to BMcB.

Blaylock Beal Van, LLC, one of the 2014 Series C Underwriters, has entered into a distribution agreement with TD Ameritrade, Inc. (“TD”) for the retail distribution of certain municipal securities offerings underwritten by or allocated to Blaylock Beal Van, LLC, including the 2014 Series C Bonds (the “TD Agreement”). Under the TD Agreement, Blaylock Beal Van, LLC will share with TD a portion of the underwriting compensation paid to Blaylock Beal Van, LLC.

The initial public offering prices of the Bonds of each Series may be changed from time to time by the Underwriters. The Purchase Contract for each Series of Bonds provides that the Underwriters will purchase all of such Series of 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.

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APPENDIX A

**SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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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, 2014

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

For the Year Ended June 30, 2014

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**Office of Community
Investment and Infrastructure**
(Successor to the San Francisco
Redevelopment Agency)

One South Van Ness Avenue
San Francisco, CA 94103
415.749.2400



EDWIN M. LEE, Mayor

Mara Rosales, Chair
Marily Mondejar
Darshan Singh
Miguel Bustos

Tiffany Bohee, Executive Director

November 4, 2014

107-0982014-290

Members of the Commission on Community Investment and Infrastructure
Residents of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Successor Agency of the Redevelopment Agency of the City and County of San Francisco ("Successor Agency"), also known as the San Francisco Office of Community Investment & Infrastructure ("OCII") for the fiscal year ended June 30, 2014, with the independent auditor's report, prepared in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board.

This letter provides a narrative of OCII's background and accomplishments during the year ended June 30, 2014. The Management's Discussion and Analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

1. BACKGROUND

The Office of Community Investment & Infrastructure ("OCII") is the Successor Agency to the San Francisco Redevelopment Agency. On February 1, 2012 the San Francisco Redevelopment Agency ("SFRA"), along with all 400 redevelopment agencies in California, was dissolved under Assembly Bill 26 ("AB 26") and order of the California State Supreme Court. In June of 2012, Assembly Bill 1484 was passed to further clarify certain aspects of the dissolution of redevelopment agencies, and together the two assembly bills are known as the "Dissolution Law". Pursuant to the Dissolution Law and to Board of Supervisors Ordinance 215-12, the City and County of San Francisco (City) has created the Office of Community Investment and Infrastructure ("OCII") as the Successor Agency to the San Francisco Redevelopment Agency. As Successor Agency, OCII succeeds to the organizational status of the former SFRA, but without any legal authority to participate in redevelopment activities except to complete work related to the approved enforceable obligations.

Those enforceable obligations are related to: (1) the Major Approved Development Projects (defined as the Hunters Point Shipyard / Candlestick Point Redevelopment

Project, the Mission Bay North and South Redevelopment Project, and the Transbay Redevelopment Project); (2) the asset management of SFRA assets such as the Yerba Buena Center and other real property and assets of the former SFRA that must be wound down under the Dissolution Law; and (3) OCII's Retained Housing Obligations which include ensuring the development of affordable housing in the Major Approved Development Projects as well as fulfilling a Replacement Housing Obligation.

The Successor Agency Commission, also known as the Commission on Community Investment and Infrastructure, is the main governing body of OCII and is responsible for implementing and completing the enforceable obligations of the former redevelopment projects, including exercising land use and design approval authority for the Major Approved Development Projects. 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.

The Dissolution Law requires that there be an additional governing body known as an Oversight Board to oversee certain functions of OCII as the Successor Agency, and which has a fiduciary duty to the holders of enforceable obligations with the former Redevelopment Agency and to the taxing entities that are entitled to an allocation of property taxes. The Oversight Board of the City and County of San Francisco reviews and approves OCII's expenditures and use of tax increment through semi-annual Recognized Obligation Payment Schedules ("ROPS"), as well as approving the issuance of any bonds, transfers of property, and other matters related to the dissolution of SFRA, subject to additional review by the California State Department of Finance. The Mayor appoints four of the seven members of the Oversight Board, subject to confirmation by the Board of Supervisors. One of those four members must represent the largest group of former Agency employees. The remaining three members are representatives of affected taxing entities: the Bay Area Rapid Transit District, the San Francisco Unified School District, and the San Francisco Community College District.

The Dissolution Law requires that OCII be a separate legal entity from the City and County of San Francisco, just as SFRA was. However, OCII is still subject to the governance of the City acting through its legislative capacity. Accordingly, the OCII's budget must be approved first by the Commission and subsequently approved by the Mayor and Board of Supervisors.

In addition to its role as Successor Agency to the City and County of San Francisco Redevelopment Agency, OCII also serves as administrator of six Community Facilities Districts ("CFDs"), formed under the California Mello-Roos Act.

2. ACCOMPLISHMENTS DURING THE FISCAL YEAR ENDING JUNE 30, 2014

A. Hunters Point Shipyard/Candlestick Point

The Hunters Point Shipyard (the "Shipyard") and Candlestick Point (together "HPS/CP") form approximately 770 acres along the southeastern waterfront of San Francisco. The San Francisco Board of Supervisors originally adopted the Shipyard Redevelopment Plan in

to provide for the integrated planning and development of the Shipyard and the Candlestick Point portion of the Bayview Hunters Point Redevelopment Project Area.

Pursuant to a disposition and development agreement (“DDA”) with OCII, a master developer is completing the infrastructure for the first phase of the Shipyard’s redevelopment (“Phase 1”), which will ultimately include up to 1,600 homes, 32% of which will be affordable, miles of new utilities, and 26 acres of open space. OCII will be seeking development teams and providing financing for a minimum of 218 units on designated stand-alone affordable housing sites in Phase 1. The HPS/CP project’s full build out will occur over 20-25 years, with 800+ units of housing completed over the next five years in the Shipyard’s first phase.

A master developer that is separate but affiliated with the Phase 1 developer will complete the remaining portion of the Shipyard infrastructure and also Candlestick Point area as one project under a separate DDA (“Phase 2”). The agreement for the Phase 2 development program provides for an additional 10,500 new housing units to be located on the Shipyard and Candlestick Point, 32% of which will be below market rate, including the rebuilding of the Alice Griffith public housing development consistent with the City’s HOPE SF program. Specifically, the OCII sponsored affordable housing development consists of 504 public housing replacement and new affordable units through five phases of the Alice Griffith project, plus an additional 1,140 units on 10 stand-alone sites. The Phase 2 plan also includes approximately three million square feet of research and development and office uses as a hub for emerging technologies on the Shipyard, over 300 acres of parks and open space including a complete renovation of the Candlestick Point State Recreation area. In total, Phase 1 and Phase 2 will generate more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately \$90 million in community benefits.

On December 14, 2012, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code § 34177.5(i), that the Phase 1 DDA, and the Phase 2 DDA and tax increment pledge agreements, and both Phases’ affordable housing requirements constitute enforceable obligations of OCII.

During the fiscal year ended June 30, 2014, significant accomplishments in the Hunters Point Shipyard/Candlestick Point project included:

- Approval of schematic designs for nearly 500 new housing units in the Shipyard’s first phase.
- Groundbreaking for the first 250 units in the Shipyard’s first phase.
- Approval of Schematic Designs for 130 new artist studios.
- Approval of a Major Phase application and Streetscape Plan for Candlestick Point.
- On-schedule infrastructure groundbreaking for the Alice Griffith affordable housing project revitalization.

- Successful refinancing of approximately \$40 million in Community Facilities District bonds.
- Of the \$181 million value of Shipyard design and construction contracts awarded as of June 30, 2014, more than \$91 million (50%) were awarded to small businesses in furtherance of OCII's Small Business Enterprise policy, and \$56 million (31%) were awarded to San Francisco-based small businesses.
- On Shipyard construction projects in progress on June 30, 2014, San Francisco residents had performed 122,800 hours of labor, representing 46% of the total construction hours worked. 28% of the hours were performed by Bayview Hunters Point residents.

B. Mission Bay North and South

The Mission Bay North and South Redevelopment Project Areas were established in 1998 to create a vibrant, transit oriented, mixed-use community that will result in 6,400 residential units (almost 30% of which will be affordable), 4.4 million square feet of office and biotechnology space, 400,000 square feet of retail uses, a new University of California, San Francisco research campus and medical center, 250-room hotel, 49 acres of open space, library, school, police headquarters, and local police and fire department. Completion of the Mission Bay project is anticipated to occur over 25 to 30 years and result in construction of more than \$700 million of new infrastructure, development of over \$8 billion in private vertical development, and creation of 31,000 permanent jobs.

On January 24, 2014, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code §34177.5 (i), that the Mission Bay North and South Owner Participation Agreements, tax increment pledge agreements and affordable housing requirements constitute enforceable obligations of OCII.

During the fiscal year ended June 30, 2014, significant accomplishments in Mission Bay North and South included:

- Completed the construction of about 460 new market rate residential units, with the ongoing construction of an additional 900 market rate residential units.
- Sold \$58 million of Mission Bay South Series 2014A bonds to cover infrastructure costs.
- Finalized the construction of 150 new affordable housing units and conducted ongoing planning for the next 435 affordable housing units.
- Started design work on a new 18,000-seat sports arena planned to become the new home for the Golden State Warriors National Basketball Association (NBA) team and 500,000 square feet of new office space.

- Of the \$432 million value of Mission Bay design and construction contracts awarded as of June 30, 2014, \$138 million (32%) were awarded to small businesses in furtherance of OCII's Small Business Enterprise policy.
- On Mission Bay construction projects in progress on June 30, 2014, San Francisco residents had performed over 366,270 hours of labor, representing 27% of the total construction hours worked.

C. Transbay

The Transbay Redevelopment Project Area ("Project Area") was adopted in 2005 and consists of approximately 40 acres in downtown San Francisco surrounding the new Transbay Transit Center ("TTC"), which is currently under construction by the Transbay Joint Powers Authority ("TJPA"). The Project Area goals include the development of: 1) the new, multi-modal TTC and related public infrastructure; 2) a new, transit-oriented neighborhood on approximately 10 acres of publicly-owned property, most of which was formerly owned by the State of California ("State"); and 3) approximately 1,200 affordable housing units, or 35% of the new residential units constructed in the Project Area ("Transbay Affordable Housing Obligation"). OCII oversees the development of most of the formerly State-owned parcels in the Project Area, issuing requests for proposals and selecting developers to construct the improvements, as specified in the Transbay Redevelopment Project Area Redevelopment Plan and related documents.

On April 15, 2013, the California State Department of Finance issued a Final and Conclusive Determination under California Health and Safety Code § 34177.5(i), that the Pledge Agreement, the Implementation Agreement, and the Transbay Affordable Housing Obligation, constitute enforceable obligations of OCII.

During the fiscal year ended June 30, 2014, significant accomplishments in Transbay included:

- Completed the Rene Cazenave Apartments, 120 units of affordable housing for formerly homeless individuals and the first residential project on the state-owned property.
- Sold Transbay Blocks 6/7 to the team of Golub Real Estate Corporation and Mercy Housing California for development of 564 residential units, including 155 affordable units.
- Executed an Exclusive Negotiation Agreement ("ENA") with the team of Avant Housing LLC and Bridge Housing Corporation for development of 545 residential units on Transbay Block 9, including 109 affordable units.
- Issued a Request for Proposals ("RFP") for Transbay Block 8 and executed an ENA with Related/Tenderloin Neighborhood Development Corporation for development of 653 residential units, 177 of which are affordable.

- Issued an RFP for an approximately 700,000 square foot commercial building on Transbay Block 5.
- Completed Schematic Designs for Under-Ramp Park, a new park that will be built under the bus and auto off-ramps from the Bay Bridge.
- Completed 50% Design Development Drawings for Folsom Street, including new buildouts, double row of trees, granite pavers, etc.
- Of the \$166 million value of Transbay design and construction contracts as of June 30, 2014, \$66 million (40%) were committed to small businesses, in furtherance of OCII's Small Business Enterprise policy.
- On Transbay construction projects in progress on June 30, 2014, San Francisco residents had performed 25,660 hours of labor, representing 25% of the total construction hours worked.

D. Affordable Housing Obligations

OCII has retained two major types of affordable housing obligations. First are those that are integrally related to the three critical redevelopment legacy projects consisting of Hunters Point Shipyard/Candlestick Point, Mission Bay, and Transbay, referred to as the "Major Approved Development Projects" that OCII, as successor agency to SFRA, must continue to implement under enforceable obligations consistent with the Dissolution Law, which are described in detail within each relevant Project Area description of this budget. Second, OCII's Affordable Housing Obligations include the replacement of units that were destroyed by SFRA in the early years of redevelopment and must be replaced pursuant to Senate Bill 2113 ("SB 2113").

These obligations are referred to as OCII's "Retained Housing Obligations", pursuant to both the Dissolution Law and Board of Supervisors Ordinance 215-12. OCII will be managing the implementation of these Retained Housing Obligations through direct oversight along with services procured from the Mayor's Office of Housing and Community Development ("MOHCD") through a Memorandum of Understanding dated May 6, 2014. Since all completed affordable housing assets will be transferred to MOHCD as the Housing Successor Agency, OCII will coordinate with MOHCD on site programming and developer selections, and MOHCD will have the opportunity to review and provide comments on schematic designs, financing agreements, and ground lease documents. In general however, OCII will be responsible for directly managing the development of affordable housing projects through completion, but will be procuring the services and expertise of MOHCD's staff for construction monitoring, review and monitoring of marketing for both inclusionary and OCII funded projects, including implementation of the Certificate of Preference program which provides housing preference to households who were displaced SFRA actions, and assisting with the fiscal management and disbursement of OCII's funds pursuant to the relevant project's financing agreements, and other ancillary tasks as needed.

During the fiscal year ending June 30, 2014, significant accomplishments in fulfilling OCII's housing obligations included the opening of 460 units of affordable housing in the following five projects for which OCII provided funding:

| Project | Units | Population Served |
|--------------------------------------|--------------|-------------------------------|
| Hunters View Phase I | 107 | HOPE SF |
| Mary Helen Rogers Senior Community | 100 | Very Low-Income Senior Rental |
| 474 Natoma | 60 | Very Low-Income Family Rental |
| 1075 Le Conte (Bayview Hill Gardens) | 73 | Formerly Homeless Families |
| Rene Cazenave Apartments | 120 | Formerly Homeless Individuals |

These projects are valued at over \$179 million. Approximately \$71 million (40%) of the associated design and construction contracts were awarded to small businesses, with \$40 million (22%) awarded to San Francisco-based small businesses. In addition, a total of 1.0 million construction work hours were performed to construct these housing units, of which 427,135 hours (42%) were performed by San Francisco residents.

E. Asset Management Outside Major Approved Development Projects

In addition to asset management work associated with the Major Approved Development Projects, OCII has significant asset management responsibilities in several active and expired redevelopment project areas, until these assets can be sold or transferred pursuant to the Dissolution Law. These asset management responsibilities include: (1) property management of physical land and buildings, (2) lease management, (3) loan management, (4) oversight of two public parking garages, (6) managing and monitoring development agreements, and (7) managing the Rincon Point/South Beach community facilities district.

OCII's asset management group is responsible for preparing and implementing a disposition plan for all of the Successor Agency's real property assets, known under Dissolution Law as the Long-Range Property Management Plan ("PMP"). That PMP was approved by the Oversight Board and submitted to the State Department of Finance ("DOF") in November 2013. Preparation of the PMP was a major accomplishment this fiscal year and involved developing disposition plans for the Transbay properties, the Hunters Point Shipyard properties, the Mission Bay properties, Yerba Buena Gardens, and all other properties. The DOF must approve OCII's PMP before OCII can begin transferring/selling its real property assets. As of October 2014, DOF is still reviewing OCII's PMP.

Other significant accomplishments in asset management during the fiscal year ended June 30, 2014, outside of those associated with the Major Approved Developments Projects, included:

- Executed a purchase and sale agreement for the public parking garage and OCII's last developable vacant parcel of land in the former Yerba Buena Center Redevelopment Project Area as part of a mixed-use residential tower development including the Mexican Museum at 706 Mission Street.

- Completed preliminary discussions with the City and community stakeholders for the transfer of Yerba Buena Gardens to the City.
- Developed a financing plan for capital improvements for Shoreview Park in the Bayview-Hunters Point neighborhood.

3. ACKNOWLEDGMENTS

I would like to express my appreciation to Leo Levenson, Deputy Director for Finance and Administration and Rosa Torres, Accounting Manager, and their staff for their leadership in the preparation of this report, and to the entire staff of OCII and the leadership of the Commission on Community Investment and Infrastructure for their hard work and accomplishments. I would also like to thank Macias Gini & O'Connell LLP and the Controller's Office of the City and County of San Francisco for their invaluable professional support in the preparation of these financial statements.

Respectfully submitted,



Tiffany Bohee
Executive Director

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, 2014, 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, 2014, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 1(l) to the financial statements, effective July 1, 2013, the Successor Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65. *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress and employer contributions 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 GASB 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Successor Agency's basic financial statements. The letter of transmittal is presented for purposes of additional analysis and is not a required part of the basic financial statements. The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2014 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.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 4, 2014

**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, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements, which follow this section. When applicable, prior year numbers have been reclassified to make them comparable to the current year numbers.

Financial Highlights

The Successor Agency's net position at June 30, 2014 was a deficit of \$439.6 million when compared to a deficit of \$470.4 million at June 30, 2013, an increase of \$30.8 million for fiscal year 2014.

The Successor Agency's additions for fiscal year 2014 was \$194.4 million compared to \$153.0 million for fiscal year 2013, an increase of \$41.4 million. The increase was mainly due to the increases of \$17.8 million for redevelopment property tax revenues and \$23.3 million for developer payments.

The Successor Agency's deductions for fiscal year 2014 was \$163.6 million compared to \$135.0 million for fiscal year 2013, an increase of \$28.6 million. The increase was mainly due to the increase of contracted service for Mission Bay North and South Project Areas of \$39.2 million offset by the decreases in affordable housing loan program costs of \$7.7 million, distribution of pledged revenue to Transbay Joint Powers Authority of \$2.0 million, and interest on debt of \$1.9 million.

During fiscal year 2014, the Successor Agency issued \$56.2 million of Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014 A ("2014 Series A Bonds") to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area.

As of July 1, 2013, the Successor Agency implemented Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and restated the net position at June 30, 2013 in the amount of \$13.4 million to write off the unamortized bond issuance costs previously reported as an asset. In addition, at July 1, 2013, the Successor Agency reclassified the unamortized loss on refunding in the amount of \$3.4 million from a contra liability to a deferred outflows of resources.

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.

Financial Analysis

The former Redevelopment Agency of the City and County of San Francisco ("Agency") and Successor Agency issued 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

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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, 2014, Successor Agency has a deficit net position of \$439.6 million. Shown below is a schedule that summarizes the Successor Agency's net position held in trust:

Statement of Fiduciary Net Position
(In thousands)

| | June 30, 2014 | June 30, 2013 (Restated) | \$ Change |
|---|----------------------------|---|-------------------------|
| Assets | | | |
| Current and other assets | \$ 434,595 | \$ 379,809 | \$ 54,786 |
| Capital assets | 197,714 | 201,682 | (3,968) |
| Total assets | <u>632,309</u> | <u>581,491</u> | <u>50,818</u> |
| Deferred outflows of resources | <u>2,926</u> | <u>3,388</u> | <u>(462)</u> |
| Liabilities | | | |
| Other liabilities | 54,026 | 37,315 | 16,711 |
| Long-term liabilities | 1,020,846 | 1,017,987 | 2,859 |
| Total Liabilities | <u>1,074,872</u> | <u>1,055,302</u> | <u>19,570</u> |
| Total net position held in trust | <u><u>\$ (439,637)</u></u> | <u><u>\$ (470,423)</u></u> | <u><u>\$ 30,786</u></u> |

Assets

The Successor Agency's assets at June 30, 2014 were \$632.3 million when compared with \$581.5 million at June 30, 2013, an increase of \$50.8 million for fiscal year 2014 primarily due to the following:

- Increase of cash and investments with the City Treasury of \$21.2 million, from \$190.8 million at June 30, 2013 to \$212.0 million at June 30, 2014. The increase was mainly due to the receipt of developer payments for affordable housing projects scheduled in future years.
- Increase of restricted cash and investments with trustees of \$34.0 million, from \$170.2 million at June 30, 2013 to \$204.2 million at June 30, 2014. The increase was mainly due to the receipt of bond proceeds of \$56.2 million from the issuance of 2014 Series A Bonds for Mission Bay South Redevelopment Project, offset by disbursements of related eligible expenditures of \$17.7 million from the 2014 Series A Bonds project account.
- Increase of other receivables of \$8.8 million, from \$4.1 million at June 30, 2013 to \$12.9 million at June 30, 2014. The increase was mainly due to timing of the receipt of developer payments for affordable housing projects scheduled in future years.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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- Decrease of intergovernmental receivables of \$3.1 million, from \$3.5 million at June 30, 2013 to \$0.4 million at June 30, 2014. The decrease was mainly due to the decrease in grant funding and the set-up of allowance for \$0.9 million for the receivable for Cal Reuse Grant in which collectability is uncertain.
- Decrease of capital lease receivable of \$6.3 million, from \$9.4 million at June 30, 2013 to \$3.1 million at June 30, 2014. The decrease was mainly due to the receipt of capital lease payment for the George R. Moscone Convention Center for \$7.6 million, offset by interest addition of \$1.3 million.
- Decrease of capital assets of \$4.0 million, from \$201.7 million at June 30, 2013 to \$197.7 million at June 30, 2014. The decrease was mainly due to current year depreciation of \$5.5 million, offset by the increase of construction in progress of \$1.5 million for capital improvement at the Yerba Buena Center Project Area.

Deferred Outflows of Resources

The Successor Agency implemented GASB Statement No. 65 and reclassified the unamortized loss on refunding in the amount of \$3.4 million at June 30, 2013 from a liability to a deferred outflows of resources. The decrease of \$0.5 million during fiscal year 2014 was due to the current year amortization of this balance.

Liabilities

The Successor Agency's liabilities at June 30, 2014 were \$1,074.9 million when compared with \$1,055.3 million at June 30, 2013, an increase of \$19.6 million for fiscal year 2014 primarily due to the following:

- Increase of accounts payable of \$17.6 million, from \$14.2 million at June 30, 2013 to \$31.7 million at June 30, 2014. The increase was mainly due to timing of the payment for eligible expenditures from the 2014 Series A Bonds project account for the Mission Bay South Redevelopment Project.
- Increase of long-term liabilities of \$2.8 million, from \$1,018.0 million at June 30, 2013 to \$1,020.8 million at June 30, 2014. The increase was mainly due to the issuance of 2014 Series A Bonds for Mission Bay South Redevelopment Project for \$56.2 million, offset by the scheduled debt service payments paid during the year.

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For the Year Ended June 30, 2014

The Successor Agency's net position increased by \$30.8 million for fiscal year 2014. Key elements of the Successor Agency's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position
(In thousands)

| | Year Ended | | \$ Change |
|---|------------------|-----------------------------|-----------|
| | June 30, 2014 | June 30, 2013 (Restated) | |
| Additions | | | |
| Redevelopment property tax revenues | \$ 131,744 | \$ 113,988 | \$ 17,756 |
| Developer payments | 37,666 | 14,381 | 23,285 |
| Charges for services | 18,864 | 16,688 | 2,176 |
| Hotel tax | 3,085 | 3,179 | (94) |
| Investment income | 1,812 | 2,275 | (463) |
| Grants | 91 | 1,179 | (1,088) |
| Other | 1,133 | 1,262 | (129) |
| Total additions | 194,395 | 152,952 | 41,443 |
| Deductions | | | |
| Salaries and benefits | 7,389 | 7,959 | (570) |
| Operating expenses | 2,440 | 1,764 | 676 |
| Affordable housing loan program costs | 27,526 | 35,267 | (7,741) |
| Contracted services: | | | |
| Hunters Point Shipyard / Candlestick Point | 2,864 | 2,695 | 169 |
| Mission Bay North and South | 40,473 | 1,264 | 39,209 |
| Transbay | 1,253 | 444 | 809 |
| Yerba Buena Center | 3,469 | 3,542 | (73) |
| Other | 5,259 | 5,048 | 211 |
| Community based programs | 5,330 | 4,730 | 600 |
| Distribution of pledged revenue to | | | |
| Transbay Joint Powers Authority | 4 | 2,000 | (1,996) |
| Depreciation | 5,499 | 5,506 | (7) |
| Interest on debt | 57,059 | 58,942 | (1,883) |
| Other deductions | 5,044 | 5,793 | (749) |
| Total deductions | 163,609 | 134,954 | 28,655 |
| Extraordinary item from Redevelopment Agency Dissolution | - | 190,131 | (190,131) |
| Change in net position | 30,786 | 208,129 | (177,343) |
| Net position, beginning of year, as previously reported | (470,423) | (664,173) | 193,750 |
| Change in accounting principle | - | (14,379) | 14,379 |
| Net position, beginning of year, as restated | (470,423) | (678,552) | 208,129 |
| Net position, end of year | \$ (439,637) | \$ (470,423) | \$ 30,786 |

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2014

Additions

The Successor Agency's additions to net position increased by \$41.4 million, from \$153.0 million for fiscal year 2013 to \$194.4 million for fiscal year 2014 primarily due to the following:

- Increase of redevelopment property tax revenues of \$17.7 million, from \$114.0 million for fiscal year 2013 to \$131.7 million for fiscal year 2014. The increase was mainly due to the growth in pledged property tax revenue available for use in the Mission Bay North and South Project Areas, increased use of property tax revenues for affordable housing obligations, and the first draw of property tax from formerly state-owned parcels in the Transbay Project Area pledged to support the activities carried out by the Transbay Joint Powers Authority.
- Increase of developer payments of \$23.3 million, from \$14.4 million for fiscal year 2013 to \$37.7 million for fiscal year 2014. The increase was mainly due to the receipt of impact fees of \$21.6 million from developers for the future development at Transbay Blocks 6 and 7.

Deductions

The Successor Agency's deductions to net position increased by \$28.7 million, from \$135.0 million for fiscal year 2013 to \$163.6 million for fiscal year 2014 primarily due to the following:

- Increase of contracted service for Mission Bay North and South Project Area of \$39.2 million, from \$1.3 million for fiscal year 2013 to \$40.5 million for fiscal year 2014. The increase was mainly due to increased activities in the project areas that were funded by proceeds from the issuance of 2014 Series A Bonds and pledged property tax increment revenues.
- Decrease of affordable housing loan program costs of \$7.8 million, from \$35.3 million for fiscal year 2013 to \$27.5 million for fiscal year 2014. The decrease was mainly due to the timing of housing project predevelopment and construction activities.
- One-time distribution of pledged revenue to Transbay Joint Powers Authority of \$2.0 million made during fiscal year 2013.

Extraordinary item

During fiscal year 2013, the City returned housing assets, liabilities, and commitment of \$201.7 million that would require future redevelopment property tax revenues to the Successor Agency to complete the affordable housing projects. Also, the California Department of Finance ("DOF") completed its review of the Due Diligence Reviews on the Successor Agency's "Low and Moderate Income Housing Fund" and "Other Funds and Accounts" and determined that the Successor Agency had \$11.6 million of available funds due to the City Controller for distribution to the taxing entries. The Successor Agency recorded a one-time extraordinary gain of \$190.1 million during fiscal year 2013 for these activities that are both 1) unusual in nature and 2) infrequent in occurrence. No such activities occurred during fiscal year 2014.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2014

Capital Assets and Debt Administration

Capital Assets

As discussed above, at June 30, 2014, Successor Agency had capital assets aggregating to \$197.7 million, a decrease of \$4.0 million from fiscal year 2013. The decrease was mainly due to current year depreciation of \$5.5 million, offset by the increase of construction in progress of \$1.5 million for capital improvement at the Yerba Buena Center Project Area.

Long-Term Debt

At June 30, 2014, Successor Agency had long-term debt outstanding aggregating to \$1,018.7 million, an increase of \$3.1 million from fiscal year 2013. Below is a breakdown of the long-term debt is as follows (in thousands):

| | <u>June 30, 2014</u> | <u>June 30, 2013 (Restated)</u> | <u>\$ Change</u> |
|--|----------------------------|-------------------------------------|------------------------|
| Long-Term Debt | | | |
| Bonds Payable | | | |
| Tax Allocation Bonds | \$ 902,603 | \$ 893,362 | \$ 9,241 |
| Moscone Revenue Bonds Series 1992 | 1,426 | 4,347 | (2,921) |
| Hotel Tax Revenue Bonds Series 2011 | 40,635 | 41,750 | (1,115) |
| South Beach Harbor Series 1986 Issue A | 3,270 | 1,117 | 2,153 |
| Subtotal - Bonds Payable | <u>947,934</u> | <u>940,576</u> | <u>7,358</u> |
| Cal Boating Loans Payable | 7,283 | 7,482 | (199) |
| Accreted Interest Payable | 39,385 | 46,282 | (6,897) |
| Advances From the Primary Government | 21,670 | 20,067 | 1,603 |
| Unamortized Premiums and Discounts | <u>2,382</u> | <u>1,117</u> | <u>1,265</u> |
| Total Long-Term Debt | <u><u>\$ 1,018,654</u></u> | <u><u>\$ 1,015,524</u></u> | <u><u>\$ 3,130</u></u> |

On March 11, 2014, the Successor Agency issued \$56.2 million of 2014 Series A Bonds to finance certain redevelopment activities in the Mission Bay South Redevelopment Project Area. This increase was offset by the scheduled debt service payments made during the year. See Note 4 to the basic financial statements for additional details of the long-term debt.

Bond Ratings

The table below shows the ratings for the Successor Agency's outstanding tax allocation bonds as of June 30, 2014:

| <u>Type of Tax Allocation Bonds</u> | <u>Ratings</u> | |
|-------------------------------------|----------------|------------------|
| | <u>Moody's</u> | <u>S & P</u> |
| Mission Bay South | Not Rated | BBB+ |
| Mission Bay North | Ba1 | A- |
| Cross Collateralized (Others) | Ba1 | A |

During February 2014, Standard & Poor's (S&P) upgraded the ratings on the Successor Agency's Mission Bay South tax allocation bonds from BBB to BBB+.

**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, 2014

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, listing all enforceable obligations due and payable in the six month coverage 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 5th Floor, San Francisco, California 94103.

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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, 2014

(In Thousands)

Assets

| | | |
|--|----|---------|
| Cash and investments with the City Treasury | \$ | 211,978 |
| Restricted cash and investments with trustees | | 204,177 |
| Interest receivables | | 280 |
| Intergovernmental receivables (net of allowance for uncollectible amounts of \$860) | | 444 |
| Other receivables | | 12,907 |
| Notes and mortgages receivable (net of allowance for uncollectible amounts of \$84,000) | | 1,724 |
| Capital lease receivable | | 3,085 |
| Capital assets (net of accumulated depreciation): | | |
| Non-depreciable | | 62,203 |
| Depreciable, net | | 135,511 |
| | | 632,309 |
| Total assets | | 632,309 |

| | | |
|--|--|-------|
| Deferred outflow of resources - Deferred loss on refundings | | 2,926 |
|--|--|-------|

Liabilities

| | | |
|---------------------------|--|-----------|
| Accounts payable | | 31,736 |
| Accrued interest payable | | 21,002 |
| Other liabilities | | 1,288 |
| Long-term obligations: | | |
| Due within one year | | 60,490 |
| Due in more than one year | | 960,356 |
| | | 1,074,872 |
| Total liabilities | | 1,074,872 |

| | | |
|-----------------------------------|----|-----------|
| Net position held in trust | \$ | (439,637) |
|-----------------------------------|----|-----------|

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, 2014

(In Thousands)

Additions:

| | | |
|-------------------------------------|----|---------|
| Redevelopment property tax revenues | \$ | 131,744 |
| Developer payments | | 37,666 |
| Charges for services | | 18,864 |
| Hotel tax | | 3,085 |
| Investment income | | 1,812 |
| Grants | | 91 |
| Other | | 1,133 |
| | | 1,133 |
| Total additions | | 194,395 |

Deductions:

| | | |
|--|--|---------|
| Salaries and benefits | | 7,389 |
| Administrative and operating | | 2,440 |
| Affordable housing loan program costs | | 27,526 |
| Contracted services | | 53,318 |
| Community based programs | | 5,330 |
| Distribution of pledged revenue to Transbay Joint Powers Authority | | 4 |
| Depreciation | | 5,499 |
| Interest on debt | | 57,059 |
| Other | | 5,044 |
| | | 5,044 |
| Total deductions | | 163,609 |

| | | |
|---|-----------|------------------|
| Change in net position | | 30,786 |
| Net position, beginning of year, as previously reported | | (456,991) |
| Change in accounting principle | | (13,432) |
| Net position, beginning of year, as restated | | (470,423) |
| Net position, end of year | \$ | (439,637) |

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, 2014

(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 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).

**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, 2014

(1) Summary of Significant Accounting Policies (Continued)

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 exist 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 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.

(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 \$5,000 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, 2014

(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:

| Assets | Years |
|----------------------------|--------------|
| 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, 2014, the Successor Agency disbursed \$27,526,000 to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as affordable housing loan program costs in the basic financial statements. At June 30, 2014, the gross value of the notes and mortgage receivable was \$85,724,000 and the allowance for uncollectible amounts was \$84,000,000.

(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:

| Employee Service years | Maximum number of hours |
|-----------------------------------|------------------------------------|
| 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, 2014

(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) *George R. Moscone Convention Center*

The City is responsible for the construction management, operation, maintenance, repair and expansion of the George R. Moscone Convention Center, which has been partially financed with lease revenue bonds issued by the former Agency. The City has entered into a lease agreement with the former Agency whereby the City remits periodic lease rental payments to the former Agency to provide for the debt service of the former Agency's Moscone Convention Center Lease Revenue Bonds. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds. The bonds are special limited obligations of the Successor Agency and payable solely from the lease payments from the City.

(k) *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.

(l) *Effects of New Pronouncements*

During the year ended June 30, 2014, the Successor Agency implemented the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify certain items (that were previously reported as assets and liabilities) as deferred outflows of resources or deferred inflows of resources, and recognizes certain items (that were previously reported as assets and liabilities) as outflows of resources or inflows of resources. As of July 1, 2013, the Successor Agency implemented this statement and restated the beginning net position in the amount of \$13,432,000 to write off the unamortized bond issuance costs previously reported as an asset. In addition, at July 1, 2013, the Successor Agency reclassified the unamortized loss on refunding in the amount of \$3,388,000 from a contra liability to a deferred outflow of resources.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local

**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, 2014

(1) Summary of Significant Accounting Policies (Continued)

government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. This statement did not have a significant impact to the Successor Agency's financial statements.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This statement did not have a significant impact to the Successor Agency's financial statements.

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 2012, the GASB issued a new standard, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, to improve the guidance for accounting for and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.

**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, 2014

(1) Summary of Significant Accounting Policies (Continued)

- Recording of a liability in the financial statements of employers for defined-benefit plans.
- Requiring more extensive note disclosures and required supplementary information.

The statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in audited financial reports. Application of this statement is effective for Successor Agency's year ending June 30, 2015.

- In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for Successor Agency's year ending June 30, 2015.
- In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which resolves transition issues in GASB Statement No. 68. This statement eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing GASB Statement 68. This statement requires that when a state or local government is transitioning to the new pension standards, that it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount will be recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. Application of this statement is effective for Successor Agency's year ending June 30, 2015.

(m) 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.

**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, 2014

(2) Cash and Investments

As of June 30, 2014, 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.

The table below identifies the investment types that are authorized for the Successor Agency by the California Government Code 53601 or the former Agency's investment policy, where the policy is more restrictive. The former Agency's Investment Policy is more restrictive than the California Government Code in the following areas: 1) reverse repurchase agreements, which requires the specific approval of the Oversight Board; 2) commercial paper, which the maximum maturity is 180 days; and 3) investment in corporate notes may not exceed 15% of the Successor Agency's portfolio. The table also identifies certain provisions of the California Government Code that address interest rate risk and concentration of credit risk. 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 former Agency's investment policy.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio*</u> | <u>Maximum Investment In One Issuer</u> |
|---|-----------------------------|---|---|
| U.S. Treasury Notes, Bonds, or Bills | 5 Years | None | None |
| U.S. Treasury Obligations | 5 Years | None | None |
| Federal Agency or U.S. Government Sponsored Enterprise Obligations | 5 Years | None | None |
| Repurchase Agreements | 92 Days | None | None |
| Reverse Repurchase Agreements | 92 Days | None - approval required | None |
| State of California Obligations | 5 Years | None | None |
| Notes or Bonds of Other U.S. States | 5 Years | None | None |
| Bankers' Acceptances | 180 Days | 40% | 30% |
| Commercial Paper | 180 Days | 25% | None |
| Medium-Term Notes | 5 Years | 30% in general - 15% for corporate notes | None |
| Certificates of Deposit | 1 Year | None | None |
| Negotiable Certificates of Deposits | 5 Years | 30% | None |
| State of California Local Agency Investment Fund (LAIF) | N/A | None | None |
| California Asset Management Program | N/A | None | None |
| Insured Savings and Money Market Accounts | N/A | None | None |
| Shares of Beneficial Interest (Money Market Funds) | N/A | 20% | 10% |

* Excludes amounts held by fiscal agents or trustees that are not subject to Code restrictions.

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.

**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, 2014

(2) Cash and Investments (Continued)

The following is a summary of cash and investments as of June 30, 2014 (in thousands):

| | Investment and Weighted Average Maturities | | | Total Fair Value | Credit Rating | % allocation |
|--|--|-----------------------|-------------------|---------------------|------------------|-----------------|
| | Less than 3 months | 3 months to 1 year | 1 to 5 years | | | |
| Cash and investments with the City Treasury: | | | | | | |
| Municipal bonds | \$ - | \$ - | \$ 3,270 | \$ 3,270 | Not rated | 1.54% |
| Investment in the City Treasurer's pool | - | - | 208,708 | 208,708 | Not rated | 98.46% |
| Total unrestricted cash and investments | - | - | 211,978 | 211,978 | | <u>100.00%</u> |
| Restricted cash and investments with trustees: | | | | | | |
| Money market mutual funds | 204,177 | - | - | 204,177 | Aaa | <u>100.00%</u> |
| Total cash and investments | <u>\$ 204,177</u> | <u>\$ -</u> | <u>\$ 211,978</u> | <u>\$ 416,155</u> | | |

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 former 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, 2014, Successor Agency's investment in the South Beach Harbor Bonds 1986 Issue A in the amount of \$3,270,000 was exposed to custodial credit risk because they were separately managed by the City Treasury and registered in the name of the City.

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, 2014, the Successor Agency's deposits and investments in the Pool is \$208,708,000 and the total amount invested by all public agencies in the Pool is approximately \$6.0 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 1.9 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, 2014, 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) 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, 2014

(3) Capital Assets

The following is a summary of changes in capital assets for the year-ended June 30, 2014 (in thousands):

| | Balance July 1, 2013 | Additions | Deletions | Balance June 30, 2014 |
|---|---------------------------------|-------------------|------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land held for lease | \$ 59,381 | \$ - | \$ - | \$ 59,381 |
| Construction in progress | 1,292 | 1,530 | - | 2,822 |
| Total capital assets not being depreciated | <u>60,673</u> | <u>1,530</u> | <u>-</u> | <u>62,203</u> |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | 8,144 | - | - | 8,144 |
| Building and improvements | 225,022 | - | - | 225,022 |
| Total capital assets being depreciated | <u>233,166</u> | <u>-</u> | <u>-</u> | <u>233,166</u> |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | (8,056) | (20) | - | (8,076) |
| Building and improvements | (84,100) | (5,479) | - | (89,579) |
| Total accumulated depreciation | <u>(92,156)</u> | <u>(5,499)</u> | <u>-</u> | <u>(97,655)</u> |
| Total capital assets being depreciated, net | <u>141,010</u> | <u>(5,499)</u> | <u>-</u> | <u>135,511</u> |
| Total capital assets, net | <u>\$ 201,683</u> | <u>\$ (3,969)</u> | <u>\$ -</u> | <u>\$ 197,714</u> |

**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, 2014

(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, 2014 (in thousands):

| | <u>Original Issue Amount</u> | <u>Final Maturity</u> | <u>Remaining Interest Rates</u> | <u>Balance, July 1, 2013</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance, June 30, 2014</u> | <u>Due Within One Year</u> |
|--|----------------------------------|---------------------------|-------------------------------------|--------------------------------------|------------------|--------------------|---------------------------------------|--------------------------------|
| Financing Authority Bonds: | | | | | | | | |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1993B (1) | \$ 57,934 | 2019 | 4.75% to 5.75% | \$ 5,074 | \$ - | \$ (475) | \$ 4,599 | \$ - |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998C (1) | 12,915 | 2025 | 5.25% to 5.40% | 3,145 | - | (1,066) | 2,079 | 1,005 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1) | 21,034 | 2025 | 5.00% to 5.20% | 16,014 | - | (485) | 15,529 | 510 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B, C (1) | 144,435 | 2019 | 5.08% to 5.41% | 66,180 | - | (12,905) | 53,275 | 10,120 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2004A, C, D (1) | 136,610 | 2031 | 3.75% to 6.00% | 102,325 | - | (6,450) | 95,875 | 8,265 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects and Refunding Notes Series 2005A, B, C, D (1) | 88,610 | 2036 | 3.50% to 5.20% | 63,890 | - | (3,530) | 60,360 | 6,965 |
| Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1) | 50,731 | 2037 | 5.62% to 6.19% | 47,081 | - | (830) | 46,251 | 830 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006B (1) | 34,150 | 2037 | 4.00% to 5.00% | 31,730 | - | (725) | 31,005 | 755 |
| Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1) | 118,285 | 2038 | 5.50% to 5.75% | 112,325 | - | (1,460) | 110,865 | 1,650 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1) | 94,115 | 2023 | 4.00% to 5.00% | 61,005 | - | (8,225) | 52,780 | 8,640 |
| Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1) | 75,000 | 2024 | 6.55% to 8.25% | 63,760 | - | (4,325) | 59,435 | 5,315 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009B (1) | 17,625 | 2039 | 4.00% to 6.63% | 15,335 | - | (905) | 14,430 | 940 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009C (1) | 25,715 | 2039 | 4.00% to 6.50% | 25,715 | - | (25) | 25,690 | 125 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009D (1) | 49,810 | 2039 | 4.50% to 6.63% | 47,395 | - | (770) | 46,625 | 800 |
| Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1) | 72,565 | 2039 | 5.12% to 8.41% | 72,135 | - | (35) | 72,100 | 130 |

(Continued on next page)

**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, 2014

(4) Long-Term Obligations (Continued)

| | <u>Original Issue Amount</u> | <u>Final Maturity</u> | <u>Remaining Interest Rates</u> | <u>Balance, July 1, 2013</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance, June 30, 2014</u> | <u>Due Within One Year</u> |
|---|----------------------------------|---------------------------|-------------------------------------|--------------------------------------|------------------|--------------------|---------------------------------------|--------------------------------|
| <i>(Continued from previous page)</i> | | | | | | | | |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009F (1) | \$ 6,610 | 2039 | 4.00% to 5.75% | \$ 6,525 | \$ - | \$ (20) | \$ 6,505 | \$ 30 |
| Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2010A (1) | 40,055 | 2041 | 2.92% to 7.13% | 39,730 | - | (310) | 39,420 | 315 |
| Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011A (1) | 22,370 | 2042 | 3.50% to 9.00% | 22,130 | - | (220) | 21,910 | 250 |
| Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2011B (1) | 16,020 | 2042 | 6.13% to 6.63% | 16,020 | - | - | 16,020 | - |
| Tax Allocation Revenue Bonds, Mission Bay North Redevelopment Project Series 2011C (1) | 27,335 | 2042 | 3.00% to 6.75% | 26,875 | - | (470) | 26,405 | 385 |
| Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2011D (1) | 36,485 | 2042 | 3.00% to 7.00% | 36,145 | - | (390) | 35,755 | 405 |
| 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 | - | 56,245 | - |
| Agency Revenue Bonds: | | | | | | | | |
| Moscone Convention Center Lease, Series 1992 (2) | 100,275 | 2015 | 7.05% | 4,347 | - | (2,921) | 1,426 | 1,426 |
| Hotel Tax Revenue Bonds, Series 2011 (3) | 43,780 | 2025 | 4.00% to 5.00% | 41,750 | - | (1,115) | 40,635 | 3,165 |
| Financing Authority Refunding Bonds: | | | | | | | | |
| Refunding Bond 1986 Issue A (4) | 23,900 | 2017 | 3.50% | 4,500 | - | (1,230) | 3,270 | 1,275 |
| Subtotal Bonds Payable | | | | <u>940,576</u> | <u>56,245</u> | <u>(48,887)</u> | <u>947,934</u> | <u>53,301</u> |
| Unamortized issuance premiums | | | | 6,323 | 1,868 | (858) | 7,333 | - |
| Unamortized issuance discounts | | | | <u>(5,206)</u> | <u>-</u> | <u>255</u> | <u>(4,951)</u> | <u>-</u> |
| Subtotal Bonds Payable, including unamortized premium and discounts | | | | 941,693 | 58,113 | (49,490) | 950,316 | 53,301 |
| Accreted interest payable * | | | | 46,282 | 5,286 | (12,183) | 39,385 | 6,398 |
| Cal Boating loans payable (5) | | | | 7,482 | - | (199) | 7,283 | 208 |
| Advances from the primary government | | | | 20,067 | 3,745 | (2,142) | 21,670 | - |
| Other postemployment benefit obligation | | | | 1,221 | 912 | (1,266) | 867 | - |
| Accrued vacation and sick leave | | | | 1,242 | 666 | (583) | 1,325 | 583 |
| Total long-term obligations | | | | <u>\$ 1,017,987</u> | <u>\$ 68,722</u> | <u>\$ (65,863)</u> | <u>\$ 1,020,846</u> | <u>\$ 60,490</u> |

*Amount represents interest accretion on Capital Appreciation Bonds.

**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, 2014

(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 (subordinated to Refunding Bonds 1986 Issue A).

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 of Successor Agency bonds. On March 11, 2014, the Successor Agency issued \$56,245,000 of Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014 A (2014 Series A Bonds) to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2014 Series A Bonds bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of August 1, 2043.

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 \$1,682,670,000. The redevelopment property tax revenues recognized during the year ended June 30, 2014 was approximately \$131,744,000 as against the total debt service payment of \$95,209,000.

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the fiscal year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately \$6,705,000. The Successor Agency received \$12,820,000 in advance from the City during the year ended June 30, 2013 for current year's total debt service payment of \$12,820,000. The lease payments received during the year ended June 30, 2014 were \$6,705,000 which represents the advance payment from the City for fiscal year 2015's total debt service payment.

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 \$53,233,000. The hotel tax revenue recognized during the year ended June 30, 2014 was \$3,085,000 which equaled to the total debt service payment.

**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, 2014

(4) Long-Term Obligations (Continued)

Advances from the City and County of San Francisco

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. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. For the year ended June 30, 2014, the City advanced \$3,698,000 in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of \$47,000 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2,142,000 to the City.

(b) Repayment requirements

As of June 30, 2014, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows (in thousands):

| June 30, | Moscone Convention Center | | | | | |
|--------------|------------------------------|-------------------|---------------------|-----------------|-------------------|------------------|
| | Tax Allocation Revenue Bonds | | Lease Revenue Bonds | | Hotel Tax Revenue | |
| | Principal | Interest * | Principal | Interest * | Principal | Interest |
| 2015 | \$ 47,435 | \$ 50,939 | \$ 1,426 | \$ 5,279 | \$ 3,165 | \$ 1,935 |
| 2016 | 49,540 | 47,507 | - | - | 3,210 | 1,809 |
| 2017 | 51,160 | 44,947 | - | - | 3,265 | 1,680 |
| 2018 | 54,225 | 42,266 | - | - | 3,280 | 1,550 |
| 2019 | 63,240 | 39,235 | - | - | 4,610 | 1,387 |
| 2020-2024 | 156,848 | 205,880 | - | - | 18,650 | 4,015 |
| 2025-2029 | 122,851 | 162,167 | - | - | 4,455 | 222 |
| 2030-2034 | 137,767 | 114,162 | - | - | - | - |
| 2035-2039 | 135,782 | 62,507 | - | - | - | - |
| 2040-2044 | 83,755 | 10,457 | - | - | - | - |
| TOTAL | \$ 902,603 | \$ 780,067 | \$ 1,426 | \$ 5,279 | \$ 40,635 | \$ 12,598 |

| June 30, | Refunding Bond | | California Department of | |
|--------------|-----------------|---------------|---------------------------|-----------------|
| | 1986 Issue A | | Boating and Waterway Loan | |
| | Principal | Interest | Principal | Interest |
| 2015 | \$ 1,275 | \$ 103 | \$ 208 | \$ 328 |
| 2016 | 1,320 | 58 | 218 | 318 |
| 2017 | 675 | 12 | 227 | 309 |
| 2018 | - | - | 238 | 298 |
| 2019 | - | - | 248 | 288 |
| 2020-2024 | - | - | 1,419 | 1,260 |
| 2025-2029 | - | - | 1,769 | 911 |
| 2030-2034 | - | - | 2,205 | 475 |
| 2035-2037 | - | - | 751 | 46 |
| TOTAL | \$ 3,270 | \$ 173 | \$ 7,283 | \$ 4,233 |

* Including payment of accreted interest.

**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, 2014

(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, 2014.

(5) Retirement 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 retirement plan. All full-time and certain other qualifying employees of the Successor Agency are eligible to participate in the Public Employees’ Retirement Fund (the Fund) of the State of California’s Public Employees’ Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Effective with the June 30, 2012 valuation, CalPERS converted the Successor Agency’s defined benefit retirement plan from an agent-multiple employer plan to a cost sharing multiple-employer plan. The Successor Agency’s retirement plan is under the CalPERS Miscellaneous 2% at 55 Risk Pool for classic members (employees hired before January 1, 2013 or employees hired after January 1, 2013 and have been in the CalPERS system) and 2% at 62 Risk Pool for new members (employees hired after January 1, 2013 and are new entrants to the CalPERS system), cost-sharing multiple employer plans. The Fund provides retirement, disability and death benefits based on the employee’s years of service, age and final compensation. Employees vest after five years of service. Benefit provisions and other requirements are established by State statute and by Successor Agency resolution. 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 – For classic and new members, employees are required to contribute 7% and 6.25%, respectively, of their monthly salaries to CalPERS. The Successor Agency is required to contribute the actuarially determined remaining amounts necessary to fund the 2% at age 55 retirement plan benefits for its classic members and 2% at 62 retirement plan benefits for its new members under the California Employees’ Pension Reform Act provisions. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. Based on the June 30, 2011 actuarial valuation, the required employer contribution rate of the Successor Agency for the year ended June 30, 2014 was 12.86% of annual covered payroll for both classic and new members. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. The Successor Agency’s contributions to CalPERS for the years ended June 30, 2014, 2013, and 2012, including contributions by the former Agency, were \$522,000, \$498,000, and \$1,197,000, respectively, which equal to the required contributions for each year.

**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, 2014

(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 June 30, 2013 actuarial valuation, the Successor Agency’s annual required contribution for the year ended June 30, 2014 is the sum of (a) normal cost of \$110,000 and (b) level dollar amortization of the June 30, 2013 UAAL of \$822,000.

The following table shows the components of the Successor Agency’s annual OPEB cost for the year ended June 30, 2014, and the changes in the net OPEB obligation (in thousands):

| | |
|--|----------------------|
| Annual required contribution | \$ 932 |
| Interest on OPEB obligation | 89 |
| Adjustment to annual required contribution | <u>(109)</u> |
| Annual OPEB cost (expense) | 912 |
| Contributions made | <u>(1,266)</u> |
| Decrease in net OPEB obligation | (354) |
| Net OPEB obligation, beginning of year | <u>1,221</u> |
| Net OPEB obligation, end of year | <u><u>\$ 867</u></u> |

**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, 2014

(6) Postemployment Healthcare Plan (Continued)

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):

| Fiscal Year Ended | Annual OPEB Cost (AOC) | Percentage of AOC Contributed | Net OPEB Obligation |
|------------------------------|---------------------------------------|--|--------------------------------|
| 1/31/2012 * | \$ 747 | 65% | \$ 733 |
| 6/30/2012 ** | 533 | 65% | 921 |
| 6/30/2013 | 1,306 | 77% | 1,221 |
| 6/30/2014 | 912 | 139% | 867 |

* Represents trend information for the former Agency for the period July 1, 2011 through January 31, 2012.

** For the period February 1, 2012 through June 30, 2012

Funded Status and Funding Progress—The funded status of the plan of the Successor Agency as of June 30, 2013, the plan’s most recent actuarial valuation date, was as follows (in thousands):

| | |
|---|-----------------|
| Actuarial accrued liability (AAL) | \$ 11,378 |
| Actuarial value of plan assets | 2,154 |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 9,224</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 18.9% |
| Covered payroll (active plan members) | \$ 4,048 |
| UAAL as a percentage of covered payroll | 227.9% |

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.

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, 2014 and the funding status of the plan was determined based on the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include: (a) investment return and discount rate of 7.25% with a 5 year smoothing with 20% corridor for the actuarial value of plan assets; (b) healthcare cost trend rate of 4%; (c) inflation rate of 3.0%; (d) payroll growth of 3.0%; and (e) 2009 CalPERS 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 24 years, respectively.

**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, 2014

(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, 2014, the Successor Agency had outstanding community district facility bonds totaling \$198.4 million.

(8) Commitments and Contingent Liabilities

(a) Insurance, Claims and Litigation

For the period from July 1, 2013 to July 18, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, the Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10,000,000 per occurrence (\$5,000,000 for employment practices liability) and a \$25,000 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 San Francisco Port Commission, which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2014, the Successor Agency has exercised several of the lease options.

Total future minimum operating lease payments are as follows (in thousands):

| <u>Year ending June 30:</u> | | |
|-----------------------------|-----------|---------------|
| 2015 | \$ | 1,311 |
| 2016 | | 870 |
| 2017 | | 870 |
| 2018 | | 870 |
| 2019 | | 870 |
| 2020-2024 | | 4,351 |
| 2025-2029 | | 4,351 |
| 2030-2034 | | 4,351 |
| 2035-2039 | | 4,351 |
| 2040-2044 | | 4,351 |
| 2045-2049 | | 4,351 |
| 2050-2051 | | 1,088 |
| | <u>\$</u> | <u>31,985</u> |

Total rent payments for operating leases totaled \$1,272,000 for the year ended June 30, 2014.

**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, 2014

(8) Commitments and Contingent Liabilities (Continued)

(c) *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, 2014, the Successor Agency completed the Rene Cazenave Apartments project, the first residential project on the State-owned parcels for the construction of 120 units of affordable housing for formerly homeless individuals. The Successor Agency also received impact fees in the amount of \$21,578,000 from developers for the future development of 564 residential units including 155 affordable units at Transbay Blocks 6 and 7 and is recorded as additions – developer payments on the financial statements.

(d) *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, 2014, the Successor Agency had outstanding encumbrances totaling approximately \$78,865,000.

(e) *Long Range Property Management Plan*

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (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 with a book value of \$0 at June 30, 2014. On October 4, 2013, the DOF approved Part 1 of the PMP. The property will be transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement in fiscal year 2015. The Commission and the Oversight Board approved on November 19, 2013 and November 25, 2013, respectively, the submission of the remaining PMP and the updated Housing Asset Transfer list to the DOF to review and approve the transfer of assets to the City. As of November 4, 2014, the DOF is in the process of reviewing the submitted documents.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2014

(9) Rental Income

(a) *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. 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, 2014 (in thousands):

| <u>Year ending June 30:</u> | | |
|-----------------------------|-----------|----------------|
| 2015 | \$ | 4,644 |
| 2016 | | 4,660 |
| 2017 | | 4,362 |
| 2018 | | 4,287 |
| 2019 | | 4,178 |
| 2020-2024 | | 20,408 |
| 2025-2029 | | 21,787 |
| 2030-2034 | | 23,659 |
| 2035-2039 | | 20,260 |
| 2040-2044 | | 20,804 |
| 2045-2049 | | 10,392 |
| 2050 | | 494 |
| | <u>\$</u> | <u>139,935</u> |

For the year ended June 30, 2014, operating lease rental income from noncancelable operating leases was \$10,945,000. Within the operating lease rental income, \$6,528,000 represents contingent rental income received. The lease rental income was recorded as charges for services in the basic financial statements. At June 30, 2014, the leased assets had a net book value of \$40,794,000.

(b) *Capital Lease*

The former Agency has entered into a capital lease with the City for use of land and facility space pertaining to the George R. Moscone Convention Center. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds that were issued by the former Agency to finance the construction and expansion of the George R. Moscone Convention Center. The capital lease is recorded as a receivable and the corresponding lease revenue bonds are recorded as liabilities of the Successor Agency. The principal portion of the lease payments is recorded as a reduction of the capital lease receivable, and the principal payments on the lease revenue bonds are recorded as a reduction of the debt. The interest portion of the lease is recognized as rental income, and the interest payments on the lease revenue bonds are recognized as interest expense. The capital lease will expire during fiscal year 2015.

The lease agreement for the George R. Moscone Convention Center provides for deferred base rental payments commencing in May 1996 for \$870,000 per year until the termination date of the lease during fiscal year 2018. Deferred base rental represents a portion of the fair rental value of the project, which has been deferred by the agreement, to a date when monies are anticipated to be available.

**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, 2014

(9) Rental Income (Continued)

Amounts to be provided from the capital lease are as follows (in thousands):

| | | |
|---|----|-------|
| Year ending June 30: | | |
| 2015 | \$ | 870 |
| 2016 | | 870 |
| 2017 | | 870 |
| 2018 | | 870 |
| Total minimum lease payments | | 3,480 |
| Less amounts representing interest | | (395) |
| Present value of maximum lease payments | \$ | 3,085 |

Total lease receipts from capital leases totaled \$7,575,000 for the year ended June 30, 2014.

(10) Related Party Transactions

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

At June 30, 2014, the Successor Agency has a payable to the City in the amount of \$1,075,000, which consists of \$878,000 for Jessie Square cost reimbursements and \$197,000 for other services provided. The balance is recorded as component of accounts payable 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 \$8,286,000 for the year ended June 30, 2014, have been included in various deductions line items on the financial statements.

(11) Subsequent Event

Intergovernmental Transfer of Capital Assets to the City

On June 2, 2014, the Oversight Board approved the transfer of land held for lease located at 200 Sixth Street with a book value of \$4,612,000 and related loans receivable from the Successor Agency to the City pursuant to the Dissolution Law. On September 23, 2014, the City's Board of Supervisor approved the acceptance of the assets and the quitclaim deed was filed on October 9, 2014.

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

Required Supplementary Information (Unaudited)

Schedules of Funding Progress and Employer Contributions - Postemployment Healthcare Plan
(In Thousands)

Schedule of Funding Progress

| Actuarial valuation date | Actuarial value of assets (a) | Actuarial accrued liability (AAL) entry age (b) | Unfunded AAL (UAAL) (b-a) | Funded ratio (a/b) | Covered payroll (c) | UAAL as a % of covered payroll ((b-a)/c) |
|---|--|--|--|-----------------------------------|------------------------------------|---|
| 6/30/2009 | \$ 493 | \$ 13,790 | \$ 13,297 | 3.6% | \$ 10,515 | 126.5% |
| 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% |

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

Schedule of Employer Contributions

| Fiscal Year Ended | Annual Required Contribution (a) | Actual Contribution (b) | Percentage Contributed (b/a) |
|----------------------------------|---|--|---|
| 6/30/2009 * | \$ 1,307 | \$ 1,239 | 94.8% |
| 6/30/2010 * | 1,306 | 1,205 | 92.3% |
| 6/30/2011 * | 1,359 | 1,519 | 111.8% |
| 6/30/2012 ** | 1,286 | 829 | 64.5% |
| 6/30/2013 | 1,320 | 1,006 | 76.2% |
| 6/30/2014 | 932 | 1,266 | 135.8% |

* Represents information for the former Agency.

** Represents information for the former Agency for the period July 1, 2011 through January 31, 2012 and the Successor Agency for the period February 1, 2012 through June 30, 2012.

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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, 2014, 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 November 4, 2014.

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.

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

Walnut Creek, California
November 4, 2014

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
2014 SERIES B TAXABLE SUBORDINATE
AND
2014 SERIES C SUBORDINATE
TAX ALLOCATION REFUNDING BONDS
(SAN FRANCISCO REDEVELOPMENT PROJECTS)**

DECEMBER 18, 2014

Urban
Analytics

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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 2014 Series B Taxable Subordinate and Series C Subordinate Tax Allocation Refunding 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 the Agency's redevelopment project areas and provide a Fiscal Consultant Report (the "Report").

The redevelopment project areas included in this report are: Bayview Hunters Point Redevelopment Project, Zone 2 of Project Area B (the "Bayview Hunters Point Area B Project Area"); Embarcadero-Lower Market (Golden Gateway) Approved Redevelopment Project Area E-1 (the "Golden Gateway Project Area"); Hunters Point Redevelopment Project Area (the "Hunters Point Project Area"); India Basin Industrial Park Redevelopment Project Area (the "India Basin Industrial Project Area"); Rincon Point-South Beach Redevelopment Project Area (the "Rincon Point-South Beach Project Area"); South of Market Redevelopment Project Area (the "South of Market Project Area"); Transbay Redevelopment Project Area ("Transbay"); Western Addition Redevelopment Project Area A-2 (the "Western Addition Project Area A-2"); and the Yerba Buena Center Approved Redevelopment Project Area D-1 (the "Yerba Buena Center Project Area") (together, the "Project Areas"). The Agency has five additional redevelopment project areas that are not pledged to the Bonds nor included in this Report: Mission Bay South, Mission Bay North, Visitacion Valley, Hunters Point Shipyard and Federal Office Building. These five project areas, along with a sub-area ("Zone 1 - Candlestick Site") of the Bayview Hunters Point Redevelopment Project Area B and a sub-area (the "State Parcels") of the Transbay Redevelopment Project Area, are together referred to in this Report as the "Excluded Project Areas". Property tax revenue from the Excluded Project Areas is not available for payment of debt service on the Bonds.

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 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 City allocates to the Agency that portion of locally assessed secured and unsecured property tax revenue and state-assessed utility revenue

collected within the Project Areas above the Project Areas' base year assessed valuation required to pay its annual obligations. The City also apportions to the Agency a share of 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 Areas 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 ("Allocable Tax Revenue") is the maximum that the Agency may receive in a fiscal year. The Allocable Tax Revenue is applied, in order of priority, to administrative costs of the state's Department of Finance, 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. 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. The Agency prepares two ROPS each year, one covering payments due in the January to June period and the other covering payments due in the July to December period. In order to have sufficient funds 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. The Controller deposits funds into 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 the Controller's office had previously apportioned a portion of this revenue to the Agency, it no longer does so based on communications the office has received from the State Board of Equalization. The tax increment calculations used in this report do not incorporate the amount of unitary revenue that would previously have been apportioned to the Project Area. 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. Non-unitary properties assessed by the State Board in all of the Agency's project areas are valued at \$2.4 million in FY 2014-15.

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. As reported by the Controller's office, the overall delinquency rate for the FY 2013-14 fiscal year for all of the Agency's project areas was 0.886% as of August 27, 2014.

The City 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 City could elect to change this practice in the future. The City's Auditor-Controller does charge the Agency an administrative fee as permitted under Redevelopment Dissolution Law; this fee was approximately 0.017% of tax increment for the June-December 2014 period.

The Controller deducts from the Project Areas' tax increment approximately \$48,000 in negative tax increment from one of the Excluded Project Areas due to a fiscal merger. The South of Market and Golden Gateway project areas are fiscally merged with the Federal Office Building project area (one of the Excluded Project Areas) and the Controller's office aggregates tax increment from all three areas when calculating tax increment. The Federal Office Building project area consists of tax-exempt secured property with an annual assessed valuation of zero and taxable unsecured business property with an assessed valuation of \$53,607 in FY 2014-15. The project area has a base year assessed valuation of \$4,805,948, resulting in negative incremental assessed valuation. While project areas with negative increment – such as Visitacion Valley, also one of the Excluded Project Areas – are generally not included in tax increment calculations by the Controller, the negative tax increment from the Federal Office Building is included in the tax increment calculations by the Controller because of the fiscal merger. This results in a negative tax increment amount of \$47,523 in FY 2014-15 that is applied to the Agency's tax increment in the Project Areas. This negative tax increment is included in the calculations of available tax increment revenue used in this Report.

Tax increment calculations made in this Report use revenue from the secured, unsecured and non-unitary utility rolls. Supplemental roll revenues are considered when calculating cumulative tax increment caps but are not otherwise included in tax increment calculations used in the Report.

HOUSING SET-ASIDE

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 at least the required amounts in the Housing Fund.

The Agency amended the Golden Gateway Project Area on January 11, 2005 under Health and Safety Code Section 33333.7 to permit the collection of tax increment beyond the time limit included in the redevelopment plan in order for the Agency to replace housing units demolished prior to the enactment of replacement housing obligations in 1975. The India Basin and Hunters Point Project Areas were also amended on January 11, 2005 under the same Section and for the same purpose. These plan amendments allow the Agency to issue indebtedness for the purpose of meeting its replacement housing obligation and other low- and moderate-income housing fund activities until the earlier of January 1, 2014, or the date on which the replacement housing obligation has been met. The amendments also allow the Agency to collect tax increment until no later than January 1, 2044 to repay indebtedness incurred for its low- and moderate-income housing activities. In a letter dated September 9, 2010, the California Department of Housing and Community Development accepted the Agency's approach that Section 33333.7 establishes the replacement housing obligation of the Agency and that Section 33333.8 authorizes the issuance of debt to fulfill that housing obligation.

Under Section 33333.8, redevelopment agencies with project areas that have not met their affordable housing obligations before reaching certain plan limits are required to suspend those limits until the affordable housing obligations are met. These limits include the last date to receive tax increment and any tax increment cap. Under this Section, the tax increment caps in place in each of the three project areas must be suspended until the Agency has met its replacement housing obligation. Section 33333.7 includes a clause under which school districts were to receive the amount of revenue they would otherwise receive in the absence of redevelopment; the Agency and Bond Counsel have determined that the school district allocation in Section 33333.7 was effectively repealed by Section 33333.8, which removed limitations on an agency's receipt of tax increment funds for the purpose of fulfilling replacement housing obligations, and by Section 34183 of Redevelopment Dissolution Law, which established a priority allocation of tax increment funds for fulfilling enforceable obligations before a general allocation of funds to school entities. Consequently, the Section 33333.7 school district allocation is not included in this analysis.

The Agency has amended the Rincon Point-South Beach Project Area under Health and Safety Code Section 33333.8 to permit it to collect tax increment beyond the limits included in the plan in order that it may meet its housing obligations under redevelopment law before terminating the project area. This plan amendment allows the Agency to collect tax increment for low- and moderate-income housing purposes beyond the maximum amount of \$230 million contained in the plan and applicable to the original sub-area, and repay debt established for that purpose beyond the January 5, 2031 limit in the redevelopment plan for the original sub-area. The Giants Ballpark sub-area, added in 1997, is also subject to statutory plan limits that may be exceeded for the purposes specified in the Section 33333.8 amendment.

The Agency has also amended the Western Addition Redevelopment Project Area A-2 under Sections 33333.7 and Section 33333.8 so that it might meet the Agency's overall obligation

to replace housing units demolished prior to the enactment of the replacement housing obligations prior to terminating the project area. This plan amendment allows the Agency to issue debt beyond the last date to incur debt contained in the plan, January 1, 2009, for the specific housing-related purposes identified in Sections 33333.7 and 33333.8.

The Agency intends to apply that portion of tax increment revenue from the India Basin, Hunters Point, Western Addition A-2, Golden Gateway, Original Area of Yerba Buena Center and Rincon Point-South Beach project areas restricted to the fulfillment of the Agency's low- and moderate-income housing obligations to the Bonds in a manner consistent with the requirements of Sections 33333.7 and 33333.8.

THE REDEVELOPMENT PLANS

The Project Areas subject to the Bonds are nine redevelopment project areas established through separate redevelopment plans. Key information pertaining to the plan limits for each constituent project area (and any sub-areas) is shown in Table 1. Additional information regarding land usage in the Project Areas is shown in Table 2 for the Project Areas. Land use information regarding the individual project areas that constitute the Project Areas is presented in an Appendix to this Report.

The Agency cannot receive tax revenue to repay debt beyond the limits set in the redevelopment plans, except in those areas amended under Sections 33333.7 and 33333.8. These limits vary by project area and, within the Yerba Buena Center and South of Market project areas, by sub-area. The limits are described below with respect to the Project Areas.

Bayview Hunters Point Area B: The Bayview Hunters Point Area B Project Area was adopted by Ordinance 113-06 on June 1, 2006 as an amendment to the Hunters Point Redevelopment Plan. Bayview Hunters Point Area B is exclusive of the existing Project Area A portion of the Hunters Point Redevelopment Project Area. Bayview Hunters Point Area B is subject to the statutory requirements of redevelopment law governing project areas adopted after January 1, 1994. These requirements include a time limit on debt issuance of June 1, 2036 for indebtedness necessary to meet the Agency's low and moderate income housing requirements (June 1, 2026 for non-housing indebtedness); a time limit on the last date to repay indebtedness of June 1, 2051; and a limit on the amount of bonded indebtedness outstanding at any one time of \$400 million. Tax increment revenue from the Zone 1 - Candlestick Site portion of the Bayview Hunters Point Redevelopment Project Area B, as defined in the Disposition and Development Agreement for Candlestick Point, is available to pay debt service and replenish the reserve accounts for parity debt issued prior to that Agreement but is not available for debt service or to replenish the reserve accounts for subsequent parity debt; it is treated as Excluded Project Areas revenue in this Report. The Zone 1 - Candlestick Site area has an estimated \$12.6 million in assessed valuation, or approximately \$126,000 in tax increment. The Agency had \$26.23 million in tax allocation debt outstanding in this project area as of November 1, 2014.

Golden Gateway: The Embarcadero-Lower Market (Golden Gateway) Approved Redevelopment Project Area E-1 was adopted by Ordinance 301-59 on May 25, 1959. The Project Area extends from the foot of Market Street north approximately six blocks to Broadway, and includes the four Embarcadero Center office buildings, the Hyatt Hotel on Market Street, the Golden Gateway Commons and the Alcoa office building. The redevelopment plan operates under an amendment adopted through Health and Safety

Code Sections 33333.7 and 33333.8, permitting the Agency to incur indebtedness through the earlier of January 1, 2014 or whenever its replacement housing obligation is met; to collect tax increment through January 1, 2044 or until its low and moderate income housing obligations are met; and to suspend the tax increment cap contained in the plan, in order to meet its replacement housing obligations and repay existing indebtedness.

The Embarcadero-Lower Market (Golden Gateway) Approved Redevelopment Project Area E-1 was merged for fiscal purposes with the South of Market Redevelopment Project Area on November 20, 1995. The redevelopment plan for the Federal Office Building Project Area, one of the Excluded Project Areas, was adopted on October 14, 1997 and was simultaneously fiscally merged with the South of Market and Golden Gateway project areas.

The Agency had \$56.93 million in tax allocation debt outstanding in this project area as of November 1, 2014.

Hunters Point: The Hunters Point Redevelopment Project Area, adopted by Ordinance 25-69 on January 20, 1969, is comprised of a residential community located in the southeast portion of the City on a site formerly occupied by temporary federal wartime housing. The redevelopment plan was amended under Health and Safety Code Sections 33333.7 and 33333.8 to allow the Agency to incur and repay indebtedness beyond the limits set in the redevelopment plan in order to meet the Agency's replacement housing obligation. The Agency had \$6.25 million in tax allocation debt outstanding in this project area as of November 1, 2014.

India Basin: The India Basin Industrial Park Redevelopment Project Area, adopted by Ordinance 26-69 on January 20, 1969, is an industrial area located at Third Street and Evans. The Project Area includes a large United States Postal Service distribution facility, several light industrial, commercial service and multimedia businesses and some retail businesses; no residential uses are allowed in the Project Area. The redevelopment plan operates under the extensions on time limits permitted by Health and Safety Code Sections 33333.7 and 33333.8 to allow the Agency to fulfill its replacement housing obligation. The Agency had \$4.94 million in tax allocation debt outstanding in this project area as of November 1, 2014.

Rincon Point-South Beach: The Rincon Point-South Beach Redevelopment Project Area, adopted January 5, 1981 by Ordinance 14-81, includes two areas along the waterfront south of the Bay Bridge. The South Beach portion of the project area includes the Giants ballpark. The redevelopment plan for the project area was amended in 2007 under Sections 33333.8 and 33333.6(e)(4)(B), eliminating, suspending or extending the temporal and financial limits in the redevelopment plan to enable the Agency to meet its low- and moderate-income housing requirements. The last date to incur debt is January 5, 2021; the Agency may collect tax revenue from the project area and repay indebtedness until its housing obligations are fulfilled. The Agency had \$153.23 million in tax allocation debt outstanding in this project area as of November 1, 2014.

South of Market: The South of Market Redevelopment Project Area includes two sub-areas. The original sub-area is roughly bounded by Fifth and Seventh Streets between Harrison Street and Mission Street. The Western Expansion sub-area includes the blocks bounded by Harrison Street, Seventh Street, Folsom Street and Columbia Square. The original sub-

area was adopted June 11, 1990, and has a last date to incur and repay debt of, respectively, June 11, 2020 and June 11, 2030.

The original sub-area has a limit on the amount of tax increment that can be collected of \$200 million; the Agency reports that the sum of all prior retained tax increment plus the sum of all future debt service and passthrough obligations attributable to the South of Market Redevelopment Project Area is \$101.9 million. As the Agency may not establish any new obligations and may only retain the amount of tax increment necessary to meet its existing annual obligations, the Agency is not expected to require tax increment in excess of the tax increment cap in order to meet its obligations in the original sub-area. However, under annual growth rates of eight percent and higher, the total amount of tax increment generated in the original sub-area may reach the tax increment cap prior to the last date to receive tax increment. Further discussion is provided under *Tax Increment Caps* below.

The South of Market Redevelopment Project Area has an aggregate \$80 million limit on the amount of bonds that can be outstanding at one time. The Agency had \$14.60 million in tax allocation debt outstanding in this project area as of November 1, 2014.

The plan for both the Original sub-area and the Western Expansion sub-area remains effective until June 11, 2020; the plan allows the Agency to issue and repay debt beyond this date and provides that the plan will continue in effect in order to repay debt. The Dissolution Law, however, prohibits the Agency from issuing any new debt.

The Western Expansion sub-area of the South of Market project area was adopted on December 16, 2005. The last date to incur indebtedness is December 16, 2025 and the last date to repay indebtedness is December 16, 2035. The sub-area has no limit on the amount of tax increment that may be collected.

The South of Market Redevelopment Project Area was merged for fiscal purposes with the Embarcadero-Lower Market (Golden Gateway) Approved Redevelopment Project Area E-1 on November 20, 1995. The redevelopment plan for the Federal Office Building Project Area, one of the Excluded Project Areas, was adopted on October 14, 1997 and was simultaneously fiscally merged with the South of Market and Golden Gateway project areas.

Transbay: The Transbay Redevelopment Project Area includes the area around the Transbay Terminal roughly bounded by Mission Street, Main Street, Folsom Street and Second Street, with a portion extending to Harrison Street. The project area was adopted on June 21, 2005. The redevelopment plan includes a time limit on the incurrence of non-housing-related debt of twenty years from the date of plan adoption, or June 21, 2025; under the plan, the Agency may issue housing-related debt beyond the twenty year limit. The last date to repay indebtedness is 45 years from plan adoption, or June 21, 2050. The redevelopment plan includes a limit of \$800 million in outstanding indebtedness.

The redevelopment plan requires that tax increment from certain parcels, designated as the State Parcels, less the amount required to meet the Agency's passthrough payment obligations, property tax administration fees and required low- and moderate-income housing fund contributions, be paid to the Transbay Joint Powers Authority (TJPA) for construction costs associated with the new Transbay Terminal. These parcels include the office building under construction on the former Transbay Terminal site. The assessed

valuation from these State Parcels is \$215.8 million and the estimated tax increment allocable to the TJPA from these parcels, less the amounts noted above, is \$1.7 million in FY 2014-15. Tax increment revenue from the State Parcels is not available for the payment of debt service on the Bonds; it is treated as Excluded Project Areas revenue in this Report. The Agency had \$52.08 million in tax allocation debt outstanding in this project area as of November 1, 2014.

Western Addition A-2: The Western Addition Redevelopment Project Area A-2 was established October 13, 1964. The Agency amended the plan in 2008 under Sections 33333.7 and 33333.8 to extend the time limit on the incurrence of indebtedness and on the repayment of debt solely for the purpose of meeting the Agency's housing obligations. In the event that the Agency does not fulfill its housing obligations by January 1, 2044, the debt repayment limit may be suspended until it does so. The plan, as amended, does not include a limit on the amount of tax revenue that can be collected, nor does it contain a limit on the amount of bonds outstanding. The Agency had \$85.37 million in tax allocation debt outstanding in this project area as of November 1, 2014.

Yerba Buena Center: The redevelopment plan for the Yerba Buena Center Redevelopment Project Area D-1 was adopted on April 25, 1966 and encompasses the area around the Convention Center. An amendment to the plan on October 13, 2000 added the Emporium Site area to the project area, now the location of a shopping center on Market Street. The two sub-areas have separate limits under the plan. The original sub-area has a last date to incur debt of January 1, 2011 following a one-year extension of the plans under Ordinance 1-05 per SB1045 due to the Agency's FY 2003-04 ERAF contribution and an additional one-year extension of the plans under Ordinance 256-09 adopted December 8, 2009 (discussed further below). The original sub-area includes a tax increment limit of \$600 million that was removed when the original plan, as amended, terminated on January 1, 2011. The original sub-area has no limit on the amount of bonds that can be outstanding at one time.

On December 8, 2009, the Board of Supervisors passed an ordinance that approved an amendment to the redevelopment plan for the Yerba Buena Center Redevelopment Project Area, which among other things, made the following changes to the original area (excluding the Emporium Site Area): (i) extended the last day to incur debt by one year to January 1, 2011, and provided an exception to the deadline for incurring debt for the purpose of funding the Agency's affordable housing obligations, (ii) extended the effectiveness of the plan by one year to January 1, 2011, and provided an exception to the termination date of the plan for the exclusive purpose of funding the Agency's affordable housing obligations, (iii) changed the time limit to receive tax increment and repay indebtedness from January 1, 2020, to the date, which is ten (10) years from the expiration or termination of the effectiveness of the plan with respect to the original area, and provided an exception to the deadline for receipt of tax increment for the exclusive purpose of funding the Agency's affordable housing obligations, and (iv) upon expiration of the effectiveness of the plan, the limitation on the total amount of tax increment that the Agency may receive is suspended to enable the Agency to fund its affordable housing obligations. The amendment to the plan with respect to the extension of the effectiveness of the plan and the time limit to repay indebtedness were made pursuant to the 2009 SERAF Legislation (see "Legislation", below) under Section 33333.6(e)(2)(C). The amendment to the plan with respect to the removal of the limits on tax increment receipt in order to fund the Agency's affordable housing obligations was made under Sections 33333.7 and 33333.8.

With respect to the Yerba Buena Center project area's Emporium Site sub-area, the last date to incur debt for purposes other than housing is October 13, 2020; debt may be incurred for housing purposes after that date. The effectiveness of the redevelopment plan for the Emporium Site sub-area ends on October 13, 2030. The last date to repay indebtedness is October 13, 2045 in this sub-area. The Emporium Site sub-area has a limit on outstanding indebtedness of \$110 million. The redevelopment plan for this sub-area also specifies that tax revenue deriving from a fixed 2% growth rate applied to the sub-area's base year assessed valuation is distributed to taxing entities and not to the Agency; this is deducted from tax increment prior to calculating the revenue available for debt service. The Agency had \$138.55 million in tax allocation debt outstanding in this project area as of November 1, 2014.

Tax Increment Caps

Of the nine areas that comprise the Project Areas, seven were established prior to the statutory changes brought about by AB1290 in 1994. These pre-1994 project areas initially had separate tax increment caps, which are limitations on the amount of tax increment the Agency can receive from the project area during the redevelopment plan's duration (see Table 1). The tax increment limits in the Golden Gateway, Hunters Point, India Basin and Rincon Point-South Beach Project Areas, the Western Addition Project Area A-2 and the Original Area portion of the Yerba Buena Center Project Area have been removed through plan amendments under one or both of Sections 33333.7 and 33333.8. The Original Portion of the South of Market Project Area has a tax increment cap of \$200 million that may be reached prior to the last date to repay indebtedness at annual growth rates of eight percent and higher; the Agency estimates that it will require a total of \$101.9 million in tax increment to meet its obligations in that sub-area. The Transbay Project Area and the Bayview Hunters Point Area B Project Area, established after the 1994 changes in redevelopment law, have no tax increment limit.

The state Department of Finance has indicated that it considers that tax increment caps not reached prior to the dissolution of redevelopment agencies in 2012 should not be used to prevent payment of enforceable obligations, and they have advised county auditor-controllers to not apply tax increment caps in cases where doing so would prevent payment of enforceable obligations. It is not clear whether this advice will be followed by county auditor-controllers, that it will remain in effect for the duration of the Bonds, or that it would withstand any legal challenges. For the purposes of this Report it is assumed that the tax increment cap in the Original Area of the South of Market Project Area will remain in effect.

Table 1
Plan Limits for the Project Area

| | Plan Limit Termination Dates | | | | | Revenue Limits (\$ 000) | | Limit on Bonds Outstanding (x \$1,000) |
|---|------------------------------|------------------|-------------------------|---------------|---------------------------------|-------------------------|---|--|
| | Date of Adoption | Ordinance Number | Debt Incurrence | Plan Duration | Last Date to Repay Indebtedness | Tax Increment Limit | Approximate Amount Remaining ⁽⁸⁾ | |
| Bayview Hunters Point Area B ⁽¹⁾ | 06/01/06 | 113-06 | 06/01/36 ⁽⁷⁾ | 06/01/36 | 06/01/51 | None | N/A | 400,000 |
| Golden Gateway ⁽²⁾ | 05/25/59 | 301-59 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| Hunters Point ⁽²⁾ | 01/20/69 | 25-69 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| India Basin ⁽²⁾ | 01/20/69 | 26-69 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| Rincon Point-South Beach ⁽³⁾ | 01/05/81 | 14-81 | 01/05/21 | 01/05/21 | No Limit | None | N/A | None |
| South of Market: ⁽⁴⁾ | | | | | | | | |
| <i>Original Area</i> | 06/11/90 | 234-90 | 06/11/20 | 06/11/20 | 06/11/30 | 200,000 | 98,074 | 80,000 |
| <i>Western Expansion Area</i> | 12/16/05 | 276-05 | 12/16/25 | 06/11/20 | 12/16/35 | None | N/A | |
| Transbay | 06/21/05 | 124-05 | 06/21/35 ⁽⁷⁾ | 06/21/35 | 06/21/50 | None | N/A | 800,000 |
| Western Addition A2 ⁽⁵⁾ | 10/13/64 | 273-64 | 01/01/14 | 01/01/09 | No Limit | None | N/A | None |
| Yerba Buena Center: ⁽⁶⁾ | | | | | | | | |
| <i>Original Area</i> | 04/25/66 | 98-66 | 01/01/11 | 01/01/11 | No Limit | None | N/A | None |
| <i>Emporium Site Area</i> | 10/13/00 | 236-00 | 10/13/30 ⁽⁷⁾ | 10/13/30 | 10/13/45 | None | N/A | 110,000 |

(1) The redevelopment plan for the Bayview Hunters Point Redevelopment Project Area was amended on August 3, 2010. This amendment, among other things, made the following changes to such redevelopment plan: (1) divided the Bayview Hunters Point Redevelopment Project Area, Project Area B, into two sub-areas: Zone 1, which is the same as the Candlestick Site, and Zone 2; (2) increased the amount of bonded indebtedness of the Agency to be repaid from the allocation of taxes to the Agency from the Bayview Hunters Point Redevelopment Project Area, Project Area B, which can be outstanding at one time, to \$1.2 billion; and (3) established that notwithstanding the foregoing, the principal amount of bonded indebtedness of the Agency to be repaid from allocation of taxes to the Agency from the Candlestick Site may not exceed a total of \$800,000,000.

(2) The redevelopment plans of the Golden Gateway, Hunters Point and India Basin Project Areas were amended on January 11, 2005 under Sections 33333.7 and Section 33333.8 to extend the time limit on the establishment of indebtedness until January 1, 2014 for the purposes of meeting the Agency's

affordable housing obligation and to remove the time limit on the repayment of debt until the Agency's affordable housing obligation is met. Prior to the adoption of that plan amendment the last date to repay indebtedness in these areas had been January 1, 2009.

- (3) The redevelopment plan of Rincon Point-South Beach was amended on May 18, 2007, pursuant to Sections 33333.8 and 33333.6(e)(4)(B) of the Redevelopment Law to suspend the limits on the amount of debt that can be outstanding at any one time from the issuance of tax increment bonds, and to remove the January 5, 2031 limit on the receipt of tax increment for the exclusive purpose of financing low and moderate income housing.
- (4) South of Market Original Area tax increment limit was raised to \$200 million pursuant to amendment of its Plan adopted December 6, 2005; this limit is not applicable to the Western Expansion Area. The Agency estimates it will require \$101.9 million to meet its obligations over the duration of the Original Area; at growth rates of 3% and above the total amount of tax increment generated in the project area may reach the tax increment cap prior to the last date to repay indebtedness. The maximum amount of bonded indebtedness that can be outstanding at any one time, \$80,000,000, is applicable to the Project Area as a whole. The provisions of the Plan, other than the ability to issue and repay debt, terminate June 11, 2020.
- (5) Western Addition A2 Project Area was amended on December 19, 2008 under Sections 33333.7 and 33333.8 to extend the time limit on the establishment of indebtedness until January 1, 2014 for the purposes of meeting the Agency's affordable housing obligation and to remove the time limit on the repayment of debt until the Agency's affordable housing obligation is met. Prior to the adoption of that plan amendment the last date to repay indebtedness had been January 1, 2009.
- (6) On December 8, 2009, the Yerba Buena Center redevelopment plan was amended with respect to the Original Area pursuant to Sections 33333.6(e)(2)(C), 33333.7 and 33333.8 of the Redevelopment Law. The redevelopment plan was amended to, among other things, make the following changes to the Original Area (excluding the Emporium Site Area): (i) extend the last day to incur debt by one year to January 1, 2011, and provide an exception to the deadline for incurring debt for the purpose of funding the Agency's affordable housing obligations, (ii) extend the effectiveness of the plan by one year to January 1, 2011, and provide an exception to the termination date of the plan for the exclusive purpose of funding the Agency's affordable housing obligations, (iii) change the time limit to receive tax increment and repay indebtedness from January 1, 2020 to the date, which is ten (10) years from the expiration or termination of the effectiveness of the plan with respect to the Original Area, and provide an exception to the deadline for receipt of tax increment for the exclusive purpose of funding the Agency's affordable housing obligations, and (iv) upon expiration of the effectiveness of the plan, suspend the limitation on the total amount of tax increment that the Agency may receive to enable the Agency to fund its affordable housing obligations. The amendment to the plan with respect to the one-year extension of the effectiveness of the plan and the time limit to repay indebtedness were made pursuant to the 2009 SERAF Legislation (see "Legislation").
- (7) The Agency may not incur debt for purposes other than financing low and moderate income housing ten years prior to this date.
- (8) Amount remaining consists of the total tax increment under the Plan revenue limit less the sum of (i) tax increment received to date and (ii) debt service to be paid under existing loan agreements.

Source: The Agency

Table 2
Land Use in the Project Areas, FY 2014-15

| Category by Value | Bayview Hunters Point Project Area B | Golden Gateway Project Area | Hunters Point Project Area | India Basin Industrial Park Project Area | Rincon Point - South Beach Project Area | South of Market Project Area |
|----------------------------|--------------------------------------|-----------------------------|----------------------------|--|---|------------------------------|
| Commercial | \$ 176,579,146 | \$ 2,155,056,880 | \$ - | \$ 32,271,949 | \$ 544,406,263 | \$ 106,572,548 |
| Industrial | 724,216,654 | - | - | 63,356,210 | - | 92,852,016 |
| Residential - Condominiums | 103,197,630 | 170,063,005 | 35,074,410 | - | 879,922,828 | 214,635,591 |
| Residential - Other | 480,906,529 | 76,192,566 | 83,824,161 | - | 338,452,792 | 171,490,698 |
| Vacant | 93,680,173 | 4,707,486 | 393,407 | 6,825,920 | - | 15,711,828 |
| Other Secured | 111,713,990 | 1,178,556 | 855,526 | - | 57,389,751 | 26,422,726 |
| SBE-Assessed Utilities (1) | 1,010,600 | 177,702 | - | - | 907,500 | - |
| Unsecured | 129,309,431 | 412,936,135 | 114,996 | 22,611,634 | 513,231,455 | 17,255,637 |
| Total | \$ 1,820,614,153 | \$ 2,820,312,330 | \$ 120,262,500 | \$ 125,065,713 | \$ 2,334,310,589 | \$ 644,941,044 |
| Acreage | 1,361 | 51 | 137 | 126 | 115 | 69 |

| Category by Value | Transbay Project Area | Western Addition Project Area A-2 | Yerba Buena Center Project Area D-1 | Total Value | % of Total Value | Number of Properties Levied (2) |
|----------------------------|-------------------------|-----------------------------------|-------------------------------------|--------------------------|------------------|---------------------------------|
| Commercial | \$ 1,856,409,578 | \$ 454,919,959 | \$ 1,907,822,512 | \$ 7,234,038,835 | 41.45% | 1,848 |
| Industrial | 25,042,028 | 1,858,011 | 14,047,854 | 921,372,773 | 5.28% | 862 |
| Residential - Condominiums | 812,727,532 | 875,809,558 | 925,746,448 | 4,017,177,003 | 23.02% | 5,125 |
| Residential - Other | 4,154,290 | 604,803,278 | 331,931,552 | 2,091,755,865 | 11.99% | 2,564 |
| Vacant | 302,783,373 | 12,382,129 | 1,409,506 | 437,893,822 | 2.51% | 653 |
| Other Secured | 1,664,905 | 163,287,833 | 221,008,656 | 583,521,943 | 3.34% | 226 |
| SBE-Assessed Utilities (1) | - | - | 271,838 | 2,367,640 | 0.01% | - |
| Unsecured | 294,143,260 | 56,030,602 | 717,378,575 | 2,163,011,725 | 12.39% | - |
| Total | \$ 3,296,924,967 | \$ 2,169,091,370 | \$ 4,119,616,940 | \$ 17,451,139,606 | 100.00% | 11,278 |
| Acreage | 40 | 277 | 87 | 2,263 | | |

(1) Non-unitary property assessed by the State Board of Equalization.

(2) Excludes the totals for the SBE-Assessed Utilities and Unsecured value categories which represent duplicate parcel counts.

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. The Transbay Project Area, Bayview Hunters Point Area B Project Area, the Western Addition portion of the South of Market Project Area and the Emporium Site Area of the Yerba Buena Center Project Area were formed after the passage of AB1290 and have been subject to statutory passthroughs since their formation. The remaining Project Areas as well as the Original Area of the Yerba Buena Center Project Area and the Original Area of the South of Market Project Area became subject to statutory passthroughs when certain fiscal limits in their redevelopment plans were amended.

Under the AB1290 mechanism, pass-through payments are made to all jurisdictions receiving a portion of the basic one percent levy, except jurisdictions having pre-existing contractual pass-through agreements. The pass-through payments are made in three periods, or tiers, each beginning in a different year - years one, eleven, and thirty-one - and extending through the plan's remaining duration. The payments received by each jurisdiction are based on a specified percentage of the growth in assessed valuation over a base (the assessed valuation in the year prior to the beginning of a period), multiplied by the property tax apportionment factor for the jurisdiction. The City is entitled to pass-through payments from the first tier only. In the case of those project areas formed after 1994, the first year of passthroughs is the first year in which tax increment is collected in the project area; in the case of project areas formed prior to 1994 and subsequently amended the base year is the year in which the earliest amended fiscal limit is reached and the first year is the subsequent year.

The initial statutory payments are a percentage of tax increment received by the Agency. For payments under tiers two and three, payments derive from future base levels of assessed valuation. Under redevelopment law, the initial base year for the tier two payments was set in the tenth year in which the Agency received tax increment payments or, for the older amended plans, the tenth year after the earliest amended fiscal limit is reached.

The payments are limited to fixed percentages of those increases (25% of tier one increases, 21% of tier two increases and 14% of tier three increases; all percentages are calculated on tax increment after the deposits to the Housing Fund formerly required by the Community Redevelopment Law). The Agency continues to receive its full share of tax revenue from assessed valuation above the original project area base year assessed valuations (with certain exceptions, noted below) and below the AB1290 base levels. It also receives its share of the tax increment remaining after payment of the statutory passthroughs.

There are nine taxing entities within the Project Areas. Four of these are entities of the City and County of San Francisco: the General Fund, the Children's Fund, the Library Fund, and the Open Space Fund. The remaining five taxing entities are: the San Francisco Community College District, the San Francisco Superintendent of Schools, the San Francisco Unified School District, the Bay Area Air Quality Management District, and the Bay Area Rapid Transit District. In addition to the taxing entities, the Controller allocates a portion of revenue to the Educational Revenue Augmentation Fund (ERAF) for distribution

to schools. As discussed further under *ERAF Legislation*, ERAF was established by the State in FY 1992-93 to receive a portion of property tax revenue shifted from cities, counties and special districts for subsequent allocation to schools. The proportion of pass-through payments received by each of these taxing entities and ERAF and is shown in Table 3. The total amount of passthrough payments in FY 2014-15 is estimated to be \$31.3 million.

Table 3
Passthrough Shares By Taxing Entity

| Taxing Entity | Pass-through Share |
|---------------------------------|--------------------|
| General Fund | 0.56588206 |
| Children's Fund | 0.03000000 |
| Library Fund | 0.02500000 |
| Open Space | 0.02500000 |
| S.F. Community College District | 0.01444422 |
| S.F. Schools Superintendent | 0.00097335 |
| S.F. Unified School District | 0.07698857 |
| Bay Area Air Quality Board | 0.00208539 |
| BART | 0.00632528 |
| ERAF * | 0.25330113 |
| Total | 1.00000000 |

* The Educational Revenue Augmentation Fund (ERAF) is not itself a taxing entity; revenue deposited to ERAF is distributed to schools.
Source: Office of the Controller

An appellate court decision in the Second Appellate District in southern California may affect the proportionate distribution of statutory pass-through payments to school districts and other taxing entities. The decision held that the school districts' share, for pass-through payment calculation purposes, should take into account the amount the school districts receive from the ERAF fund. The decision was appealed to the California Supreme Court but the petition for review was denied. The City is not within the legal jurisdiction of the Second Appellate District. However, if the Agency's proportionate distribution of statutory pass-through payments to the school district and other taxing entities is challenged in court, the court may decide to follow the Second Appellate Court decision and require the Controller to Agency to pay a higher amount to the school districts in statutory pass-through payments, and a correspondingly lower amount to the ERAF fund. The total amount of statutory pass-through payments would not change.

Under redevelopment law, the Agency is permitted to subordinate its statutory pass-through payments to the payment of debt service after notification of the taxing entities of its intention to do so, and after demonstrating to those entities that it has sufficient tax increment to meet its pass-through obligation after debt service payments. After a 45-day period, and in the absence of any disapproval by a taxing entity based on substantial evidence that the Agency will not be able to pay its pass-through obligation and the debt service payments, the subordination request is deemed approved. The Agency, having notified the taxing entities of its intent to subordinate the statutory pass-through payments to debt service on the Bonds and with the expiration of the 45-day period on November 17, 2014, has the approval of all taxing entities to subordinate pass-through payments to debt service on the Bonds. Passthrough payments paid through ERAF to the schools are assumed to be subordinated with the passthrough payments paid directly to the schools.

Senior Obligations

The redevelopment plan for the Emporium Site Area of the Yerba Buena Center Project Area specifies that tax revenue deriving from a fixed 2% growth rate applied to the Emporium Site Area's base year assessed valuation is distributed to taxing entities and not to the Agency; this is deducted from tax increment prior to calculating the revenue available for debt service. The portion of assessed valuation excluded from tax increment in this manner is approximately \$22.4 million in FY 2014-15 or approximately \$224,000 in tax increment.

The Original Area of the South of Market Project Area was adopted at a time when redevelopment law included language in Section 33676 allowing taxing entities to claim their share of inflationary growth in assessed valuation from real property included in the base year assessed valuation. A 2002 court decision in Santa Ana regarding the 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 Original Area portion of the South of Market Redevelopment Project Area is the only project area established by the Agency between January 1, 1985 and December 31, 1993, and so is subject to the Santa Ana decision. The amount of tax revenue payable to the school entities is estimated to be \$53,000 for FY 2014-15.

Excluded Project Areas

In the Bayview Hunters Point Area B Project Area, tax revenue from the Zone 1 - Candlestick Site portion of the project area as defined in the Disposition and Development Agreement for Candlestick Point, is available to pay debt service and replenish the reserve accounts for parity debt issued prior to that agreement but is not available for debt service on or to replenish the reserve accounts for subsequent parity debt. This area includes an estimated \$12.6 million in assessed valuation in FY 2014-15, or approximately \$126,000 in tax increment, which is treated as Excluded Project Areas revenue in this Report.

The redevelopment plan for the Transbay Terminal Project Area requires that tax increment from certain parcels designated as the State Parcels less the amount required to meet the Agency's passthrough payment obligations, County administration fees and required low- and moderate-income housing fund contributions be paid to the TJPA for construction costs associated with the new Transbay Terminal. This portion of tax increment is not available for debt service on the Bonds. These parcels include the office building under construction on the former Transbay Terminal site. The assessed valuation from these State Parcels is \$215.8 million in FY 2014-15, or approximately \$1.7 million in tax increment after the required passthrough deductions (the property tax administration fee is not deducted as County does not collect the fee from the Agency, as noted under *The Allocation Of Tax Increment Revenue To The Agency*; as the low- and moderate-income housing fund contribution is no longer required that amount is also not deducted from the State Parcels tax increment revenue). The net tax increment revenue from the State Parcels is treated as Excluded Project Areas revenue in this Report.

The Federal Office Building Project Area, also one of the Excluded Project Areas, generates negative tax increment of approximately \$48,000 annually that is applied against the Project Areas' tax increment revenue through a fiscal merger of that project area with the South of Market and Golden Gateway project areas.

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. Follow-up legislation, AB1482, became effective on June 28, 2012 and together with AB1x26, is referred to here as the 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 the 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. The ROPS is prepared twice each year and covers obligations coming due in the January-June period and the July-December period.

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 county auditor-controller rather than by the Agency. The dissolution bill established a hierarchy of payments to be made from the RPTTF in each six-month period, a mechanism informally referred to as "the waterfall".

The first payment from the RPTTF is made to the county 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 Allocable 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 county auditor-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 county 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 state Controller, charged with overseeing the actions of the county auditor-controllers.

Prior to the passage of the Redevelopment Dissolution Law, a minimum of twenty percent of the tax increment revenue received by the Agency in the three project areas not subject to the housing-only requirements of Sections 33333.7 and 33333.8 (see *Housing Set-Aside*, above) 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, twenty percent of tax increment revenue in the Transbay, Yerba Buena Center and South of Market Project Areas is pledged to outstanding housing bonds and continues to be deposited to the Housing Fund. To the extent the debt service on housing bonds in a given ROPS payment period is less than twenty percent of the tax increment revenue for that period, the unused portion could be applied to non-housing obligations on the ROPS.

Roll corrections include adjustments made to the roll after the equalized roll is released in July and before tax bills are generated in October. These corrections include Proposition 8 adjustments to the roll made by the Assessor as well as corrections to assessments including application of exemptions. Assessment appeal refunds are refunds paid to property owners who have had their assessed valuations reduced in the appeals process and are entitled to a refund of the property taxes paid on the amount reduced. As the appeals process can take two years to complete, the tax refunds paid in a given year may include taxes paid several years prior.

Prior to 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 ROPS 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 in the Project Areas. 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 County 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 and is deducted from the total amount of tax increment for all project areas prior to depositing tax increment in the RPTTF. The allocation of the fee among project areas is at the discretion of Agency staff. The amount of the administration fee reported as deducted from total Agency tax increment for the January 2, 2014 distribution was \$23,628; for the June 1, 2014 distribution the amount was \$12,740.

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 above.

ERAF Legislation

The Educational Revenue Augmentation Fund (ERAF) was initially established by the State as a school funding mechanism in FY 1992-93, when approximately 17% of the property tax revenue from cities, counties and special districts statewide was shifted to schools. This permanent shift was increased in FY 1993-94. The result has been that ERAF, while not a taxing entity, receives annually a portion of the one percent property tax levy, which is subsequently distributed to schools. As described below, ERAF has also received property tax revenue from redevelopment agencies in various years. Since redevelopment agencies are not allocated property tax increment under the same AB8 apportionment mechanism as taxing entities their required ERAF contribution took the form of a direct payment.

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.

Agencies that did not make their SERAF payments were subject to sanctions including prohibitions on incurring additional debt and adding or expanding project areas, limitations on the encumbrance and expenditure of funds, and an increase in the percentage of tax increment required to be paid into the Housing Fund from 20% to 25% for the remaining life of the project areas. Agencies were permitted to borrow from their housing fund and apply those funds to the SERAF payment, provided that they repay those funds by June 30, 2015 (June 30, 2016 for the payment due May 10, 2011); agencies that do not repay housing funds by that date would be required, under the law in effect at the time, to increase their contribution to the Housing Fund through the remaining duration of the project area by 5% for non-repayment of the 2009-10 SERAF obligation by June 30, 2015 and an additional 5% for non-repayment of the 2010-11 SERAF obligation by June 30, 2016. With the elimination of the 20 percent housing set-aside by the Dissolution Act, it is not clear how or if the penalty requiring increased contributions to the Housing Fund would be effected.

The Agency funded its FY 2009-10 and FY 2010-11 SERAF obligations in part by borrowing \$16,483,000 from the Housing Fund. The Agency intends to reimburse the Housing Fund for this borrowing in installments, with an initial payment of \$2,950,968 included in the January 2, 2015 ROPS.

SB 1045, passed in 2003 and codified in Sections 33681.9 and 33333.6, provided for a one-year extension of the plan termination date and the last date to repay indebtedness for any redevelopment plan adopted prior to 1994 where the Agency had made a required payment to ERAF during the 2003-04 fiscal year. The Agency amended the Yerba Buena Center plan for the Original Area on January 4, 2005 to extend the termination date by one year the termination date of the plan and the last date to repay indebtedness under Section 33333.6.

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 redevelopment agency 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. As discussed under *Senior Obligations* above, the redevelopment plan for the Original Area of the South of Market Project Area is the sole plan adopted during the applicable time period and is 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. 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 Project Areas. That levy accrued to the Agency and was applied to the full tax roll. The secured pre-1989 levy terminated in FY 2011-12. The unsecured tax levy is the secured tax levy for the prior year; it terminated in FY 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. A positive 0.753 percent was applied to 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 is 0.454%. 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.

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 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 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 2014-15 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 4 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.

Pending appeals have been filed by several of the largest property owners in the Project Areas: Emporium Mall, LLC has three appeals pending on its FY 2013-14 valuation; appeals filed by the owner on these properties in the prior two years have been resolved with no change in valuation. Hudson Rincon Center LLC has two pending appeals for FY 2013-14; appeals filed for these properties in the past three years have been resolved with no change in valuation. There are two pending appeals filed by PPP Office, One Maritime Plaza for FY 2013-14 valuations; appeals on these properties filed in FY 2012-13 and FY

2011-12 were resolved with no change in valuation while appeals filed by this owner in FY 2010-11 were resolved with a reduction in valuation of \$118.7 million.

Table 4
Assessment Appeals in the Project Areas

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 82 | 194,428,461 | 112,149,150 | 191,633,511 | 98.56% |
| 2013-14 | Pending | 80 | 3,647,770,534 | 2,153,058,360 | TBD | - |
| 2012-13 | Resolved | 252 | 2,488,665,706 | 1,742,407,676 | 2,478,058,536 | 99.57% |
| 2012-13 | Pending | 24 | 1,312,097,084 | 681,670,312 | TBD | - |
| 2011-12 | Resolved | 296 | 3,463,044,100 | 1,972,411,593 | 3,341,658,887 | 96.49% |
| 2011-12 | Pending | 6 | 856,003,332 | 519,467,825 | TBD | - |
| 2010-11 | Resolved | 384 | 5,159,675,072 | 3,263,089,465 | 4,753,585,380 | 92.13% |
| 2010-11 | Pending | 6 | 684,809,421 | 340,740,947 | TBD | - |
| 2009-10 | Resolved | 399 | 4,239,492,971 | 2,148,463,822 | 3,970,678,321 | 93.66% |
| 2009-10 | Pending | 2 | 395,998,591 | 244,000,000 | TBD | - |
| 2008-09 | Resolved | 109 | 1,710,619,058 | 1,024,149,946 | 1,709,592,115 | 99.94% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 1,522 | 17,255,925,368 | 10,262,671,652 | 16,445,206,750 | 95.30% |
| All Years | Pending | 118 | 6,896,678,962 | 3,938,937,444 | TBD | - |

Potential exposure to reductions in valuation from all pending appeals **: \$ 324,020,064

* 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. The potential reduction includes properties with appeals in multiple years and does not necessarily indicate an equivalent reduction in future revenue.

Data obtained from the San Francisco County Assessment Appeals Board as of 9/24/2014.

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 a Project Areas to the amount of roll valuation in pending appeals for the Project Area. Applying the retention rate of 95.3% to the valuation currently subject to pending appeals, the estimated reduction in prior-year valuation would be \$324.0 million or approximately \$3.2 million 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 \$2.96 billion and gross tax increment revenue for the Project Areas could be reduced by approximately \$29.6 million; this also includes multi-year appeals and does not necessarily indicate an equivalent reduction in future revenue.

ASSESSED VALUATION AND TAX INCREMENT

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 FY 2014-15 in the Project Areas, after deducting all exemptions except the homeowner's exemption which is reimbursed by the state, is \$17.5 billion (see Table 6). Deducting the \$2.4 billion base year valuation for the Project Areas produces an incremental assessed valuation amount of \$15.0 billion. The largest contributor to incremental assessed valuation, at 22.0%, is the Yerba Buena Center - Original Area, followed by Golden Gateway at 18.6% and Rincon at 15.4%. Gross tax increment, calculated by applying a one percent tax rate to the incremental assessed valuation, is \$150.5 million for FY 2014-15.

Table 6 presents historical and current valuation and tax revenue for the Project Areas. The secured roll accounted for 88% of the total valuation in the Project Areas in FY 2014-15, with the unsecured roll comprising 12%. Assessed valuation grew by 9.3% in FY 2014-15, following increases of 3.4% in FY 2013-14, 3.6% in FY 2012-13, 1.1% in FY 2011-12 and 7.8% in FY 2010-11.

Net Available Tax Increment Revenue is determined by deducting from gross tax increment the portion of tax increment, net of passthrough payments, payable to the Transbay Joint Powers Authority under the redevelopment plan for the Transbay Project Area; the payments to school districts under Section 33676 in the Original Area of the South of Market Project Area; the tax increment from the Candlestick Point portion of the Bayview Hunters Point Area B Project Area; the revenue derived from a 2% inflation factor applied to the base year valuation in the Emporium Site Area of the Yerba Buena Center Project Area; the negative tax increment from the Federal Office Building project area, one of the Excluded Project Areas, associated with the fiscal merger of that project area with the South of Market and Golden Gateway project areas; and the fee charged by the County Controller for the administration of property taxes under the Dissolution Law.

TEN LARGEST ASSESSEES

The ten largest assessees in the Project Areas are shown in Table 7 for FY 2014-15. 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 top ten largest assessees is 26.6% of total assessed valuation and 30.8% of incremental assessed valuation in the Project Areas.

TAX INCREMENT PROJECTION

Allocable tax increment is projected over the duration of the plan in the Project Areas, as shown in Table 8. As described previously under "The Allocation of Tax Increment Revenue to the Agency", the Agency does not claim all Net Available Tax Increment Revenue in any given year; rather, it claims sufficient revenue to meet its debt service payments and other obligations identified on the ROPS; Net Available Tax Increment 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 uses a growth rate of 2.00% for real property in FY 2015-16 and later, holding secured personal property and unsecured valuations constant. The projection does 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 County records, while information concerning the Project Area, 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

December 18, 2014

Table 5
Tax Increment Estimate by Project Area, FY 2014-15

| Project Area | Number of Acres | Final Date to collect Increment | Total Valuation | Less Base Year Valuation | Incremental Valuation | % of Incremental Valuation | Gross Tax Increment |
|--|-----------------|---------------------------------|-------------------------|--------------------------|-------------------------|----------------------------|----------------------|
| Bayview Hunters Point Project Area B | 1,361 | 06/01/51 | 1,820,614,153 | 1,165,228,645 | 655,385,508 | 4.4% | 6,553,855 |
| Golden Gateway Project Area | 51 | 01/01/44 | 2,820,312,330 | 21,172,000 | 2,799,140,330 | 18.6% | 27,991,403 |
| Hunters Point Project Area | 137 | 01/01/44 | 120,262,500 | 2,847,427 | 117,415,073 | 0.8% | 1,174,151 |
| India Basin Industrial Park Project Area | 126 | 01/01/44 | 125,065,713 | 13,691,137 | 111,374,576 | 0.7% | 1,113,746 |
| Rincon Point - South Beach Project Area | 115 | No Limit | 2,334,310,589 | 18,092,701 | 2,316,217,888 | 15.4% | 23,162,179 |
| South of Market Project Area | | | | | | | |
| <i>Original Area</i> | 63 | 06/11/30 | 623,024,225 | 108,585,675 | 514,438,550 | 3.4% | 5,144,386 |
| <i>Western Expansion Area</i> | 6 | 12/16/35 | 21,916,819 | 9,360,179 | 12,556,640 | 0.1% | 125,566 |
| Transbay Project Area | 40 | 06/21/50 | 3,296,924,967 | 880,853,389 | 2,416,071,578 | 16.1% | 24,160,716 |
| Western Addition Project Area A-2 | 277 | No Limit | 2,169,091,370 | 61,239,180 | 2,107,852,190 | 14.0% | 21,078,522 |
| Yerba Buena Center Project Area D-1 | | | | | | | |
| <i>Original Area</i> | 74 | No Limit | 3,369,431,162 | 52,656,706 | 3,316,774,456 | 22.0% | 33,167,745 |
| <i>Emporium Site Area</i> | 13 | 10/13/45 | 750,185,778 | 69,957,924 | 680,227,854 | 4.5% | 6,802,279 |
| Total | 2,263 | | \$17,451,139,606 | \$2,403,684,963 | \$15,047,454,643 | 100.0% | \$150,474,546 |

Source: County Assessor; Redevelopment Agency; Urban Analytics

Table 6
Historical Assessed Valuations and Net Available Tax Revenues by Project Area

| Project Area | Fiscal Year | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| Bayview Hunters Point Project Area B | \$1,586,990,311 | \$1,691,085,358 | \$1,735,421,426 | \$1,796,514,288 | \$1,820,614,153 |
| Golden Gateway Project Area | 2,616,656,364 | 2,634,124,265 | 2,673,231,307 | 2,745,358,555 | 2,820,312,330 |
| Hunters Point Project Area | 111,775,359 | 111,913,772 | 116,731,966 | 133,551,088 | 120,262,500 |
| India Basin Industrial Park Project Area | 130,062,150 | 129,658,213 | 129,473,668 | 125,414,075 | 125,065,713 |
| Rincon Point - South Beach Project Area | 1,881,916,977 | 1,866,207,454 | 1,931,283,999 | 1,960,405,398 | 2,334,310,589 |
| South of Market Project Area | 530,630,510 | 534,514,760 | 558,858,552 | 598,013,842 | 644,941,044 |
| Transbay Project Area | 2,219,369,409 | 2,222,296,409 | 2,546,582,119 | 2,670,324,353 | 3,296,924,967 |
| Western Addition Project Area A-2 | 1,929,148,561 | 1,945,332,744 | 1,981,552,017 | 2,080,975,580 | 2,169,091,370 |
| Yerba Buena Center Project Area D-1 | 3,722,646,273 | 3,759,492,760 | 3,764,329,891 | 3,852,697,238 | 4,119,616,940 |
| Total Value (1) | \$14,729,195,914 | \$14,894,625,735 | \$15,437,464,945 | \$15,963,254,417 | \$17,451,139,606 |
| % Change | 7.80% | 1.12% | 3.64% | 3.41% | 9.32% |
| Base year | 2,403,684,963 | 2,403,684,963 | 2,403,684,963 | 2,403,684,963 | 2,403,684,963 |
| Total Incremental Value | 12,325,510,951 | 12,490,940,772 | 13,033,779,982 | 13,559,569,454 | 15,047,454,643 |
| % Change | 9.47% | 1.34% | 4.35% | 4.03% | 10.97% |
| Gross Tax Increment (2) | \$123,255,110 | \$124,909,408 | \$130,337,800 | \$135,595,695 | \$150,474,546 |
| Less Excluded Project Areas Revenue (3) | 274,194 | 374,783 | 379,589 | 379,598 | 1,899,820 |
| Less Senior Obligations (4) | 211,309 | 231,132 | 274,133 | 296,287 | 302,412 |
| Net Available Tax Increment Revenue | 122,769,607 | 124,303,493 | 129,684,078 | 134,919,809 | 148,272,315 |

(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.

(3) In the Bayview Hunters Point Area B Project Area revenue from the Candlestick Site (Zone 1) portion of the Project Area, estimated to be \$126,000 in FY2014-15, is not available to pay debt service on the Bonds. In the Transbay Terminal Project Area, revenue from designated parcels are not available to pay debt service on the Bonds. Revenue from the South of Market and Golden Gateway project areas is offset by negative revenue of approximately \$48,000 from the Federal Office Building project area through a fiscal merger of these project areas.

(4) In the Yerba Buena Center Project Area, a portion of the base-year value increases each year pursuant to that project area's redevelopment plan. This is calculated as a two percent (2%) increase per annum on the base year assessed value of the Westfield multi-use commercial development in the Emporium Site Area added to the Yerba Buena Center Redevelopment Project Area pursuant to a plan amendment dated August 3, 2000. In the South of Market Project Area, a portion of revenue is potentially allocable to school districts under Section 33676 and a court decision. From FY 2012-13, the County Auditor-Controller charges a property tax administration fee, per the Dissolution Law, of approximately 0.017% of tax increment.

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

Table 7
 Ten Largest Property Owners By Valuation in the Project Areas, FY 2014-15

| Assessee Name | Project Area | Last Date to Receive Tax Increment | Use | Parcel Count | FY 2014-15 Value | Percent of Total Aggregate Value | Percent of Incremental Value |
|--|------------------|------------------------------------|-------------------|--------------|------------------|----------------------------------|------------------------------|
| BOSTON PROPERTIES | Golden Gateway | 01/01/44 | Office | 3 | 994,764,299 | 5.7% | 6.6% |
| EMPORIUM MALL LLC * (3: 2013-14) | YBC - Emporium | 10/13/45 | Commercial/Retail | 5 | 709,270,226 | 4.1% | 4.7% |
| UNION INVESTMENT REAL ESTATE G | Transbay | 06/21/50 | Office | 1 | 457,497,651 | 2.6% | 3.0% |
| CHINA BASIN BALLPARK CO | Rincon | No Limit | Sports Facility | 3 | 457,199,979 | 2.6% | 3.0% |
| MARRIOTT HOTEL | YBC - Original | No Limit | Hotel | 1 | 443,232,573 | 2.5% | 2.9% |
| SHC EMBARCADERO LLC | Golden Gateway | 01/01/44 | Office | 1 | 400,692,199 | 2.3% | 2.7% |
| PPF OFF ONE MARITIME PLAZA LP * (3: 2013-14) | Golden Gateway | 01/01/44 | Office | 4 | 382,105,646 | 2.2% | 2.5% |
| HUDSON RINCON CENTER LLC * (2: 2013-14) | Rincon | No Limit | Office/Retail | 2 | 275,014,722 | 1.6% | 1.8% |
| 405 HOWARD LLC | Rincon | No Limit | Office | 1 | 259,721,103 | 1.5% | 1.7% |
| FILLMORE CENTER ASSOCS LP | Western Addition | No Limit | Apartments/Retail | 77 | 256,244,045 | 1.5% | 1.7% |
| Totals | | | | 98 | 4,635,742,443 | 26.6% | 30.8% |

* Owner has the indicated number of appeals pending in the years shown.
 Source: County Assessor; Urban Analytics.

Table 8
Projection of Net Available Tax Increment Revenues for the Project Areas

| Fiscal Year | Gross Tax Increment (1) | Excluded Project Areas | | | Senior Obligations | | | Net Available Tax Increment |
|-------------|-------------------------|------------------------|--|--|--|--------------------------------|---------------------------|-----------------------------|
| | | Transbay State Parcels | Zone 1 - Candlestick Point Tax Increment | Federal Office Building Negative Revenue | YBC Inflation Payments on Base-Year AV | South of Market 33676 Payments | County Administration Fee | |
| 2014/15 | 150,474,546 | 1,726,587 | 125,709 | 47,523 | 223,501 | 53,330 | 25,581 | 148,272,315 |
| 2015/16 | 153,520,675 | 1,761,119 | 125,709 | 47,523 | 241,962 | 56,062 | 26,099 | 151,262,201 |
| 2016/17 | 156,627,727 | 1,793,116 | 125,709 | 47,523 | 260,793 | 58,848 | 26,627 | 154,315,110 |
| 2017/18 | 159,796,919 | 1,825,783 | 125,709 | 47,523 | 280,001 | 61,690 | 27,165 | 157,429,047 |
| 2018/19 | 163,029,496 | 1,859,132 | 125,709 | 47,523 | 299,592 | 64,589 | 27,715 | 160,605,235 |
| 2019/20 | 166,326,724 | 1,893,175 | 125,709 | 47,523 | 319,576 | 67,546 | 28,276 | 163,844,919 |
| 2020/21 | 169,689,896 | 1,927,926 | 125,709 | 47,523 | 339,959 | 70,562 | 28,847 | 167,149,370 |
| 2021/22 | 173,120,332 | 1,963,397 | 125,709 | 47,523 | 360,749 | 73,638 | 29,430 | 170,519,885 |
| 2022/23 | 176,619,377 | 1,999,603 | 125,709 | 47,523 | 381,956 | 76,776 | 30,025 | 173,957,784 |
| 2023/24 | 180,188,402 | 2,036,557 | 125,709 | 47,523 | 403,587 | 79,976 | 30,632 | 177,464,418 |
| 2024/25 | 183,828,808 | 2,074,273 | 125,709 | 47,523 | 425,650 | 83,241 | 31,251 | 181,041,161 |
| 2025/26 | 187,542,022 | 2,112,767 | 125,709 | 47,523 | 448,155 | 86,571 | 31,882 | 184,689,415 |
| 2026/27 | 191,329,501 | 2,152,052 | 125,709 | 47,523 | 471,109 | 89,967 | 32,526 | 188,410,613 |
| 2027/28 | 195,192,729 | 2,192,145 | 125,709 | 47,523 | 494,523 | 93,431 | 33,183 | 192,206,214 |
| 2028/29 | 199,133,221 | 2,233,060 | 125,709 | 47,523 | 518,405 | 96,965 | 33,853 | 196,077,706 |
| 2029/30 | 203,152,524 | 2,274,813 | 125,709 | 47,523 | 542,765 | 100,569 | 34,536 | 200,026,608 |
| 2030/31 | 199,836,600 | 2,317,422 | 125,709 | 47,523 | 567,612 | 0 | 33,972 | 196,744,362 |
| 2031/32 | 203,851,006 | 2,360,901 | 125,709 | 47,523 | 592,956 | 0 | 34,655 | 200,689,262 |
| 2032/33 | 207,945,700 | 2,405,268 | 125,709 | 47,523 | 618,806 | 0 | 35,351 | 204,713,043 |
| 2033/34 | 212,122,288 | 2,450,540 | 125,709 | 47,523 | 645,174 | 0 | 36,061 | 208,817,281 |
| 2034/35 | 216,382,408 | 2,496,735 | 125,709 | 47,523 | 672,069 | 0 | 36,785 | 213,003,586 |
| 2035/36 | 220,516,299 | 2,543,871 | 125,709 | 47,523 | 699,502 | 0 | 37,488 | 217,062,206 |
| 2036/37 | 224,943,480 | 2,588,995 | 125,709 | 47,523 | 727,484 | 0 | 38,240 | 221,415,528 |
| 2037/38 | 229,459,205 | 2,635,056 | 125,709 | 47,523 | 756,025 | 0 | 39,008 | 225,855,884 |
| 2038/39 | 234,065,244 | 2,682,069 | 125,709 | 47,523 | 785,137 | 0 | 39,791 | 230,385,015 |
| 2039/40 | 238,763,404 | 2,730,053 | 125,709 | 47,523 | 814,831 | 0 | 40,590 | 235,004,697 |
| 2040/41 | 243,555,528 | 2,779,028 | 125,709 | 47,523 | 845,119 | 0 | 41,404 | 239,716,743 |
| 2041/42 | 248,443,493 | 2,829,011 | 125,709 | 47,523 | 876,013 | 0 | 42,235 | 244,523,001 |
| 2042/43 | 253,429,218 | 2,880,023 | 125,709 | 0 | 907,525 | 0 | 43,083 | 249,472,878 |
| 2043/44 | 258,514,658 | 2,932,082 | 125,709 | 0 | 939,667 | 0 | 43,947 | 254,473,252 |
| Total | 6,001,401,429 | 68,456,558 | 3,771,271 | 1,330,655 | 16,460,203 | 1,213,762 | 1,020,238 | 5,909,148,742 |

1. Inflated at an annual rate of 2% for land and improvements and zero percent for personal property. The last date to receive tax increment in certain plans results in the termination of tax increment prior to end of the projection period; these plans are the South of Market Original Area (6/11/2030) and the South of Market Western Expansion Area (12/16/2035, prior to the first tax increment distribution for FY 2034-35).

Source Urban Analytics

APPENDIX – PROJECT AREA DETAIL

BAYVIEW HUNTERS POINT AREA B

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
Bayview Hunters Point Area B

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|------------------|------------------|------------------|------------------|------------------|
| Existing Properties: | | | | | |
| Real Property | 1,438,256 | 1,549,542 | 1,611,588 | 1,663,517 | 1,690,294 |
| SBE Rolls | 3,501 | 1,477 | 1,477 | 1,011 | 1,011 |
| Total Secured Assessed Value | 1,441,758 | 1,551,019 | 1,613,065 | 1,664,528 | 1,691,305 |
| Unsecured Assessed Value | 145,232 | 140,066 | 122,357 | 131,987 | 129,309 |
| Total Assessed Value | 1,586,990 | 1,691,085 | 1,735,421 | 1,796,514 | 1,820,614 |
| Base Year Values: | | | | | |
| Secured | 1,018,987 | 1,018,987 | 1,018,987 | 1,018,987 | 1,018,987 |
| Unsecured | 146,241 | 146,241 | 146,241 | 146,241 | 146,241 |
| Increase Over Base Year Values: | | | | | |
| Secured | 422,771 | 532,032 | 594,078 | 645,541 | 672,318 |
| Unsecured | (1,009) | (6,175) | (23,884) | (14,254) | (16,932) |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 4,245 | 5,320 | 5,941 | 6,455 | 6,723 |
| Unsecured Property | (10) | (62) | (239) | (143) | (169) |
| Gross Tax Increment Revenue | 4,234 | 5,258 | 5,702 | 6,313 | 6,554 |
| Less Candlestick Site Revenue (3) | 226 | 327 | 332 | 332 | 126 |
| Less AB1290 Passthrough Obligation (4) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 4,008 | 4,931 | 5,370 | 5,981 | 6,428 |
| Delinquency Rate (5) | 2.2% | 2.5% | 0.4% | N/A | N/A |

(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.

(3) Revenue from the Candlestick Site portion of the Project Area is not available to pay debt service or replenish any reserve account for parity debt after 2009. The Candlestick Site includes an estimated \$12.6 million in assessed valuation or approximately \$126,000 in gross property tax revenue, a portion of which is Allocable Tax Revenue.

(4) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(5) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the Bayview Hunters Point Area B Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-------------------------|---------------|----------------------|-------------------|
| Commercial | \$ 176,579,146 | 10.4% | 204 | 5.5% |
| Industrial | 724,216,654 | 42.8% | 550 | 14.9% |
| <i>Residential</i> | | | | |
| Condominiums | 103,197,630 | 6.1% | 329 | 8.9% |
| Other Residential | 480,906,529 | 28.5% | 1,718 | 46.6% |
| Vacant | 93,680,173 | 5.5% | 449 | 12.2% |
| Other | 111,713,990 | 6.6% | 438 | 11.9% |
| Total | \$ 1,690,294,122 | 100.0% | 3,688 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment. The Candlestick Site has no secured valuation.

Source: County Assessor, Urban Analytics

Assessment Appeals in the Bayview Hunters Point Area B Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 39 | 145,385,855 | 78,102,781 | 143,947,685 | 99.01% |
| 2013-14 | Pending | 24 | 235,663,356 | 82,605,177 | TBD | - |
| 2012-13 | Resolved | 72 | 218,456,966 | 130,727,546 | 212,992,201 | 97.50% |
| 2012-13 | Pending | 13 | 220,549,436 | 104,822,473 | TBD | - |
| 2011-12 | Resolved | 79 | 199,519,746 | 99,626,281 | 194,107,540 | 97.29% |
| 2011-12 | Pending | 2 | 105,850,912 | 79,388,183 | TBD | - |
| 2010-11 | Resolved | 114 | 202,598,370 | 112,026,627 | 176,595,114 | 87.17% |
| 2010-11 | Pending | 2 | 102,587,343 | 51,293,702 | TBD | - |
| 2009-10 | Resolved | 99 | 155,636,322 | 78,645,121 | 151,482,151 | 97.33% |
| 2009-10 | Pending | - | - | - | - | - |
| 2008-09 | Resolved | 36 | 81,466,433 | 32,797,745 | 80,720,538 | 99.08% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 439 | 1,003,063,692 | 531,926,101 | 959,845,229 | 95.69% |
| All Years | Pending | 41 | 664,651,047 | 318,109,535 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 28,637,460

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
San Francisco Redevelopment Agency
Bayview Hunters Point Area B

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|---|----------------------|--------------------------------|------------|
| 200 PAUL LLC * (1: 2013-14, 2: 2012-13, 2: 2011-12, 2: 2010-11) | 125,144,598 | 6.9% | Industrial |
| LOWES HIW INC * (1: 2013-14, 1: 2012-13) | 45,097,701 | 2.5% | Commercial |
| NEW JAMESTOWN LP | 36,311,400 | 2.0% | Industrial |
| MARIN STREET REALTY LLC | 32,214,391 | 1.8% | Industrial |
| HEARST CORPORATION THE * (3: 2013-14, 3: 2012-13) | 31,991,193 | 1.8% | Industrial |
| JMDH REAL ESTATE OF SF LLC | 21,673,442 | 1.2% | Commercial |
| TWENTY-SIX SAC SELF-STORAGE LP | 20,405,646 | 1.1% | Industrial |
| WCOT EXTRA SPACE WEST TWO CESA | 15,365,141 | 0.8% | Industrial |
| A100 US LLC | 15,202,545 | 0.8% | Industrial |
| LEGALLET PROPERTIES LLC | 13,850,789 | 0.8% | Industrial |
| Total, Ten Largest: | 357,256,846 | 19.6% | |
| All Other | 1,463,357,307 | 80.4% | |
| Total for the Area: | 1,820,614,153 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>54.5%</i> | |

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

Source: County Assessor; Urban Analytics

GOLDEN GATEWAY

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
Golden Gateway (Embarcadero-Lower Market)

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|------------------|------------------|------------------|------------------|------------------|
| Existing Properties: | | | | | |
| Real Property | 2,260,718 | 2,276,930 | 2,342,550 | 2,396,223 | 2,407,198 |
| SBE Rolls | 131 | - | 152 | 178 | 178 |
| Total Secured Assessed Value | 2,260,849 | 2,276,930 | 2,342,702 | 2,396,400 | 2,407,376 |
| Unsecured Assessed Value | 355,807 | 357,194 | 330,529 | 348,958 | 412,936 |
| Total Assessed Value | 2,616,656 | 2,634,124 | 2,673,231 | 2,745,359 | 2,820,312 |
| Base Year Values: | | | | | |
| Secured | 18,824 | 18,824 | 18,824 | 18,824 | 18,824 |
| Unsecured | 2,348 | 2,348 | 2,348 | 2,348 | 2,348 |
| Increase Over Base Year Values: | | | | | |
| Secured | 2,242,025 | 2,258,106 | 2,323,878 | 2,377,576 | 2,388,552 |
| Unsecured | 353,459 | 354,846 | 328,181 | 346,610 | 410,588 |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 22,510 | 22,581 | 23,239 | 23,776 | 23,886 |
| Unsecured Property | 3,549 | 3,563 | 3,282 | 3,466 | 4,106 |
| Gross Tax Increment Revenue | 26,059 | 26,144 | 26,521 | 27,242 | 27,991 |
| Less AB1290 Passthrough Obligation (3) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 26,059 | 26,144 | 26,521 | 27,242 | 27,991 |
| Delinquency Rate (4) | 0.0% | 0.0% | 0.1% | N/A | N/A |

(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.

(3) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the Golden Gateway (Embarcadero-Lower Market) Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-------------------------|---------------|----------------------|-------------------|
| Commercial | \$ 2,155,056,880 | 89.5% | 20 | 10.7% |
| <i>Residential</i> | | | | |
| Condominiums | 170,063,005 | 7.1% | 154 | 82.4% |
| Other Residential | 76,192,566 | 3.2% | 3 | 1.6% |
| Vacant | 4,707,486 | 0.2% | 6 | 3.2% |
| Other | 1,178,556 | 0.0% | 4 | 2.1% |
| Total | \$ 2,407,198,493 | 100.0% | 187 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the Golden Gateway (Embarcadero-Lower Market) Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 2 | 2,331,597 | 1,680,000 | 2,256,597 | 96.78% |
| 2013-14 | Pending | 7 | 759,407,289 | 490,594,000 | TBD | - |
| 2012-13 | Resolved | 15 | 577,863,421 | 421,982,500 | 577,723,939 | 99.98% |
| 2012-13 | Pending | 1 | 210,795,802 | 96,799,542 | TBD | - |
| 2011-12 | Resolved | 16 | 1,062,973,565 | 666,421,879 | 1,062,141,701 | 99.92% |
| 2011-12 | Pending | - | - | - | - | - |
| 2010-11 | Resolved | 22 | 2,081,585,076 | 1,468,464,846 | 1,891,588,222 | 90.87% |
| 2010-11 | Pending | - | - | - | - | - |
| 2009-10 | Resolved | 10 | 285,998,708 | 149,077,000 | 244,276,656 | 85.41% |
| 2009-10 | Pending | - | - | - | - | - |
| 2008-09 | Resolved | 11 | 218,737,403 | 175,117,000 | 218,737,403 | 100.00% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 76 | 4,229,489,770 | 2,882,743,225 | 3,996,724,518 | 94.50% |
| All Years | Pending | 8 | 970,203,091 | 587,393,542 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 53,394,045

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
 San Francisco Redevelopment Agency
 Golden Gateway (Embarcadero-Lower Market)

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|--|----------------------|--------------------------------|-----------|
| BOSTON PROPERTIES | 994,764,299 | 35.3% | Office |
| SHC EMBARCADERO LLC | 400,692,199 | 14.2% | Office |
| PPF OFF ONE MARITIME PLAZA LP * (3: 2013-14) | 382,105,646 | 13.5% | Office |
| SUNSTONE EC5 LLC * (1: 2013-14, 1: 2012-13) | 215,001,759 | 7.6% | Hotel |
| ARDEN REALTY LP * (3: 2013-14) | 162,119,074 | 5.7% | Office |
| GOLDEN GATEWAY CENTER SPE LLC | 76,178,994 | 2.7% | Apartment |
| MISSION & STEUART HOTEL PARTNE | 67,711,023 | 2.4% | Hotel |
| OMELVENY & MYERS | 23,421,760 | 0.8% | Office |
| BINGHAM MCCUTCHEN LLP | 17,999,920 | 0.6% | Office |
| PRICEWATERHOUSECOOPERS LLC | 15,626,063 | 0.6% | Office |
| Total, Ten Largest: | 2,355,620,737 | 83.5% | |
| All Other | 464,691,593 | 16.5% | |
| Total for the Area: | 2,820,312,330 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>84.2%</i> | |

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

Source: County Assessor; Urban Analytics

HUNTERS POINT

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
Hunters Point

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------------|----------------|----------------|----------------|----------------|
| Existing Properties: | | | | | |
| Real Property | 109,940 | 111,895 | 116,713 | 133,436 | 120,148 |
| SBE Rolls | 1,812 | - | - | - | - |
| Total Secured Assessed Value | 111,751 | 111,895 | 116,713 | 133,436 | 120,148 |
| Unsecured Assessed Value | 24 | 19 | 19 | 115 | 115 |
| Total Assessed Value | 111,775 | 111,914 | 116,732 | 133,551 | 120,263 |
| Base Year Values: | | | | | |
| Secured | 2,847 | 2,847 | 2,847 | 2,847 | 2,847 |
| Unsecured | - | - | - | - | - |
| Increase Over Base Year Values: | | | | | |
| Secured | 108,904 | 109,047 | 113,866 | 130,589 | 117,300 |
| Unsecured | 24 | 19 | 19 | 115 | 115 |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 1,093 | 1,090 | 1,139 | 1,306 | 1,173 |
| Unsecured Property | 0 | 0 | 0 | 1 | 1 |
| Gross Tax Increment Revenue | 1,094 | 1,091 | 1,139 | 1,307 | 1,174 |
| Less AB1290 Passthrough Obligation (3) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 1,094 | 1,091 | 1,139 | 1,307 | 1,174 |
| Delinquency Rate (4) | 0.6% | 0.6% | 0.9% | N/A | N/A |

(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.

(3) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the Hunters Point Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-----------------------|---------------|----------------------|-------------------|
| <i>Residential</i> | | | | |
| Condominiums | \$ 35,074,410 | 29.2% | 11 | 17.1% |
| Other Residential | 83,824,161 | 69.8% | 21 | 32.8% |
| Vacant | 393,407 | 0.3% | 33 | 50.0% |
| Unknown | 855,526 | 0.7% | 0 | 0.1% |
| Total | \$ 120,147,504 | 100.0% | 65 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the Hunters Point Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | - | - | - | - | - |
| 2013-14 | Pending | - | - | - | - | - |
| 2012-13 | Resolved | 3 | 1,529,812 | 1,090,000 | 1,479,812 | 96.73% |
| 2012-13 | Pending | - | - | - | - | - |
| 2011-12 | Resolved | 2 | 636,194 | 495,000 | 607,054 | 95.42% |
| 2011-12 | Pending | - | - | - | - | - |
| 2010-11 | Resolved | 3 | 984,718 | 1,072,000 | 885,667 | 89.94% |
| 2010-11 | Pending | - | - | - | - | - |
| 2009-10 | Resolved | 6 | 2,049,871 | 1,633,200 | 1,999,871 | 97.56% |
| 2009-10 | Pending | - | - | - | - | - |
| 2008-09 | Resolved | 2 | 1,341,300 | 955,000 | 1,341,300 | 100.00% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 16 | 6,541,895 | 5,245,200 | 6,313,704 | 96.51% |
| All Years | Pending | 0 | 0 | 0 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 0

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
 San Francisco Redevelopment Agency
 Hunters Point

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|--|----------------|--------------------------------|-------------------------|
| NORTHRIDGE COOPERATIVE HOMES | 32,367,268 | 26.9% | Residentintial Coop |
| UNITY HOMES INC | 1,842,393 | 1.5% | Residentintial Coop |
| MORTEZAIE LVG TRUST | 831,108 | 0.7% | Single-Family Residence |
| PRIVATE OWNER | 805,394 | 0.7% | Single-Family Residence |
| PRIVATE OWNER | 786,607 | 0.7% | Single-Family Residence |
| PRIVATE OWNER | 686,395 | 0.6% | Single-Family Residence |
| PRIVATE OWNER | 683,000 | 0.6% | Single-Family Residence |
| PRIVATE OWNER | 678,682 | 0.6% | Single-Family Residence |
| PRIVATE OWNER | 651,570 | 0.5% | Single-Family Residence |
| PRIVATE OWNER | 625,394 | 0.5% | Single-Family Residence |
| Total, Ten Largest: | 39,957,811 | 33.2% | |
| All Other | 80,304,689 | 66.8% | |
| Total for the Area: | 120,262,500 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>34.0%</i> | |

* Owner has appeals pending.

Source: County Assessor; Urban Analytics

INDIA BASIN

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
India Basin

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------------|----------------|----------------|----------------|----------------|
| Existing Properties: | | | | | |
| Real Property | 103,615 | 107,399 | 106,522 | 102,163 | 102,454 |
| SBE Rolls | 6,130 | - | - | - | - |
| Total Secured Assessed Value | 109,744 | 107,399 | 106,522 | 102,163 | 102,454 |
| Unsecured Assessed Value | 20,318 | 22,259 | 22,951 | 23,252 | 22,612 |
| Total Assessed Value | 130,062 | 129,658 | 129,474 | 125,414 | 125,066 |
| Base Year Values: | | | | | |
| Secured | 12,575 | 12,575 | 12,575 | 12,575 | 12,575 |
| Unsecured | 1,116 | 1,116 | 1,116 | 1,116 | 1,116 |
| Increase Over Base Year Values: | | | | | |
| Secured | 97,169 | 94,824 | 93,947 | 89,587 | 89,879 |
| Unsecured | 19,202 | 21,144 | 21,836 | 22,136 | 21,496 |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 976 | 948 | 939 | 896 | 899 |
| Unsecured Property | 193 | 212 | 218 | 221 | 215 |
| Gross Tax Increment Revenue | 1,168 | 1,161 | 1,158 | 1,117 | 1,114 |
| Less AB1290 Passthrough Obligation (3) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 1,168 | 1,161 | 1,158 | 1,117 | 1,114 |
| Delinquency Rate (4) | 9.5% | 7.0% | 10.7% | N/A | N/A |

(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.

(3) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the India Basin Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------|-----------------------|---------------|----------------------|-------------------|
| Commercial | \$ 32,271,949 | 31.5% | 27 | 28.4% |
| Industrial | 63,356,210 | 61.8% | 51 | 53.7% |
| Vacant | 6,825,920 | 6.7% | 14 | 14.7% |
| Other | - | 0.0% | 3 | 3.2% |
| Total | \$ 102,454,079 | 100.0% | 95 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the India Basin Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | - | - | - | - | - |
| 2013-14 | Pending | 3 | 18,031,335 | 10,257,594 | TBD | - |
| 2012-13 | Resolved | 2 | 11,313,010 | 5,723,132 | 10,762,037 | 95.13% |
| 2012-13 | Pending | - | - | - | - | - |
| 2011-12 | Resolved | 11 | 19,743,448 | 10,790,995 | 19,204,454 | 97.27% |
| 2011-12 | Pending | - | - | - | - | - |
| 2010-11 | Resolved | 10 | 17,487,483 | 10,084,599 | 15,039,263 | 86.00% |
| 2010-11 | Pending | - | - | - | - | - |
| 2009-10 | Resolved | 3 | 13,758,333 | 7,674,046 | 13,758,333 | 100.00% |
| 2009-10 | Pending | - | - | - | - | - |
| 2008-09 | Resolved | 2 | 13,196,433 | 8,260,438 | 13,196,433 | 100.00% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 28 | 75,498,707 | 42,533,210 | 71,960,520 | 95.31% |
| All Years | Pending | 3 | 18,031,335 | 10,257,594 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 845,024

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
 San Francisco Redevelopment Agency
 India Basin

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|--|--------------------|--------------------------------|----------------------|
| WHITE CAP CONSTR SUPPLY INC * (1: 2013-14) | 8,875,388 | 7.1% | Industrial warehouse |
| MISSION-TAYLOR PROPERTIES | 8,872,523 | 7.1% | Industrial |
| DONALD J BRUZZONE TR | 7,664,663 | 6.1% | Industrial |
| PLANT CONSTRUCTION COMPANY | 6,742,988 | 5.4% | Industrial |
| ARRIAZA RAUL & DENISE * (1: 2013-14) | 6,521,537 | 5.2% | Industrial |
| SAN FRANCISCO NEWSPAPER PRINTI | 6,264,269 | 5.0% | Industrial |
| BRUCE & VIVIAN WEITZMAN TRUST | 3,914,432 | 3.1% | Commercial stores |
| HD SUPPLY CONSTRUCTION SUPPLY | 3,836,678 | 3.1% | Industrial |
| KARREN FRED L & BETH D REV TR | 3,679,676 | 2.9% | Commercial stores |
| FILLMORE & BARBARA MARKS 1992 | 3,543,889 | 2.8% | Industrial |
| Total, Ten Largest: | 59,916,043 | 47.9% | |
| All Other | 65,149,670 | 52.1% | |
| Total for the Area: | 125,065,713 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>53.8%</i> | |

* Owner has appeals pending.

Source: County Assessor; Urban Analytics

RINCON POINT-SOUTH BEACH

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
Rincon Point - South Beach

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|------------------|------------------|------------------|------------------|------------------|
| Existing Properties: | | | | | |
| Real Property | 1,623,301 | 1,626,549 | 1,647,537 | 1,663,387 | 1,820,172 |
| SBE Rolls | 10,250 | 908 | 908 | 908 | 908 |
| Total Secured Assessed Value | 1,633,550 | 1,627,456 | 1,648,445 | 1,664,295 | 1,821,079 |
| Unsecured Assessed Value | 248,367 | 238,751 | 282,839 | 296,111 | 513,231 |
| Total Assessed Value | 1,881,917 | 1,866,207 | 1,931,284 | 1,960,405 | 2,334,311 |
| Base Year Values: | | | | | |
| Secured | 11,572 | 11,572 | 11,572 | 11,572 | 11,572 |
| Unsecured | 6,520 | 6,520 | 6,520 | 6,520 | 6,520 |
| Increase Over Base Year Values: | | | | | |
| Secured | 1,621,978 | 1,615,884 | 1,636,873 | 1,652,722 | 1,809,507 |
| Unsecured | 241,846 | 232,231 | 276,319 | 289,590 | 506,711 |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 16,285 | 16,159 | 16,369 | 16,527 | 18,095 |
| Unsecured Property | 2,428 | 2,332 | 2,763 | 2,896 | 5,067 |
| Gross Tax Increment Revenue | 18,713 | 18,490 | 19,132 | 19,423 | 23,162 |
| Less AB1290 Passthrough Obligation (3) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 18,713 | 18,490 | 19,132 | 19,423 | 23,162 |
| Delinquency Rate (3) | N/A | N/A | N/A | N/A | N/A |

(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.

(3) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the Rincon Point - South Beach Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-------------------------|---------------|----------------------|-------------------|
| Commercial | \$ 544,406,263 | 29.9% | 16 | 1.7% |
| <i>Residential</i> | | | | |
| Condominiums | 879,922,828 | 48.3% | 840 | 89.6% |
| Other Residential | 338,452,792 | 18.6% | 9 | 1.0% |
| Vacant | - | 0.0% | 12 | 1.3% |
| Other | 57,389,751 | 3.2% | 60 | 6.4% |
| Total | \$ 1,820,171,634 | 100.0% | 937 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the Rincon Point - South Beach Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 14 | 15,879,029 | 10,485,000 | 15,853,029 | 99.84% |
| 2013-14 | Pending | 7 | 521,513,389 | 384,003,748 | TBD | - |
| 2012-13 | Resolved | 47 | 362,895,507 | 268,057,192 | 361,011,821 | 99.48% |
| 2012-13 | Pending | 2 | 349,874,828 | 200,537,809 | TBD | - |
| 2011-12 | Resolved | 52 | 474,909,740 | 309,910,121 | 471,132,903 | 99.20% |
| 2011-12 | Pending | 1 | 149,531,660 | 65,004,384 | TBD | - |
| 2010-11 | Resolved | 42 | 447,264,897 | 235,128,648 | 442,596,867 | 98.96% |
| 2010-11 | Pending | 1 | 148,409,754 | 50,000,000 | TBD | - |
| 2009-10 | Resolved | 72 | 660,023,293 | 315,236,326 | 655,184,735 | 99.27% |
| 2009-10 | Pending | 1 | 148,762,321 | 50,000,000 | TBD | - |
| 2008-09 | Resolved | 23 | 65,899,702 | 54,139,758 | 65,899,702 | 100.00% |
| 2008-09 | Pending | - | - | - | TBD | - |
| All Years | Resolved | 250 | 2,026,872,168 | 1,192,957,045 | 2,011,679,057 | 99.25% |
| All Years | Pending | 12 | 1,318,091,952 | 749,545,941 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 9,880,207

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
 San Francisco Redevelopment Agency
 Rincon Point - South Beach

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|--|----------------------|--------------------------------|--------------------|
| CHINA BASIN BALLPARK CO | 457,199,979 | 19.6% | Sports Facility |
| HUDSON RINCON CENTER LLC * (2: 2013-14) | 275,014,722 | 11.8% | Office/Retail |
| THE GAP | 217,407,600 | 9.3% | Office |
| BAYSIDE VILLAGE ASSOCIATES | 132,735,310 | 5.7% | Apartments |
| SOUTH BEACH MARINA INC | 104,313,884 | 4.5% | Apartments |
| CP III RINCON TOWERS INC * (1 each: 2010-11 through 2013-14) | 99,768,457 | 4.3% | Apartments |
| EMBARCADERO TRIANGLE ASSOCIATE | 47,402,331 | 2.0% | Apartments |
| AP 188 EMBARCADERO OWNER LLC | 31,358,133 | 1.3% | Office |
| AMERICAN INTERNATIONAL FACILIT | 12,057,957 | 0.5% | Unsecured Property |
| PRIVATE OWNER | 8,576,874 | 0.4% | Condominium |
| Total, Ten Largest: | 1,385,835,247 | 59.4% | |
| All Other | 948,475,342 | 40.6% | |
| Total for the Area: | 2,334,310,589 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>59.8%</i> | |

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

Source: County Assessor; Urban Analytics

SOUTH OF MARKET

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
South of Market

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|----------|----------|----------|----------|----------|
| Existing Properties: | | | | | |
| Real Property | 520,827 | 516,632 | 548,367 | 582,573 | 627,685 |
| SBE Rolls | - | - | - | - | - |
| Total Secured Assessed Value | 520,827 | 516,632 | 548,367 | 582,573 | 627,685 |
| Unsecured Assessed Value | 9,804 | 17,883 | 10,491 | 15,441 | 17,256 |
| Total Assessed Value | 530,631 | 534,515 | 558,859 | 598,014 | 644,941 |
| Base Year Values: | | | | | |
| Secured | 100,173 | 100,173 | 100,173 | 100,173 | 100,173 |
| Unsecured | 17,773 | 17,773 | 17,773 | 17,773 | 17,773 |
| Increase Over Base Year Values: | | | | | |
| Secured | 420,654 | 416,459 | 448,194 | 482,400 | 527,513 |
| Unsecured | (7,969) | 110 | (7,282) | (2,332) | (517) |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 4,223 | 4,165 | 4,482 | 4,824 | 5,275 |
| Unsecured Property | (80) | 1 | (73) | (23) | (5) |
| Gross Tax Increment Revenue | 4,143 | 4,166 | 4,409 | 4,801 | 5,270 |
| Less 33676 (2%) Payment to Schools (3) | 57 | 61 | 64 | 68 | 53 |
| Less AB1290 Passthrough Obligation (4) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 4,086 | 4,105 | 4,345 | 4,733 | 5,217 |
| Delinquency Rate (5) | 5.5% | 2.2% | 5.3% | N/A | N/A |

(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.

(3) Portion of revenue potentially allocable to school districts under former H&SC Section 33676 and Santa Ana decision. Calculation adjusted in FY 2014-15 to conform to Controller's methodology.

(4) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(5) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the South of Market Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-----------------------|---------------|----------------------|-------------------|
| Commercial | \$ 106,572,548 | 17.0% | 88 | 11.1% |
| Industrial | 92,852,016 | 14.8% | 125 | 15.8% |
| <i>Residential</i> | | | | |
| Condominiums | 214,635,591 | 34.2% | 389 | 49.2% |
| Other Residential | 171,490,698 | 27.3% | 123 | 15.6% |
| Vacant | 15,711,828 | 2.5% | 35 | 4.4% |
| Other | 26,422,726 | 4.2% | 30 | 3.8% |
| Total | \$ 627,685,407 | 100.0% | 790 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the South of Market Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 4 | 5,655,425 | 4,051,676 | 5,655,425 | 100.00% |
| 2013-14 | Pending | 5 | 14,233,214 | 9,550,000 | TBD | - |
| 2012-13 | Resolved | 21 | 31,742,270 | 15,156,330 | 31,380,908 | 98.86% |
| 2012-13 | Pending | 2 | 5,397,785 | 3,400,000 | TBD | - |
| 2011-12 | Resolved | 25 | 62,985,289 | 40,791,371 | 60,560,501 | 96.15% |
| 2011-12 | Pending | - | - | - | - | - |
| 2010-11 | Resolved | 17 | 61,063,553 | 40,638,295 | 58,682,500 | 96.10% |
| 2010-11 | Pending | - | - | - | - | - |
| 2009-10 | Resolved | 40 | 101,859,530 | 65,711,405 | 93,441,257 | 91.74% |
| 2009-10 | Pending | - | - | - | - | - |
| 2008-09 | Resolved | 4 | 5,155,958 | 3,751,000 | 5,155,958 | 100.00% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 111 | 268,462,025 | 170,100,077 | 254,876,549 | 94.94% |
| All Years | Pending | 7 | 19,630,999 | 12,950,000 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 993,423

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
 San Francisco Redevelopment Agency
 South of Market

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|--|--------------------|--------------------------------|-------------------|
| ESSEX SF OWNER LP | 62,888,410 | 9.8% | Hotel |
| 1045 MISSION L P | 32,854,718 | 5.1% | Apartment/Retail |
| HOTEL GRAND SOUTHERN LP | 11,744,310 | 1.8% | Hotel/Retail |
| APIC HOTEL AMERICANIA LLC | 10,289,240 | 1.6% | Motel |
| 5TH GP LLC | 10,214,175 | 1.6% | Mixed Use |
| PRIVATE OWNER * (1: 2013-14) | 6,727,540 | 1.0% | Apartment |
| HEARST CORPORATION THE | 6,103,581 | 0.9% | Industrial/Vacant |
| DP HARRISON LLC | 5,759,705 | 0.9% | Office |
| 32-40 6TH STREET LLC | 5,507,061 | 0.9% | Hotel |
| 505 CYPRESS AVENUE LLC | 5,464,682 | 0.8% | Hotel |
| Total, Ten Largest: | 157,553,422 | 24.4% | |
| All Other | 487,387,622 | 75.6% | |
| Total for the Area: | 644,941,044 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>29.9%</i> | |

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

Source: County Assessor; Urban Analytics

TRANSBAY

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
Transbay Terminal

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|-----------|-----------|-----------|-----------|-----------|
| Existing Properties: | | | | | |
| Real Property | 1,973,536 | 1,987,058 | 2,229,783 | 2,376,050 | 3,002,782 |
| SBE Rolls | - | - | - | - | - |
| Total Secured Assessed Value | 1,973,536 | 1,987,058 | 2,229,783 | 2,376,050 | 3,002,782 |
| Unsecured Assessed Value | 245,834 | 235,238 | 316,799 | 294,275 | 294,143 |
| Total Assessed Value | 2,219,369 | 2,222,296 | 2,546,582 | 2,670,324 | 3,296,925 |
| Base Year Values: | | | | | |
| Secured | 770,731 | 770,731 | 770,731 | 770,731 | 770,731 |
| Unsecured | 110,122 | 110,122 | 110,122 | 110,122 | 110,122 |
| Increase Over Base Year Values: | | | | | |
| Secured | 1,202,805 | 1,216,327 | 1,459,052 | 1,605,319 | 2,232,051 |
| Unsecured | 135,711 | 125,116 | 206,676 | 184,152 | 184,021 |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 12,076 | 12,163 | 14,591 | 16,053 | 22,321 |
| Unsecured Property | 1,363 | 1,256 | 2,067 | 1,842 | 1,840 |
| Gross Tax Increment Revenue | 13,439 | 13,419 | 16,657 | 17,895 | 24,161 |
| Less: Transbay State Parcel TI (3) | - | - | - | - | 1,727 |
| Less AB1290 Passthrough Obligation (4) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 13,439 | 13,419 | 16,657 | 17,895 | 22,434 |
| Delinquency Rate (5) | 1.9% | 0.8% | 3.0% | N/A | N/A |

(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.

(3) Revenue from parcels identified in the Transbay Terminal Cooperative Agreement as as State-owned Parcels are not available for debt service on existing Agency bonds.

(4) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(5) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the Transbay Terminal Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-------------------------|---------------|----------------------|-------------------|
| Commercial | \$ 1,856,409,578 | 61.8% | 36 | 6.0% |
| Industrial | 25,042,028 | 0.8% | 24 | 4.0% |
| <i>Residential</i> | | | | |
| Condominiums | 812,727,532 | 27.1% | 497 | 82.6% |
| Other Residential | 4,154,290 | 0.1% | 3 | 0.5% |
| Vacant | 302,783,373 | 10.1% | 32 | 5.3% |
| Other | 1,664,905 | 0.1% | 10 | 1.7% |
| Total | \$ 3,002,781,707 | 100.0% | 602 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the Transbay Terminal Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 1 | 926,630 | 841,500 | 926,630 | 100.00% |
| 2013-14 | Pending | 7 | 341,667,081 | 180,810,000 | TBD | - |
| 2012-13 | Resolved | 11 | 190,496,172 | 102,259,840 | 190,215,812 | 99.85% |
| 2012-13 | Pending | 1 | 153,972,069 | 77,000,000 | TBD | - |
| 2011-12 | Resolved | 14 | 695,147,718 | 331,598,940 | 695,147,718 | 100.00% |
| 2011-12 | Pending | 1 | 248,532,045 | 185,024,449 | TBD | - |
| 2010-11 | Resolved | 16 | 844,244,183 | 435,701,600 | 787,349,494 | 93.26% |
| 2010-11 | Pending | 1 | 246,663,990 | 175,013,670 | TBD | - |
| 2009-10 | Resolved | 15 | 732,121,826 | 318,138,763 | 664,922,813 | 90.82% |
| 2009-10 | Pending | 1 | 247,236,270 | 194,000,000 | TBD | - |
| 2008-09 | Resolved | 2 | 356,364,342 | 121,505,000 | 356,364,342 | 100.00% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 59 | 2,819,300,871 | 1,310,045,643 | 2,694,926,809 | 95.59% |
| All Years | Pending | 11 | 1,238,071,455 | 811,848,119 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 54,617,788

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
San Francisco Redevelopment Agency
Transbay Terminal

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|---|----------------------|--------------------------------|----------|
| UNION INVESTMENT REAL ESTATE G | 457,497,651 | 13.9% | Office |
| 405 HOWARD LLC * (1: 2011-12, 1: 2010-11) | 259,721,103 | 7.9% | Office |
| 400 HOWARD STREET LLC | 243,862,130 | 7.4% | Office |
| TRANSBAY TOWER LLC ** | 192,687,042 | 5.8% | Office |
| HART FOUNDRY SQUARE IV LLC | 167,703,699 | 5.1% | Office |
| GLL BIT FREMONT ST PARTNERS LP | 163,327,278 | 5.0% | Office |
| RESNICK IN SAN FRANCISCO LLC * (1: 2013-14, 1: 2012-13) | 157,764,521 | 4.8% | Office |
| EQUITY OFFICE PROPERTIES-CA 20 | 133,561,897 | 4.1% | Office |
| BLACKROCK INSTITUTIONAL TRUST | 112,398,644 | 3.4% | Office |
| W2007 HWD REALTY LLC * (1: 2013-14) | 108,243,430 | 3.3% | Office |
| Total, Ten Largest: | 1,996,767,395 | 60.6% | |
| All Other | 1,300,157,572 | 39.4% | |
| Total for the Area: | 3,296,924,967 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>82.6%</i> | |

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

** Tax increment from this property is excluded from pledged revenue.

Source: County Assessor; Urban Analytics

WESTERN ADDITION A-2

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
Western Addition

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|------------------|------------------|------------------|------------------|------------------|
| Existing Properties: | | | | | |
| Real Property | 1,877,572 | 1,896,416 | 1,933,873 | 2,030,801 | 2,113,061 |
| SBE Rolls | 11,856 | - | - | - | - |
| Total Secured Assessed Value | 1,889,428 | 1,896,416 | 1,933,873 | 2,030,801 | 2,113,061 |
| Unsecured Assessed Value | 39,721 | 48,917 | 47,679 | 50,175 | 56,031 |
| Total Assessed Value | 1,929,149 | 1,945,333 | 1,981,552 | 2,080,976 | 2,169,091 |
| Base Year Values: | | | | | |
| Secured | 46,390 | 46,390 | 46,390 | 46,390 | 46,390 |
| Unsecured | 14,850 | 14,850 | 14,850 | 14,850 | 14,850 |
| Increase Over Base Year Values: | | | | | |
| Secured | 1,843,038 | 1,850,026 | 1,887,483 | 1,984,411 | 2,066,671 |
| Unsecured | 24,871 | 34,068 | 32,829 | 35,325 | 41,181 |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 18,504 | 18,500 | 18,875 | 19,844 | 20,667 |
| Unsecured Property | 250 | 342 | 328 | 353 | 412 |
| Gross Tax Increment Revenue | 18,754 | 18,842 | 19,203 | 20,197 | 21,079 |
| Less AB1290 Passthrough Obligation (3) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 18,754 | 18,842 | 19,203 | 20,197 | 21,079 |
| Delinquency Rate (4) | 1.3% | 1.4% | 4.5% | N/A | N/A |

(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.

(3) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(4) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the Western Addition Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-------------------------|---------------|----------------------|-------------------|
| Commercial | \$ 454,919,959 | 21.5% | 1,390 | 36.5% |
| Industrial | 1,858,011 | 0.1% | 1 | 0.0% |
| <i>Residential</i> | | | | |
| Condominiums | 875,809,558 | 41.4% | 1,939 | 51.0% |
| Other Residential | 604,803,278 | 28.6% | 370 | 9.7% |
| Vacant | 12,382,129 | 0.6% | 39 | 1.0% |
| Other | 163,287,833 | 7.7% | 66 | 1.7% |
| Total | \$ 2,113,060,768 | 100.0% | 3,805 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the Western Addition Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 17 | 15,710,676 | 11,438,193 | 15,391,087 | 97.97% |
| 2013-14 | Pending | 8 | 119,461,147 | 83,979,892 | TBD | - |
| 2012-13 | Resolved | 51 | 68,348,820 | 49,163,866 | 66,901,128 | 97.88% |
| 2012-13 | Pending | 2 | 80,029,085 | 60,000,000 | TBD | - |
| 2011-12 | Resolved | 56 | 144,501,387 | 93,157,471 | 141,304,229 | 97.79% |
| 2011-12 | Pending | - | - | - | - | - |
| 2010-11 | Resolved | 123 | 397,706,342 | 287,373,036 | 394,818,497 | 99.27% |
| 2010-11 | Pending | 1 | 6,813,894 | 2,750,000 | 0 | - |
| 2009-10 | Resolved | 111 | 378,232,308 | 268,267,513 | 359,797,304 | 95.13% |
| 2009-10 | Pending | - | - | - | - | - |
| 2008-09 | Resolved | 14 | 115,213,387 | 41,439,000 | 115,027,475 | 99.84% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 372 | 1,119,712,920 | 750,839,079 | 1,093,239,720 | 97.64% |
| All Years | Pending | 11 | 206,304,126 | 146,729,892 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 4,877,617

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
San Francisco Redevelopment Agency
Western Addition

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|--|----------------------|--------------------------------|-------------------|
| FILLMORE CENTER ASSOCS LP | 256,244,045 | 11.8% | Apartments |
| CAL. PACIFIC MED CNTR (1101 Van Ness) * (2: 2013-14, 2: 2012-13) | 118,214,403 | 5.4% | Hotel and Office |
| 1550 SUTTER ASSOCIATES | 31,449,107 | 1.4% | Nursing Home |
| WEALTH PROP INC (1388 Sutter) | 23,145,746 | 1.1% | Office |
| DANIEL BURNHAM HOLDINGS LLC | 21,271,072 | 1.0% | Office and Retail |
| SFOC LLC (721 Van Ness) * (1: 2013-14) | 20,467,635 | 0.9% | Office |
| OPERA PLAZA | 19,639,967 | 0.9% | Office and Retail |
| YOUNG BROADCASTING OF SF INC | 18,391,305 | 0.8% | Office |
| SAN FRANCISCO CARE CENTER LP | 18,388,075 | 0.8% | Nursing Home |
| WCP I | 16,236,365 | 0.7% | Apartments |
| Total, Ten Largest: | 543,447,720 | 25.1% | |
| All Other | 1,625,643,650 | 74.9% | |
| Total for the Area: | 2,169,091,370 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>25.8%</i> | |

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

Source: County Assessor; Urban Analytics

YERBA BUENA CENTER

Property Taxable Values, Tax Revenues and Delinquency Rates
San Francisco Redevelopment Agency
Yerba Buena Center

| Assessed Values (1): | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|------------------|------------------|------------------|------------------|------------------|
| Existing Properties: | | | | | |
| Real Property | 2,990,883 | 3,151,432 | 3,127,957 | 3,170,402 | 3,401,967 |
| SBE Rolls | 157,403 | 272 | 272 | 272 | 272 |
| Total Secured Assessed Value | 3,148,286 | 3,151,704 | 3,128,228 | 3,170,674 | 3,402,238 |
| Unsecured Assessed Value | 574,360 | 607,789 | 636,101 | 682,023 | 717,379 |
| Total Assessed Value | 3,722,646 | 3,759,493 | 3,764,330 | 3,852,697 | 4,119,617 |
| Base Year Values: | | | | | |
| Secured | 114,464 | 114,464 | 114,464 | 114,464 | 114,464 |
| Unsecured | 8,151 | 8,151 | 8,151 | 8,151 | 8,151 |
| Increase Over Base Year Values: | | | | | |
| Secured | 3,033,822 | 3,037,240 | 3,013,765 | 3,056,210 | 3,287,774 |
| Unsecured | 566,210 | 599,638 | 627,951 | 673,873 | 709,228 |
| Tax Rates: | | | | | |
| Secured Tax Rate | 0.010040 | 0.010000 | 0.010000 | 0.010000 | 0.010000 |
| Unsecured Tax Rate | 0.010040 | 0.010040 | 0.010000 | 0.010000 | 0.010000 |
| Tax Increment Revenue (2): | | | | | |
| Secured Property | 30,460 | 30,372 | 30,138 | 30,562 | 32,878 |
| Unsecured Property | 5,685 | 6,020 | 6,280 | 6,739 | 7,092 |
| Gross Tax Increment Revenue | 36,144 | 36,393 | 36,417 | 37,301 | 39,970 |
| Less Senior Obligations (3) | 154 | 170 | 188 | 205 | 224 |
| Less AB1290 Passthrough Obligation (4) | - | - | - | - | - |
| Allocable Tax Increment Revenue | 35,991 | 36,223 | 36,229 | 37,095 | 39,747 |
| Delinquency Rate (5) | 0.1% | 0.2% | 2.5% | N/A | N/A |

(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.

(3) An amount equal to a two percent (2%) increase per annum on the base year assessed value of the Westfield multi-use commercial development in the Emporium Site Area added to the Yerba Buena Center Redevelopment Project Area is deducted from gross tax increment pursuant to a plan amendment dated August 3, 2000. The Emporium Site Area has a base year assessed value of \$69,957,924, which was the assessed value in FY 2000-01.

(4) No amount deducted to compute Allocable Tax Revenues, since AB1290 payments for this Project Area have been subordinated to the Loan Agreement and to Parity Prior Loan Agreements for this Project Area.

(5) The City currently advances 100% of Tax Revenues to the Agency notwithstanding the occurrence of delinquencies. Delinquency rates shown are calculated based on the delinquencies remaining as of the September or October following the close of the fiscal year. Payments made subsequently are not reflected in the rates.

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

Land Use in the Yerba Buena Center Project Area, FY 2014-15

| Land Use | Secured AV | Pct of AV | Number of Parcels | Pct of Parcels |
|--------------------|-------------------------|---------------|----------------------|-------------------|
| Commercial | \$ 1,907,822,512 | 56.1% | 51 | 6.6% |
| Industrial | 14,047,854 | 0.4% | 20 | 2.6% |
| <i>Residential</i> | | | | |
| Condominiums | 925,746,448 | 27.2% | 650 | 83.7% |
| Other Residential | 331,931,552 | 9.8% | 8 | 1.0% |
| Vacant | 1,409,506 | 0.0% | 11 | 1.4% |
| Other | 221,008,656 | 6.5% | 37 | 4.8% |
| Total | \$ 3,401,966,527 | 100.0% | 777 | 100.0% |

Notes:

Valuations include homeowner's exemptions, which is restored by the Auditor prior to the calculation of tax increment.

Source: County Assessor, Urban Analytics

Assessment Appeals in the Yerba Buena Center Project Area

| Roll Year | Status | Number of Appeals | County Valuation | Applicant Opinion of Value | Valuation After Appeal | Retention Rate * |
|-----------|----------|-------------------|------------------|----------------------------|------------------------|------------------|
| 2013-14 | Resolved | 5 | 8,539,249 | 5,550,000 | 7,603,058 | 89.04% |
| 2013-14 | Pending | 19 | 1,637,793,723 | 911,257,949 | TBD | - |
| 2012-13 | Resolved | 30 | 1,026,019,728 | 748,247,270 | 1,025,590,878 | 99.96% |
| 2012-13 | Pending | 3 | 291,478,079 | 139,110,488 | TBD | - |
| 2011-12 | Resolved | 41 | 802,627,013 | 419,619,535 | 697,452,787 | 86.90% |
| 2011-12 | Pending | 2 | 352,088,715 | 190,050,809 | TBD | - |
| 2010-11 | Resolved | 37 | 1,106,740,450 | 672,599,814 | 986,029,756 | 89.09% |
| 2010-11 | Pending | 1 | 180,334,440 | 61,683,575 | TBD | - |
| 2009-10 | Resolved | 43 | 1,909,812,780 | 944,080,448 | 1,785,815,201 | 93.51% |
| 2009-10 | Pending | - | - | - | - | - |
| 2008-09 | Resolved | 15 | 853,244,100 | 586,185,005 | 853,148,964 | 99.99% |
| 2008-09 | Pending | - | - | - | - | - |
| All Years | Resolved | 171 | 5,706,983,320 | 3,376,282,072 | 5,355,640,644 | 93.84% |
| All Years | Pending | 25 | 2,461,694,957 | 1,302,102,821 | TBD | - |

Potential exposure to reductions in valuation from pending appeals using retention rate: 151,550,906

* 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.

Source: San Francisco County Assessment Appeals Board. Data as of 9/24/2014.

Ten Largest Property Owners By Valuation, FY 2014-15
San Francisco Redevelopment Agency
Yerba Buena Center

| Property Owner | Assessed Value | Pct of Total Assessed Value | Land Use |
|---|----------------------|--------------------------------|-------------------|
| EMPORIUM MALL LLC * (3: 2013-14) | 709,270,226 | 17.2% | Commercial/Retail |
| MARRIOTT HOTEL | 443,232,573 | 10.8% | Hotel |
| KILROY REALTY LP | 206,732,058 | 5.0% | Office |
| ARCHSTONE SOUTH MARKET LLC | 185,647,993 | 4.5% | Apartments/Retail |
| HAWTHORNE PLAZA ASSOCS LLC * (2: 2013-14, 2: 2012-13) | 182,196,630 | 4.4% | Office |
| WSF MTGL8 LLC * (1: 2013-14, 1: 2011-12, 1: 2010-11) | 173,845,631 | 4.2% | Hotel |
| BXP FOLSOM-HAWTHORNE LLC | 169,168,355 | 4.1% | Office |
| THIRD & MISSION ASSOCS LLC | 143,890,797 | 3.5% | Apartments |
| S F MUSEUM TOWER LLC * (1: 2013-14) | 113,192,227 | 2.7% | Hotel |
| VII MP SAN FRANCISCO HOTEL OWN | 96,850,095 | 2.4% | Hotel |
| Total, Ten Largest: | 2,424,026,585 | 58.8% | |
| All Other | 1,695,590,355 | 41.2% | |
| Total for the Area: | 4,119,616,940 | 100.0% | |
| <i>Ten Largest as Pct of Incremental AV:</i> | | <i>60.6%</i> | |

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

Source: County Assessor; Urban Analytics

**PROJECTED NET AVAILABLE TAX INCREMENT
FOR THE PROJECT AREAS**

Projected Assessed Valuation and Net Available Tax Increment Revenues for the Project Areas

| Fiscal Year | Assessed Valuation | Base Year Valuation | Incremental Valuation | Gross Tax Increment Revenues (1) | Excluded Revenue (2) | County Admin Charge (3) | Senior Obligations (4) | Net Available Revenue |
|-------------|--------------------|---------------------|-----------------------|----------------------------------|----------------------|-------------------------|------------------------|-----------------------|
| 2014/15 | 17,451,139,606 | 2,403,684,963 | 15,047,454,643 | 150,474,546 | (1,899,820) | (25,581) | (276,831) | 148,272,315 |
| 2015/16 | 17,755,752,497 | 2,403,684,963 | 15,352,067,534 | 153,520,675 | (1,934,351) | (26,099) | (298,024) | 151,262,201 |
| 2016/17 | 18,066,457,645 | 2,403,684,963 | 15,662,772,682 | 156,627,727 | (1,966,349) | (26,627) | (319,641) | 154,315,110 |
| 2017/18 | 18,383,376,897 | 2,403,684,963 | 15,979,691,934 | 159,796,919 | (1,999,016) | (27,165) | (341,691) | 157,429,047 |
| 2018/19 | 18,706,634,533 | 2,403,684,963 | 16,302,949,570 | 163,029,496 | (2,032,364) | (27,715) | (364,181) | 160,605,235 |
| 2019/20 | 19,036,357,323 | 2,403,684,963 | 16,632,672,360 | 166,326,724 | (2,066,407) | (28,276) | (387,121) | 163,844,919 |
| 2020/21 | 19,372,674,568 | 2,403,684,963 | 16,968,989,605 | 169,689,896 | (2,101,158) | (28,847) | (410,520) | 167,149,370 |
| 2021/22 | 19,715,718,158 | 2,403,684,963 | 17,312,033,195 | 173,120,332 | (2,136,629) | (29,430) | (434,387) | 170,519,885 |
| 2022/23 | 20,065,622,619 | 2,403,684,963 | 17,661,937,656 | 176,619,377 | (2,172,835) | (30,025) | (458,732) | 173,957,784 |
| 2023/24 | 20,422,525,170 | 2,403,684,963 | 18,018,840,207 | 180,188,402 | (2,209,789) | (30,632) | (483,563) | 177,464,418 |
| 2024/25 | 20,786,565,772 | 2,403,684,963 | 18,382,880,809 | 183,828,808 | (2,247,506) | (31,251) | (508,891) | 181,041,161 |
| 2025/26 | 21,157,887,186 | 2,403,684,963 | 18,754,202,223 | 187,542,022 | (2,285,999) | (31,882) | (534,725) | 184,689,415 |
| 2026/27 | 21,536,635,029 | 2,403,684,963 | 19,132,950,066 | 191,329,501 | (2,325,285) | (32,526) | (561,076) | 188,410,613 |
| 2027/28 | 21,922,957,828 | 2,403,684,963 | 19,519,272,865 | 195,192,729 | (2,365,377) | (33,183) | (587,954) | 192,206,214 |
| 2028/29 | 22,317,007,083 | 2,403,684,963 | 19,913,322,120 | 199,133,221 | (2,406,292) | (33,853) | (615,370) | 196,077,706 |
| 2029/30 | 22,718,937,323 | 2,403,684,963 | 20,315,252,360 | 203,152,524 | (2,448,046) | (34,536) | (643,334) | 200,026,608 |
| 2030/31 | 22,278,759,249 | 2,295,099,288 | 19,983,659,961 | 199,836,600 | (2,490,654) | (33,972) | (567,612) | 196,744,362 |
| 2031/32 | 22,680,199,856 | 2,295,099,288 | 20,385,100,568 | 203,851,006 | (2,534,133) | (34,655) | (592,956) | 200,689,262 |
| 2032/33 | 23,089,669,275 | 2,295,099,288 | 20,794,569,987 | 207,945,700 | (2,578,500) | (35,351) | (618,806) | 204,713,043 |
| 2033/34 | 23,507,328,082 | 2,295,099,288 | 21,212,228,794 | 212,122,288 | (2,623,772) | (36,061) | (645,174) | 208,817,281 |
| 2034/35 | 23,933,340,066 | 2,295,099,288 | 21,638,240,778 | 216,382,408 | (2,669,967) | (36,785) | (672,069) | 213,003,586 |
| 2035/36 | 24,337,369,015 | 2,285,739,109 | 22,051,629,906 | 220,516,299 | (2,717,103) | (37,488) | (699,502) | 217,062,206 |
| 2036/37 | 24,780,087,130 | 2,285,739,109 | 22,494,348,021 | 224,943,480 | (2,762,228) | (38,240) | (727,484) | 221,415,528 |
| 2037/38 | 25,231,659,607 | 2,285,739,109 | 22,945,920,498 | 229,459,205 | (2,808,288) | (39,008) | (756,025) | 225,855,884 |
| 2038/39 | 25,692,263,534 | 2,285,739,109 | 23,406,524,425 | 234,065,244 | (2,855,301) | (39,791) | (785,137) | 230,385,015 |
| 2039/40 | 26,162,079,540 | 2,285,739,109 | 23,876,340,431 | 238,763,404 | (2,903,286) | (40,590) | (814,831) | 235,004,697 |
| 2040/41 | 26,641,291,865 | 2,285,739,109 | 24,355,552,756 | 243,555,528 | (2,952,260) | (41,404) | (845,119) | 239,716,743 |
| 2041/42 | 27,130,088,437 | 2,285,739,109 | 24,844,349,328 | 248,443,493 | (3,002,244) | (42,235) | (876,013) | 244,523,001 |
| 2042/43 | 27,628,660,940 | 2,285,739,109 | 25,342,921,831 | 253,429,218 | (3,005,732) | (43,083) | (907,525) | 249,472,878 |
| 2043/44 | 28,137,204,894 | 2,285,739,109 | 25,851,465,785 | 258,514,658 | (3,057,791) | (43,947) | (939,667) | 254,473,252 |
| Total | 670,646,250,728 | 70,506,107,829 | 600,140,142,899 | 6,001,401,429 | -73,558,484 | -1,020,238 | -17,673,965 | 5,909,148,742 |

Notes:

- (1) Gross tax increment equals the tax rate times the increase over base year value and does not necessarily equal amounts collected.
- (2) In the Bayview Hunters Point Area B Project Area revenue from the Candlestick Site portion of the Project Area, estimated to be \$126,000 in FY2014-15, is not available to pay debt service or replenish any reserve account for parity debt after 2009. In the Transbay Terminal Project Area, revenue from designated parcels are not available to pay debt service on existing Agency bonds. Revenue from the South of Market and Golden Gateway project areas is offset by negative revenue of approximately \$48,000 from the Federal Office Building project area through a fiscal merger.
- (3) From FY 2012-13, the County Auditor-Controller charges a property tax administration fee, per the Dissolution Law, of approximately 0.017% of tax increment.
- (4) In the Yerba Buena Center Project Area, a portion of the base-year value increases each year pursuant to that project area's redevelopment plan. This is calculated as a two percent (2%) increase per annum on the base year assessed value of the Westfield multi-use commercial development in the Emporium Site Area added to the Yerba Buena Center Redevelopment Project Area pursuant to a plan amendment dated August 3, 2000. In the South of Market Project Area, a portion of revenue is potentially allocable to school districts under Section 33676 and a court decision.

Projected Net Available Tax Increment By Project Area

| Fiscal Year | Bayview Hunters Point Project Area B | Golden Gateway Project Area | Hunters Point Project Area | India Basin Industrial Park Project Area | Rincon Point - South Beach Project Area | South of Market Project Area | Transbay Project Area | Western Addition Project Area A-2 | Yerba Buena Center Project Area D-1 | Total Net Available Tax Increment Revenues |
|-------------|--------------------------------------|-----------------------------|----------------------------|--|---|------------------------------|-----------------------|-----------------------------------|-------------------------------------|--|
| 2014/15 | 6,427,032 | 27,939,121 | 1,173,951 | 1,113,556 | 23,158,241 | 5,215,726 | 22,430,021 | 21,074,939 | 39,739,727 | 148,272,315 |
| 2015/16 | 6,764,407 | 28,418,238 | 1,197,939 | 1,134,042 | 23,520,057 | 5,338,155 | 22,995,924 | 21,494,517 | 40,398,922 | 151,262,201 |
| 2016/17 | 7,108,531 | 28,906,937 | 1,222,407 | 1,154,938 | 23,889,109 | 5,463,032 | 23,576,370 | 21,922,486 | 41,071,300 | 154,315,110 |
| 2017/18 | 7,459,536 | 29,405,410 | 1,247,364 | 1,176,252 | 24,265,542 | 5,590,407 | 24,168,395 | 22,359,015 | 41,757,126 | 157,429,047 |
| 2018/19 | 7,817,562 | 29,913,853 | 1,272,821 | 1,197,991 | 24,649,504 | 5,720,330 | 24,772,232 | 22,804,275 | 42,456,668 | 160,605,235 |
| 2019/20 | 8,182,748 | 30,432,464 | 1,298,786 | 1,220,166 | 25,041,144 | 5,852,851 | 25,388,119 | 23,258,440 | 43,170,201 | 163,844,919 |
| 2020/21 | 8,555,238 | 30,961,448 | 1,325,271 | 1,242,784 | 25,440,618 | 5,988,022 | 26,016,297 | 23,721,688 | 43,898,005 | 167,149,370 |
| 2021/22 | 8,935,177 | 31,501,011 | 1,352,285 | 1,265,855 | 25,848,081 | 6,125,897 | 26,657,012 | 24,194,201 | 44,640,365 | 170,519,885 |
| 2022/23 | 9,322,716 | 32,051,365 | 1,379,840 | 1,289,387 | 26,263,694 | 6,266,530 | 27,310,517 | 24,676,164 | 45,397,572 | 173,957,784 |
| 2023/24 | 9,718,005 | 32,612,727 | 1,407,946 | 1,313,389 | 26,687,618 | 6,409,975 | 27,977,067 | 25,167,767 | 46,169,923 | 177,464,418 |
| 2024/25 | 10,121,200 | 33,185,316 | 1,436,614 | 1,337,872 | 27,120,022 | 6,556,289 | 28,656,926 | 25,669,202 | 46,957,722 | 181,041,161 |
| 2025/26 | 10,532,459 | 33,769,356 | 1,465,855 | 1,362,844 | 27,561,073 | 6,705,529 | 29,350,358 | 26,180,665 | 47,761,276 | 184,689,415 |
| 2026/27 | 10,951,943 | 34,365,078 | 1,495,681 | 1,388,316 | 28,010,945 | 6,857,754 | 30,057,638 | 26,702,358 | 48,580,901 | 188,410,613 |
| 2027/28 | 11,379,817 | 34,972,714 | 1,526,104 | 1,414,297 | 28,469,815 | 7,013,023 | 30,779,041 | 27,234,484 | 49,416,919 | 192,206,214 |
| 2028/29 | 11,816,248 | 35,592,502 | 1,557,135 | 1,440,797 | 28,937,862 | 7,171,398 | 31,514,852 | 27,777,253 | 50,269,657 | 196,077,706 |
| 2029/30 | 12,261,408 | 36,224,686 | 1,588,787 | 1,467,828 | 29,415,270 | 7,332,941 | 32,265,360 | 28,330,877 | 51,139,450 | 200,026,608 |
| 2030/31 | 12,715,471 | 36,869,514 | 1,621,072 | 1,495,400 | 29,902,226 | 187,608 | 33,030,857 | 28,895,574 | 52,026,639 | 196,744,362 |
| 2031/32 | 13,178,616 | 37,527,239 | 1,654,002 | 1,523,522 | 30,398,922 | 192,179 | 33,811,646 | 29,471,565 | 52,931,572 | 200,689,262 |
| 2032/33 | 13,651,023 | 38,198,118 | 1,687,591 | 1,552,208 | 30,905,551 | 196,841 | 34,608,032 | 30,059,076 | 53,854,603 | 204,713,043 |
| 2033/34 | 14,132,878 | 38,882,415 | 1,721,852 | 1,581,467 | 31,422,313 | 201,597 | 35,420,328 | 30,658,336 | 54,796,095 | 208,817,281 |
| 2034/35 | 14,624,371 | 39,580,397 | 1,756,798 | 1,611,311 | 31,949,410 | 206,447 | 36,248,853 | 31,269,583 | 55,756,417 | 213,003,586 |
| 2035/36 | 15,125,693 | 40,292,339 | 1,792,443 | 1,641,752 | 32,487,049 | 0 | 37,093,932 | 31,893,054 | 56,735,945 | 217,062,206 |
| 2036/37 | 15,637,042 | 41,018,521 | 1,828,801 | 1,672,802 | 33,035,441 | 0 | 37,958,865 | 32,528,994 | 57,735,063 | 221,415,528 |
| 2037/38 | 16,158,618 | 41,759,225 | 1,865,886 | 1,704,472 | 33,594,800 | 0 | 38,841,065 | 33,177,653 | 58,754,164 | 225,855,884 |
| 2038/39 | 16,690,625 | 42,514,744 | 1,903,713 | 1,736,777 | 34,165,347 | 0 | 39,740,876 | 33,839,285 | 59,793,648 | 230,385,015 |
| 2039/40 | 17,233,272 | 43,285,373 | 1,942,296 | 1,769,727 | 34,747,305 | 0 | 40,658,653 | 34,514,150 | 60,853,920 | 235,004,697 |
| 2040/41 | 17,786,773 | 44,071,415 | 1,981,651 | 1,803,336 | 35,340,902 | 0 | 41,594,755 | 35,202,513 | 61,935,398 | 239,716,743 |
| 2041/42 | 18,351,343 | 44,873,178 | 2,021,793 | 1,837,618 | 35,946,371 | 0 | 42,549,550 | 35,904,642 | 63,038,506 | 244,523,001 |
| 2042/43 | 18,927,205 | 45,738,499 | 2,062,738 | 1,872,585 | 36,563,949 | 0 | 43,523,412 | 36,620,815 | 64,163,676 | 249,472,878 |
| 2043/44 | 19,514,584 | 46,572,653 | 2,104,502 | 1,908,252 | 37,193,879 | 0 | 44,516,723 | 37,351,310 | 65,311,350 | 254,473,252 |
| Total | 371,081,540 | 1,091,435,855 | 47,893,929 | 44,231,542 | 885,932,059 | 100,592,528 | 973,513,676 | 853,954,880 | 1,540,512,733 | 5,909,148,742 |

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust, dated as of December 1, 2014, by and between the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public entity duly existing under the laws of the State of California (the "Successor Agency"), as successor agency to the Redevelopment Agency of the City and County of San Francisco (the "Former Agency") and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), authorizing the 2014 Series B Taxable Bonds and the 2014 Series C 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 Agency) 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:

"Authority" means the City and County of San Francisco Redevelopment Financing Authority.

"Bonds" means the 2014 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 1 in any one calendar year year to July 31 of the succeeding calendar year; provided that the first Bond Year with respect to the Bonds shall commence on the Closing Date and end on July 31, 2015.

"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 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 are delivered by the Successor Agency to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2014 Series C 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 2014 Series C Bonds, together with applicable proposed, 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 2014 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 insurance premiums, 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, and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the account 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), but only to the extent the same are acquired at Fair Market Value:

- (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.

"Existing Loan Agreements" means the Loan Agreements listed on Exhibit D to the Indenture.

"Existing Loans" means the loans made by the Authority to the Successor Agency pursuant to the Existing Loan Agreements.

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

"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 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 thereof.

"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 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 Pledged Tax Revenues or otherwise with respect to the financing of Redevelopment Projects;

(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 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 each February 1 and August 1, commencing August 1, 2015, 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 2014 Bonds or any Parity Debt 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 Maximum Annual Debt Service, and there also shall be excluded payments with respect to the 2014 Bonds or any Parity Debt to the extent that amounts due with respect to the 2014 Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with the Indenture or the relevant Parity Debt Instrument.

"Moody's" means Moody's Investors Service and its successors.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the applicable 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, as provided in 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 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 other indebtedness issued or incurred by the Successor Agency on a parity with the 2014 Series A Bonds pursuant to the Indenture.

"Parity Debt Instrument" means any 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 the investments described therein are legal and are in compliance with the Successor Agency's investment policies then in effect), but only to the extent the same are acquired at Fair Market Value:

(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 the 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 Moody's and

"AA" or better by S&P, or unconditionally guaranteed by an entity rated "Aa" or better Moody's 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.

"Pledged Tax Revenues" means all taxes that were eligible for allocation to the Former Agency with respect to the Project Areas and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws and that are deposited in the RPTTF, excluding (i) amounts payable pursuant to the Existing Loan Agreements (ii) excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless such payments are subordinated to payments on the 2014 Bonds or any additional Bonds or to the payments owed under any Parity Debt Instrument pursuant to Section 33607.5(e) of the Law and 34177.5(c) of the Dissolution Act, and (iii) amounts required to be paid to the Transbay Joint Powers Authority in accordance with Section 5.7 of the Redevelopment Plan - Transbay Redevelopment Project Area.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Principal Corporate Trust Office" means 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 Successor 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.

"Project Areas" means the redevelopment project areas described in the Redevelopment Plans.

"Qualified Reserve Account Credit Instrument" means (i) each of the 2014 Reserve Policies 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) S&P or Moody's have assigned a long-term credit rating to such bank or insurance

company of "A" (without regard to modifier) or higher; (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 Plan - Bayview Hunters Point Redevelopment Project Area - Zone 2 of Project Area B" means the Redevelopment Plan for the Bayview Hunters Point Redevelopment Project Area - Project Area B, approved by ordinance of the Board of Supervisors of the City and County of San Francisco on June 1, 2006, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - Embarcadero-Lower Market ("Golden Gateway") Redevelopment Project Area" means the Redevelopment Plan for the Embarcadero-Lower Market ("Golden Gateway") Redevelopment Project Area, approved by ordinance of the Board of Supervisors of the City and County on May 25, 1959, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - Hunters Point Redevelopment Project Area" means the Redevelopment Plan for the Hunters Point Redevelopment Project Area (also known as the Bayview Hunters Point Redevelopment Project Area – Project Area A), approved by ordinance of the Board of Supervisors of the City and County of San Francisco on January 20, 1969, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - India Basin Industrial Park Redevelopment Project Area" means the Redevelopment Plan for the India Basin Industrial Park Redevelopment Project Area, approved by ordinance of the Board of Supervisors of the City and County of San Francisco on January 20, 1969, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - Rincon Point - South Beach Redevelopment Project Area" means the Redevelopment Plan for the Rincon Point - South Beach Redevelopment Project Area, approved by ordinance of the Board of Supervisors of the City and County of San Francisco on January 5, 1981, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - South of Market Redevelopment Project Area" means the Redevelopment Plan for the South of Market Redevelopment Project Area (previously known as

the South of Market Earthquake Recovery Project Area), approved by ordinance of the Board of Supervisors of the City and County of San Francisco on June 11, 1990, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - Transbay Redevelopment Project Area" means the Redevelopment Plan for the Transbay Redevelopment Project Area, approved by ordinance of the Board of Supervisors of the City and County of San Francisco on June 21, 2005, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - Western Addition Redevelopment Project Area A-2" Redevelopment Plan for the Western Addition Redevelopment Project Area A-2, approved by ordinance of the Board of Supervisors of the City and County of San Francisco on October 13, 1964, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plan - Yerba Buena Center Approved Redevelopment Project Area D-1" means the Redevelopment Plan for the Yerba Buena Center Approved Redevelopment Project Area D-1, approved by ordinance of the Board of Supervisors of the City and County of San Francisco on April 26, 1966, as subsequently amended, and as may be further amended at any time pursuant to the Law.

"Redevelopment Plans" means, collectively, the following:

- the Redevelopment Plan - Bayview Hunters Point Redevelopment Project Area - Zone 2 of Project Area B,
 - the Redevelopment Plan - Embarcadero-Lower Market ("Golden Gateway") Redevelopment Project Area,
 - the Redevelopment Plan - Hunters Point Redevelopment Project Area,
 - the Redevelopment Plan - India Basin Industrial Park Redevelopment Project Area,
 - the Redevelopment Plan - Rincon Point - South Beach Redevelopment Project Area,
 - the Redevelopment Plan - South of Market Redevelopment Project Area,
 - the Redevelopment Plan - Transbay Redevelopment Project Area,
 - the Redevelopment Plan - Western Addition Redevelopment Project Area A-2,
- and
- the Redevelopment Plan - Yerba Buena Center Approved Redevelopment Project Area D-1.

"Redevelopment Projects" means the undertaking 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 & Safety Code Sections 34170.5(a) and 34172(c) and administered by the Auditor-Controller of the City and County of San Francisco.

"Refunded Bonds" means those bond issues of the Authority identified in Exhibit C to the Indenture.

"Refunded Loan Agreements" means those Existing Loan Agreements identified in Exhibit C to the Indenture.

"Refunding Fund" means the 2014 Refunding Fund established and held by the Trustee pursuant to the Indenture.

"Refunding Law" means 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, and the acts amendatory thereof and supplemented thereto.

"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, with respect to the 2014 Series B Taxable Bonds, the 2014 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 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; 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.

"S&P" means Standard & Poor's Financial Services LLC, a division of McGraw Hill Financial, 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 terms of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Pledged Tax Revenues; or (b) secured by a pledge of or lien upon the Pledged Tax Revenues which is expressly subordinate to the pledge of and lien upon the Pledged Tax Revenues hereunder for the security of the 2014 Bonds, the Existing Loans and any Parity Debt.

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

"Supplemental Indenture" means any resolution, agreement or other instrument which 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" shall have the meanings assigned to such terms in the Existing Loan Agreements.

"Term Bonds" means (i) the 2014 Series B Taxable Bonds maturing on August 1, 2029 and August 1, 2035, and (ii) that portion of any other Bonds payable from mandatory sinking account payments.

"Trustee" means U.S. Bank National Association, as trustee, or any successor thereto appointed as trustee in accordance with the provisions of the Indenture.

"2014 Bonds" means, collectively, the 2014 Series B Taxable Bonds and the 2014 Series C Bonds.

"2014 Reserve Account Agreements" means, collectively, the 2014 Series B Reserve Agreement and the 2014 Series C Reserve Agreement.

"2014 Reserve Insurer" means Build America Mutual Assurance Company, its successors and assigns, as issuer of the 2014 Reserve Policies.

"2014 Reserve Policies" means, collectively, the 2014 Series B Reserve Policy and the 2014 Series C Reserve Policy.

"2014 Reserve Policy" means, as the context requires, the 2014 Series B Reserve Policy or the 2014 Series C Reserve Policy.

"2014 Series B Reserve Account Agreement" means the Debt Service Reserve Fund Agreement by and between the Successor Agency and the 2014 Reserve Insurer, relating to the 2014 Series B Taxable Bonds.

"2014 Series B Reserve Policy" means the Municipal Bond Debt Service Reserve issued by the 2014 Reserve Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2014 Series B Taxable Bonds as provided in the Indenture and in the 2014 Series B Reserve Account Agreement.

"2014 Series B Taxable Bonds" means the \$67,955,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects).

"2014 Series B Taxable Bonds Account" means the account by that name established within the Refunding Fund.

"2014 Series C Bonds" means the \$74,955,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects).

"2014 Series C Reserve Account Agreement" means the Debt Service Reserve Fund Agreement, dated December 30, 2014, by and between the Successor Agency and the 2014 Reserve Insurer, relating to the 2014 Series C Bonds.

"2014 Series C Reserve Policy" means the Municipal Bond Debt Service Reserve issued by the 2014 Reserve Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2014 Series C Bonds as provided in the Indenture and in the 2014 Series C Reserve Account Agreement.

"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 Executive Director, 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.

Establishment of Funds and Accounts; Flow of Funds

Each of the following funds and accounts are established pursuant to the Indenture:

- (a) Costs of Issuance Fund,
- (b) Refunding Fund,
- (c) Special Fund,
- (d) Debt Service Fund,
- (e) Interest Account,
- (f) Principal Account,
- (g) Reserve Account, and

(h) Redemption Account.

Costs of Issuance Fund. 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 2014 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 2014 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 Interest Account within the Debt Service Fund, with 47.22% of such amount used to pay debt service on the 2014 Series B Taxable Bonds, and 52.78% of such amount used to pay debt service on the 2014 Series C Bonds, and the Costs of Issuance Fund shall be closed.

Refunding Fund. On the Closing Date with respect to the 2014 Bonds, amounts deposited in the Refunding Fund shall be applied to the defeasance and redemption of the Refunded Bonds and the prepayment of the Refunded Loan Agreements.

Special Fund; Deposit of Pledged Tax Revenues. There is established in the Indenture a special fund known as the "Subordinate Bonds 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". On each June 1, commencing June 1, 2015, the Successor Agency shall transfer all of the Pledged Tax Revenues received in connection with the Recognized Obligation Payment Schedule for the immediately succeeding July 1 through December 31 period ratably to the Special Fund and to any other special fund created with respect to any additional Parity Debt that is not issued as Bonds under the Indenture, promptly upon receipt thereof by the Successor Agency, until such time as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred in the Bond Year commencing on the immediately succeeding August 1 (i) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year and, if applicable, (ii) with respect to the any additional Parity Debt (other than additional Bonds issued pursuant to a Supplemental Indenture) for deposit into the funds and accounts that may be required pursuant to the applicable Parity Debt Instruments. If the amount of Pledged Tax Revenues received in connection with the Recognized Obligation Payment Schedule for the immediately succeeding July 1 through December 31 period 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 deposit the Pledged Tax Revenues received in connection with the next succeeding Recognized Obligation Payment Schedule in the Special Fund in order to make the remainder of the transfers and deposits described above. If there nonetheless remains insufficient Pledged Tax Revenues to make the transfers and deposits required above, then the Successor Agency shall transfer such Pledged Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Pledged Tax Revenues received by the Successor Agency with respect to 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, or the payment of any amounts due and owing to the United States of America as rebate under the Indenture. 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.

Debt Service Fund; Deposit of Amounts by Trustee. There is established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. Moneys in the Special Fund, as provided in the Indenture, 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 further that, if on the fifth (5th) Business Day prior to 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 Bonds, the Successor Agency shall immediately notify the Trustee of the amount of any such insufficiency):

(a) Interest Account. On or before the fourth (4th) Business Day preceding each Interest Payment Date, commencing with the Interest Payment Date of August 1, 2015, 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).

(b) Principal Account. On or before the fourth (4th) Business Day preceding August 1 in each year beginning August 1, 2015, 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.

(c) Reserve Account. The Trustee shall establish a "2014 Series B Taxable Subaccount" and a "2014 Series C Subaccount" within the Reserve Account for the 2014 Series B Taxable Bonds and the 2014 Series C Bonds, and the determination of the Reserve Requirement will be calculated separately for the 2014 Series B Taxable Bonds and the 2014 Series C Bonds.

The Reserve Requirement for the 2014 Series B Taxable Bonds shall be satisfied by the delivery of the 2014 Series B Reserve Policy by the 2014 Reserve Insurer to the Trustee on the Closing Date, and the Trustee shall credit the 2014 Series B Reserve Policy to the 2014 Series B Taxable Subaccount. The Reserve Requirement for the 2014 Series C Bonds shall be satisfied by the delivery of the 2014 Series C Reserve Policy by the 2014 Reserve Insurer to the Trustee on the Closing Date, and the Trustee shall credit the 2014 Series C Reserve Policy to the 2014 Series C Subaccount. The Trustee shall draw on the 2014 Reserve Policies in accordance with their respective terms and conditions and the terms of the Indenture and the 2014 Reserve Account Agreements.

The amounts available under the 2014 Series B Reserve Policy 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 with respect to the payment of debt service on the 2014 Series B Taxable Bonds. The amounts available under the 2014 Series C Reserve Policy 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 with respect to the payment of debt service on the 2014 Series C Bonds.

The Trustee shall comply with all documentation relating to the 2014 Reserve Policies as shall be required to maintain the 2014 Reserve Policies 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 in the Indenture.

In the event that the amount on deposit in the Reserve Account or any subaccount therein 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 Pledged 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 Pledged 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 by 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 tenth (10th) Business Day 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 or, (ii) if the Successor Agency shall have caused to be transferred to the Trustee an amount sufficient to make all of the deposits required by the Indenture, then to the Successor Agency.

If at any time any portion of the Reserve Requirement is satisfied with cash or Permitted Investments, 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 the 2014 Series C Bonds or any other Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the 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 under the Indenture in the event and to the extent required to make any payment when and as required under this subsection (c). 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 Pledged Tax Revenues.

The Successor Agency shall also have the option to establish a separate subaccount in the Reserve Account that secures only a particular series or series of Bonds issued as Parity Debt, and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such issue of Bonds. Additionally, Bonds secured by a 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 Indenture or in any 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 series 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 partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture. 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.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be optionally redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the 2014 Series B Taxable Bonds, the 2014 Series C Bonds and on other Bonds to be optionally redeemed on such date 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 2014 Series B Taxable Bonds, the 2014 Series C Bonds and on such 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 2014 Series B Taxable Bonds, the 2014 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 2014 Series B Taxable Bonds or 2014 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 the 2014 Series B Taxable Bonds, the 2014 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 2014 Series B Taxable Bonds, the 2014 Series C Bonds or such other Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

Provisions Relating to 2014 Reserve Policies

(a) The Successor Agency shall repay any draws under the 2014 Reserve Policies and pay all related reasonable expenses incurred by the 2014 Reserve Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the 2014 Reserve Insurer at the Late Payment Rate. For purposes of this provision, "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 ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2014 Series B Taxable Bonds or the 2014 Series C Bonds, as applicable, 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. 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 bank, banking association or trust company bank as the 2014 Reserve Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the 2014 Reserve 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 2014 Reserve Insurer on account of principal due, the coverage under the 2014 Reserve Policies, as applicable, will be increased by a like amount, subject to the terms of the 2014 Reserve Policies, as applicable. The obligation of the Successor Agency to pay Policy Costs shall be secured by a valid lien on all Pledged Tax Revenues and other collateral pledged as security for the 2014 Bonds (which lien shall be subordinate only to the lien securing the 2014 Bonds and any Parity Debt and which lien shall be on a parity with the lien securing the obligation of the Successor Agency to replenish the reserve account for any Parity Debt and to reimburse the provider of a letter of credit, surety bond or similar instrument related to the debt service reserve fund for any Parity Debt).

All cash and investments in the 2014 Series B Taxable Subaccount securing the 2014 Series B Taxable Bonds and all other available amounts in any funds available to pay debt service on the 2014 Series B Taxable Bonds shall be transferred to the Debt Service Fund for payment of the debt service on the 2014 Series B Taxable Bonds before any drawing may be made on the 2014 Series B Reserve Policy or any other credit facility on deposit in the 2014 Series B Taxable Subaccount in lieu of cash (such credit facility hereinafter referred to as, a "Reserve Fund Credit Instrument"). All cash and investments in the 2014 Series C Subaccount securing the 2014 Series C Bonds and all other available amounts in any funds available to pay debt service on the 2014 Series C Bonds shall be transferred to the Debt Service Fund for payment of the debt service on the 2014 Series C Bonds before any drawing may be made on the 2014 Series C Reserve Policy or any other credit facility on deposit in the 2014 Series C Subaccount in lieu of cash (such credit facility hereinafter referred to as, a "Reserve Fund Credit Instrument").

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts into the Reserve Account. Draws on all Reserve Fund Credit Instruments (including the 2014 Reserve Policies) 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 Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Fund Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable Reserve Fund 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) Draws under the 2014 Series B Reserve Policy may only be used to make payments on the 2014 Series B Taxable Bonds, and draws under the 2014 Series C Reserve Policy may only be used to make payments on the 2014 Series C Bonds.

(c) If the Successor Agency shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the 2014 Reserve 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 2014 Bonds, or (ii) remedies which would adversely affect Owners of the 2014 Bonds.

(d) The Indenture shall not be discharged until all Policy Costs owing to the 2014 Reserve Insurer shall have been paid in full. The Successor Agency's obligation to pay such amount shall expressly survive payment in full of the 2014 Bonds.

(e) The Trustee shall ascertain the necessity for a claim upon a Reserve Policy in accordance with the provisions of paragraph (a) above and provide notice to the 2014 Reserve Insurer at least three Business Days prior to each date upon which interest or principal is due on the 2014 Bonds.

(f) The 2014 Reserve Policies shall expire and terminate in accordance with the terms and provisions of the 2014 Reserve Policies.

(g) Any amendment, supplement or modification to, or waiver of the Indenture that requires the consent of the Owners of the 2014 Bonds or adversely affects the rights or interest of the 2014 Reserve Insurer shall be subject to the prior written consent of the 2014 Reserve Insurer.

(h) The 2014 Reserve Insurer is recognized as and shall be deemed to be a third party beneficiary hereunder and may enforce the provisions of the Indenture as if it were a party hereunder.

(i) The Successor Agency covenants and agrees to take all actions required under the Dissolution Act to ensure all amounts payments to the 2014 Reserve Insurer are paid when due.

(j) Policy costs due and owing shall be included in debt service requirements for purposes of calculation of the Parity Debt test set forth in the Indenture.

(k) The Successor Agency agrees unconditionally that it will pay or reimburse the 2014 Reserve Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the 2014 Reserve Insurer may pay or incur, including, but not limited to, fees and expenses of the 2014 Reserve Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Indenture or the 2014 Reserve Account Agreements ("Administrative Expenses"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the 2014 Reserve Insurer spent in connection with the actions described in the preceding sentence. The Successor Agency agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the 2014 Reserve Insurer until the date the 2014 Reserve Insurer is paid in full.

(l) The Successor Agency covenants and agrees to take all actions required under the Dissolution Act to ensure that all amounts payable to the 2014 Reserve Insurer are paid when due.

(m) The Successor Agency shall provide the 2014 Reserve Insurer with copies of Recognized Obligation Payment Schedules submitted and any and all correspondence received from the State Department of Finance upon receipt. In the event that the Successor Agency is a party to a meet and confer with the State Department of Finance, the Successor Agency shall timely notify the 2014 Reserve Insurer and the 2014 Reserve Insurer shall have the right to participate in the meet and confer process either by appearance with the Successor Agency at the meet and confer or through written submission as the 2014 Reserve Insurer determines in its discretion. In the event the Successor Agency receives a denial of a Recognized Obligation

Payment Schedule relating to any of the Successor Agency's obligations, including but not limited to Policy Costs, and such denial could delay receipt of Tax Revenues necessary to pay debt service on the 2014 Bonds or Policy Costs, the Successor Agency agrees to cooperate in good faith with the 2014 Reserve Insurer and the 2014 Reserve Insurer shall receive prompt notice of any such event and shall be permitted to attend any meetings with the Successor Agency and the State Department of Finance and to discuss such matters with the State Department of Finance directly.

(n) The Successor Agency shall include on each Recognized Obligation Payment Schedule all amounts due and payable to the 2014 Reserve Insurer in connection with the 2014 Reserve Policies, including all Policy Costs and Administrative Costs. In the event that the Successor Agency fails to timely file any Recognized Obligation Payment Schedule relating to the 2014 Bonds or Policy Costs for any period, the Successor Agency designates the 2014 Reserve Insurer as its attorney in fact with the power to file a Recognized Obligation Payment Schedule with respect to the 2014 Bonds or Policy Costs.

(o) If at any time the City's uninsured general obligation bond rating assigned by S&P falls below "A-" or is withdrawn, the Successor Agency shall segregate all amounts distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Redevelopment Obligation Retirement Fund in a trustee account under the Indenture, or a separate bank account of the Successor Agency, to be used solely to pay debt service on the Bonds, Policy Costs and all other parity obligations.

(p) The Successor Agency shall provide notice and other information to the 2014 Reserve Insurer at the address set forth in the Indenture as follows:

(i) The Successor Agency will provide the 2014 Reserve Insurer with all notices and other information it is obligated to provide (1) under the Continuing Disclosure Certificate and (2) to the Owners of the 2014 Bonds or the Trustee hereunder.

(ii) In addition, the Successor Agency shall provide the 2014 Reserve Insurer with the following notices and other information: (1) notice of any draw upon the Reserve Account within two (2) Business Days after knowledge thereof, other than in connection with withdrawals of amounts in excess of the Reserve Requirement; and (2) prior written notice of the advance refunding or redemption of any of the 2014 Bonds, including the principal amount, maturities and CUSIP numbers thereof.

(iii) The 2014 Reserve Insurer shall be entitled to receive such additional information as it may reasonably request.

Investment of 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 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 (g) 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 this provision. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

Issuance of Parity Debt

In addition to the 2014 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 2014 Bonds to refund additional Existing Loan Agreements or outstanding Bonds or Parity Debt 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 made 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 unless such event of default will be cured by the issuance of such Parity Debt;

(b) The debt service on the Parity Debt either will be less than the debt service on the Existing Loans or the Bonds or Parity Debt being refunded in each Bond Year or, alternatively, Pledged Tax Revenues 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, 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 2014 Bonds and any other Parity Debt that will be outstanding immediately following the issuance of such Parity Debt;

(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.

Issuance of Subordinate Debt

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Such Subordinate Debt may be payable from any assets or property of the Successor Agency, including Pledged Tax Revenues on a subordinate basis to the payment of debt service on the Bonds.

Certain Other Covenants of the Successor Agency

Punctual Payment. The Successor Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of the Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the Indenture, all Supplemental Indentures and the Bonds. Nothing contained in the Indenture shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to in the Indenture.

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 except for obligations issued to refund any of the Existing Loan Agreements, but only if the debt service in any Bond Year (as such term is defined in the Existing Loan Agreements) does not increase as a result of such refunding. Further, 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 Pledged Tax Revenues, excepting only the 2014 Series B Taxable Bonds, the 2014 Series C Bonds, any Parity Debt meeting the requirements summarized above under the caption "Issuance of Parity Debt" and any Subordinate Debt. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Pledged Tax Revenues or other amounts pledged to the Bonds superior or equal to the pledge and lien 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 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 Projects, the Pledged 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 the 2014 Reserve Insurer, any other 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 Pledged Tax Revenues, all disbursements of Pledged Tax Revenues and the financial condition of the Redevelopment Projects, including the balances in all funds and accounts relating to the Redevelopment Projects, as of the end of such Fiscal Year. The Successor Agency shall promptly furnish a copy of such financial statements to the Trustee, the 2014 Reserve Insurer and any other Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Successor Agency shall deliver to the Trustee and any Insurer, on or about February 1 of each year, a Written Certificate of the Successor Agency and a written certificate or opinion of an Independent Accountant stating that the Successor Agency is in compliance with its obligations under the Indenture. The Trustee shall have no obligation to review any financial statements provided to it by the Successor Agency.

The Successor Agency agrees, consents and will cooperate in good faith to provide information reasonably requested by the 2014 Reserve Insurer and will further provide appropriately designated individuals and officers to discuss the affairs, finances and accounts of the Successor Agency or any other matter as the 2014 Reserve Insurer may reasonably request.

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 2014 Bonds, the 2014 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 hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Redevelopment Projects, 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 taxable land or real property in the Project Area 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 a Redevelopment Plan in effect on the date of issuance of the 2014 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 Area 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 Successor 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 Pledged Tax Revenues. The Successor Agency shall comply with all requirements of the Law and the Dissolution Act to ensure the allocation and payment to it of the Pledged Tax Revenues. The Successor Agency shall not undertake proceedings for amendment of any of the Redevelopment Plans 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.

Tax Covenants Relating to the 2014 Series C Bonds. The Successor Agency will assure that the proceeds of the 2014 Series C Bonds are so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The Successor Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2014 Series C Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Successor Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2014 Series C Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2014 Series C Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2014 Series C Bonds from the gross income of the Owners of the 2014 Series C Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2014 Series C Bonds.

Continuing Disclosure. The Successor Agency 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 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 hereunder.

Further, it will take all actions required under the Dissolution Act to include

(i) scheduled debt service on the Existing Loans and any amounts required to replenish any reserve account established under an Existing Loan Agreement,

(ii) scheduled debt service on the 2014 Bonds and any Parity Debt and any amount required under the Indenture or any Parity Debt Instrument to replenish the Reserve Account established hereunder or the reserve account established under any Parity Debt Instrument, and

(iii) amounts due to any Insurer under an insurance or surety bond agreement,

in Recognized Obligation Payment Schedules for each six-month period 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, for so long as any Existing Loans remain outstanding, (a) the Successor Agency will place on the Recognized Obligation Payment Schedules relating to the June 1 disbursement date an amount sufficient, together with other amounts on deposit in the RPTTF reserved for payment of debt service on the 2014 Bonds and any Parity Debt on such dates or on deposit in the Special Fund or in the special fund relating to any Parity Debt, to pay debt service on the 2014 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 Pledged Tax Revenues to pay debt service on the 2014 Bonds and any Parity Debt, the Successor Agency will place on Recognized Obligation Payment Schedules relating to the January 2 disbursement date amounts required to pay debt service on the 2014 Bonds and any Parity Debt on the next succeeding February 1 or August 1.

The Trustee

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default (as defined below under the heading "Events Of Default"), and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee shall cease to be eligible in accordance with (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee, with a copy to any Insurer, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by giving the Owners, and any Insurer notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing, with notice of such appointment to be furnished to any.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Successor Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such

predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall cause either the predecessor Trustee or the successor Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books.

(e) If an Event of Default occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to any Insurer and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Successor Agency to make any payment when due, the Trustee shall, within thirty (30) days of the Trustee's knowledge thereof, give such notice to any Insurer, and the Trustee, with the consent of any Insurer, may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Successor Agency agrees that, so long as any Bonds or any Parity Debt are Outstanding, the Trustee shall be a financial institution having a trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (f), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

No Trustee Liability or Duty. The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Successor Agency pursuant to the Indenture or otherwise.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it under the Indenture.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the Indenture at the request of the Owners or any Insurer, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners or any Insurer for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Pledged Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Amendment of Indenture

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, including any covenant or agreement that provides for additional security for the Bonds, 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 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.

Events of Default and Remedies

Events of Default. The following events 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 Pledged 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 described above, and all sums thereafter received by the Trustee under the Indenture, 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; and

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.

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, 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 in the Indenture provided, 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 in the Indenture provided and for the equal benefit of all Owners of the Outstanding Bonds.

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.

Defeasance of Bonds

The Successor Agency may pay and discharge the indebtedness on any Bonds 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, as applicable, 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 Pledged 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 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 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 Pledged 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 of the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) in connection with its issuance of \$67,955,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds and \$75,945,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (together, the “Bonds”). The Bonds are being issued in accordance with Section 34177.5(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 September 12, 2014 (the “Resolution”), and the Indenture of Trust, dated as of December 1, 2014 (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 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://ww.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 December 11, 2014, relating to the Bonds.

“Participating Underwriters” means any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“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 the Annual Report Date, commencing with the report for the 2014-15 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 each of the Project Areas described in the Official Statement (collectively, the “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 any of the Project Area’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 shall provide to the MSRB (with a copy to the Trustee and the Participatory Underwriters) a notice, in substantially the form attached 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 Table 3 of the Official Statement;

3. Assessed valuations and tax increment for the fiscal year to which the Annual Report pertains, by means of an update to the "Tax Increment Estimates by Project Areas" table as shown in Table 4 of the Official Statement with an indication of the amount of unsecured valuation and secured valuation per Project Area;

4. Estimated all-in debt service coverage for obligations of the Successor Agency for the fiscal year to which the Annual Report pertains by means of an update to the "Estimated All-In Debt Service Coverage (Senior Bonds and Bonds)" table shown in Table 8 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 in the Project Areas" table shown in Table 9 of the Official Statement; and

6. The two most recently submitted Recognized Obligation Payment Schedules 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; and
9. Bankruptcy, insolvency, receivership or similar proceedings.

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 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 Bonds or other material events affecting the tax status of the 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 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 Agreement 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 Bonds. If such termination occurs prior to the final maturity of the 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 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 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 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 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 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 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 Executive Director, Finance and
Administration

To the Participating Underwriters: Piper Jaffray & Co.
1100 South Coast Highway, Suite 300a
Laguna Beach, CA 92651
Fax: (949) 494-6125
Attention: Public Finance

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, CA 94104
Fax: (415) 392-5276
Attention: Vincent McCarley

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 Bonds, and shall create no rights in any other person or entity.

Date: December 30, 2014

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

By: _____
Deputy Executive Director, 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 2014 Series B Taxable Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) and 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects)

Date of Issuance: December 30, 2014

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 5.05 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

December 30, 2014

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: \$67,955,000 Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Subordinate Taxable Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects)

and

\$75,945,000 Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects)

Members of the Successor 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 "Successor Agency") of its \$67,955,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series B Subordinate Taxable Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (the "2014 Series B Taxable Bonds") and its \$75,945,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series C Subordinate Tax Allocation Refunding Bonds (San Francisco Redevelopment Projects) (the "2014 Series C Bonds" and, collectively with the 2014 Series B Taxable Bonds, the "Bonds"), under the Community Redevelopment Law (being Part 1 of Division 24 of the California Health and Safety Code) (the "Law"), under Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (the "Dissolution Act"), under the provisions of 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"), and under an Indenture of Trust dated as of December 1, 2014, by and between the Successor Agency and U.S. Bank National Association, as trustee (the "Indenture"). The Bonds are payable from "Pledged Tax Revenues," as that term is defined in the Indenture. 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 Successor 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 Successor Agency is a public entity validly existing under the laws of the State of California with the power to enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly approved by the Successor Agency and constitutes a valid and binding obligation of the Successor Agency enforceable upon the Successor Agency.

3. Pursuant to the Law, the Dissolution Act and the Refunding Law, the Indenture creates a valid lien on the Pledged Tax Revenues that are pledged by the Indenture for the security of the Bonds, subject to no prior lien granted under the Law.

4. The Bonds have been duly authorized, executed and delivered by the Successor Agency and are valid and binding special obligations of the Successor Agency, payable solely from the sources provided therefor in the Indenture.

5. Interest on the 2014 Series C Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986 which must be satisfied subsequent to the issuance of the 2014 Series C Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2014 Series C Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2014 Series C Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2014 Series C 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.

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 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 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 Bonds. The Bonds of each Series 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 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each 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 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 Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 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 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 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 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 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 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

**STATE DEPARTMENT OF FINANCE
DETERMINATION LETTER APPROVING THE BONDS**

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November 25, 2014

Ms. Sally Oerth, Deputy Director
City and County of San Francisco
One South Van Ness Avenue, Fifth Floor
San Francisco, CA 94103

Dear Ms. Oerth:

Subject: Approval of Oversight Board Action

The City and County of San Francisco Successor Agency (Agency) notified the California Department of Finance (Finance) of its September 22, 2014 Oversight Board (OB) Resolution on September 22, 2014. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution No. 9-2014 approving issuance of refunding tax allocation bonds is approved. This approval is specifically conditioned on the understanding that no refunding bonds will be issued unless such bonds meet the limitations in HSC section 34177.5 (a). Any debt service obligations listed in a Recognized Obligation Payment Schedule stemming from bonds issued not in compliance with that section will not be approvable by Finance.

This is our determination with respect to the OB action taken.

Please direct inquiries to Wendy Griffe, Supervisor, or Jenny DeAngelis, Lead Analyst at (916) 445-1546.

Sincerely,

JUSTYN HOWARD
Acting Program Budget Manager

cc: Ms. Tiffany Bohee, Executive Director, City and County of San Francisco
Mr. Leo Levenson, Deputy Director for Finance and Administration, Office of Community Investment and Infrastructure
Mr. James Whitaker, Property Tax Manager, San Francisco County
California State Controller's Office

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272