

NEW ISSUE - BOOK-ENTRY ONLY

NO RATING

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

**\$15,000,000\***  
**IMPROVEMENT AREA NO. 2 OF THE  
 CITY AND COUNTY OF SAN FRANCISCO  
 COMMUNITY FACILITIES DISTRICT NO. 2016-1  
 (TREASURE ISLAND)  
 SPECIAL TAX BONDS, SERIES 2023A**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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

The City and County of San Francisco, California (the "City") on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the "District") with respect to Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) ("Improvement Area No. 2") is issuing Special Tax Bonds, Series 2023A (the "2023A Bonds") pursuant to a Fiscal Agent Agreement, dated as of February 1, 2022, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of December 1, 2023 (as so supplemented, the "Fiscal Agent Agreement"), each by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent").

The 2023A Bonds are being issued to fund: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District, (ii) a deposit to the 2022 Reserve Fund (as defined herein), and (iii) costs of issuance, all as further described herein. See "THE FINANCING PLAN" herein.

The 2023A Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2023A Bonds shall be payable on each March 1 and September 1, commencing March 1, 2024 (each an "Interest Payment Date") to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2023A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 2023A Bonds. Individual purchases of the 2023A Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2023A Bonds will be payable by DTC through the DTC participants. See "THE BONDS - Book-Entry System" herein. Purchasers of the 2023A Bonds will not receive physical delivery of the 2023A Bonds purchased by them.

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

**The 2023A Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement.**

**The General Fund of the City is not liable for the payment of the principal of or interest on the 2023A Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2023A Bonds.**

The Fiscal Agent Agreement authorizes the City to issue additional bonds on a parity basis with the 2023A Bonds. See "SECURITY FOR THE BONDS - Parity Bonds" herein.

The 2023A Bonds are not rated. Development within Improvement Area No. 2 is in the early stages of development and the property owners require additional funding from equity and third-party financing in order to complete the proposed development within Improvement Area No. 2. See "INTRODUCTION - No Rating; Early Stage of Development; Transfer Restrictions" and "Special Risk Factors" herein for certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2023A Bonds.

Investment in the 2023A Bonds involves certain risks and the 2023A Bonds are not suitable investments for all types of investors. Accordingly, the 2023A Bonds are being offered and sold only to "Qualified Purchasers," which are defined in the Fiscal Agent Agreement as Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933). Pursuant to the Fiscal Agent Agreement, the 2023A Bonds may not be registered in the name of, or transferred to, and the Beneficial Owner (defined in the Fiscal Agent Agreement as any person for which a DTC participant acquires an interest in the 2023A Bonds) cannot be, any person except a Qualified Purchaser; provided, however, that 2023A Bonds registered in the name of DTC or its nominee shall be deemed to comply with the Fiscal Agent Agreement so long as each Beneficial Owner of the 2023A Bonds is a Qualified Purchaser. See "TRANSFER RESTRICTIONS" herein.

*The 2023A Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriter by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, and for Treasure Island Series 1, LLC by its counsel Holland & Knight, LLP, San Francisco, California. It is anticipated that the 2023A Bonds will be available for delivery through the book-entry facilities of DTC on or about December 21, 2023.*

STIFEL

Dated: \_\_\_\_\_, 2023

\* Preliminary, subject to change.

**MATURITY SCHEDULE**

**\$15,000,000\***  
**IMPROVEMENT AREA NO. 2 OF THE**  
**CITY AND COUNTY OF SAN FRANCISCO**  
**COMMUNITY FACILITIES DISTRICT NO. 2016-1**  
**(TREASURE ISLAND)**  
**SPECIAL TAX BONDS, SERIES 2023A**

(Base CUSIP<sup>†</sup> \_\_\_\_\_)

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
	\$	%	%		

\$ \_\_\_\_\_ % Term 2023A Bonds due September 1, 20\_\_ – Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP<sup>†</sup>: \_\_\_\_\_  
\$ \_\_\_\_\_ % Term 2023A Bonds due September 1, 20\_\_ – Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP<sup>†</sup>: \_\_\_\_\_

\* Preliminary, subject to change.

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

**CITY AND COUNTY OF SAN FRANCISCO  
MAYOR**

London N. Breed

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

Aaron Peskin, *Board President, District 3*

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Hillary Ronen, *District 9*

Shamann Walton, *District 10*

Ahsha Safai, *District 11*

**CITY ATTORNEY**

David Chiu

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

Carmen Chu, *City Administrator*

Benjamin Rosenfield, *Controller*

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

Robert Beck, *Treasure Island Director, Treasure Island Development Authority*

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**PROFESSIONAL SERVICES**

**Bond Counsel**

Jones Hall, A Professional Law Corporation  
San Francisco, California

**Disclosure Counsel**

Norton Rose Fulbright US LLP  
Los Angeles, California

**Special Tax Consultant**

Goodwin Consulting Group, Inc.  
Sacramento, California

**Municipal Advisor**

CSG Advisors Incorporated  
San Francisco, California

**Fiscal Agent**

Zions Bancorporation, National Association  
Los Angeles, California

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

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## NOTICE TO INVESTORS

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

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

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

The Underwriter has provided the following two paragraphs for inclusion in this Official Statement.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE 2023A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2023A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

## **FORWARD LOOKING STATEMENTS**

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

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



Photograph from November 7, 2023. View looking north of three projects under construction within Improvement Area No. 2 of the City and County of San Francisco CFD No. 2016-1 (Treasure Island).

The above photo includes Improvement Area No. 2 and other areas and structures not within Improvement Area No. 2. The above map shows the location of the Treasure Island Project. The 2023A Bonds will be secured by and payable from Special Tax Revenues derived from the levy of Special Taxes on Taxable Parcels (as those terms are defined herein) in Improvement Area No. 2 (approximately 5.22 gross acres) located on certain portions of Treasure Island. Each Taxable Parcel's obligation to pay Special Taxes is secured by a continuing lien on the parcel. No mortgage or deed of trust on property secures the 2023A Bonds. No special taxes levied on any portion of Treasure Island outside of Improvement Area No. 2 are pledged to the repayment of the 2023A Bonds, nor shall any property or resources of the City (including the City's taxing power except to the limited extent set forth in the Fiscal Agent Agreement) be available to pay debt service on the 2023A Bonds. See "SECURITY FOR THE BONDS."

## OFFICIAL STATEMENT

**\$15,000,000\***  
**IMPROVEMENT AREA NO. 2 OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TREASURE ISLAND)  
SPECIAL TAX BONDS, SERIES 2023A**

### INTRODUCTION

#### General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco (the “City”) on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) of Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2023A (the “2023A Bonds”).

#### Authority for the 2023A Bonds

The 2023A Bonds will be issued by the City on behalf of the District with respect to Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (“Improvement Area No. 2”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of February 1, 2022 (the “Original Fiscal Agent Agreement”), as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of December 1, 2023 (the “First Supplement to Fiscal Agent Agreement” and, together with the Original Fiscal Agent Agreement, the “Fiscal Agent Agreement”), each by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a resolution adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on November 28, 2023 and approved by Mayor London N. Breed on November 30, 2023, approving the First Supplement to Fiscal Agent Agreement and the issuance and sale of up to \$17,000,000 of special tax bonds in one or more series (together, the “Bond Resolution”).

#### Use of Proceeds

The 2023A Bonds are being issued to finance: (i) the acquisition of certain public facilities and improvements authorized to be financed by the District (the “Facilities”), (ii) a deposit to the 2022 Reserve Fund (as defined herein) and (iii) costs of issuance, all as further described herein. See “THE FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

#### No Rating; Early Stage of Development; Transfer Restrictions

The 2023A Bonds are not rated. See “NO RATING” herein. The determination by the City not to obtain a rating does not, directly or indirectly, express any view by the City of the credit quality of the

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\* Preliminary, subject to change.



2023A Bonds. The lack of a bond rating could impact the market price or liquidity for the 2023A Bonds in the secondary market. See “SPECIAL RISK FACTORS - Limited Secondary Market.”

Improvement Area No. 2 is planned to be developed with five residential buildings, referred to as Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4, currently spanning six assessor’s parcels. Horizontal infrastructure, including geotechnical improvement of soil conditions, needed to secure temporary certificates of occupancy are complete. The residential buildings to be constructed at Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4 are in different stages of planning and development. As of October 1, 2023, buildings are under construction at Sub-Blocks C2.2, C2.4 and C3.4 with completion expected between September 2024 and January 2025. Construction has not commenced at Sub-Blocks B1 and C2.3 and development plans for these parcels are currently on hold and are being reevaluated by the Merchant Builders for such parcels; in order for the two remaining planned buildings to proceed to construction, a Merchant Builder would need to (i) complete the construction design and bid process, (ii) receive all necessary construction permits from the City, and (iii) secure construction funding – through a construction loan and/or equity commitments. Neither the City nor the Underwriter make any assurance regarding whether or when any of the forgoing conditions will be satisfied. See “IMPROVEMENT AREA NO. 2” and “SPECIAL RISK FACTORS - Real Estate Investment Risks” herein.

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

## **The 2023A Bonds**

The 2023A Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2023A Bonds shall be payable on each March 1 and September 1, commencing March 1, 2024 (each an “Interest Payment Date”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2023A Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The 2023A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2023A Bonds. Individual purchases of the 2023A Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2023A Bonds will be payable by DTC through the DTC participants. Purchasers of the 2023A Bonds



will not receive physical delivery of the 2023A Bonds purchased by them. See “THE 2023A BONDS - Book-Entry System” herein.

### **Parity Bonds**

The 2023A Bonds are being issued under the Fiscal Agent Agreement on a parity with the Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2022A (the “2022A Bonds”), currently outstanding in the aggregate principal amount of \$24,990,000.

The City may issue Parity Bonds (as defined herein) under a Supplemental Agreement entered into by the City, for and on behalf of the District, and the Fiscal Agent. Any such Parity Bonds, to the extent provided in the Fiscal Agent Agreement, shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The City may issue such Parity Bonds, on a parity basis with the 2023A Bonds and the 2022A Bonds, subject to the specific conditions precedent under the Fiscal Agent Agreement. See SECURITY FOR THE BONDS – Parity Bonds” herein.

The 2023A Bonds, the 2022A Bonds and any future Parity Bonds are collectively referred to herein as the “Bonds.”

### **Security for the Bonds**

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

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

“Special Taxes” means the Facilities Special Tax levied by the Board of Supervisors within Improvement Area No. 2 under the Act, the Rate and Method, the Ordinance and the Fiscal Agent Agreement.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City for property in Improvement Area No. 2, less any administrative fees or penalties collected as part of any such prepayment. See “SECURITY FOR THE BONDS – General” herein.

The 2023A Bonds, the 2022A Bonds and any 2022A Related Parity Bonds issued in the future shall be secured by a first pledge of all moneys deposited in the 2022 Reserve Fund. See “2022 Reserve Fund” below.

In addition, the Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent provided in the Fiscal Agent Agreement) of all of the moneys deposited in the Additional Special Tax Reserve Fund (as defined herein). See “Additional Special Tax Reserve Fund” below.

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

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

As discussed above under the caption “- No Rating; Early Stages of Development; Transfer Restrictions,” development within Improvement Area No. 2 is in the early stages and investment in the 2023A Bonds involves certain risks and is not suitable for all investors. See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2023A Bonds.

### **2022 Reserve Fund**

Upon issuance of the 2022A Bonds, the City, on behalf of the District, established the 2022 Reserve Fund as additional security for the 2022A Bonds and all 2022A Related Parity Bonds pursuant to the Fiscal Agent Agreement. The 2023A Bonds will be 2022A Related Parity Bonds. The Fiscal Agent Agreement requires the 2022 Reserve Fund to be funded at the 2022 Reserve Requirement (defined below). On the date of issuance of the 2023A Bonds, proceeds of the 2023A Bonds will be deposited into the 2022 Reserve Fund so that the amount in the 2022 Reserve Fund is equal to the 2022 Reserve Requirement.

The 2023A Bonds will be secured by a first pledge of all moneys deposited in the 2022 Reserve Fund. The moneys in the 2022 Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2022A Bonds, 2023A Bonds and all 2022A Related Parity Bonds that might be issued in the future as provided in the Fiscal Agent Agreement and in the Act until all of the 2022A Bonds, the 2023A Bonds and all other 2022A Related Parity Bonds, if any, have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – 2022 Reserve Fund” herein.

### **Additional Special Tax Reserve Fund**

Upon issuance of the 2023A Bonds, the City, on behalf of the District, will establish the Additional Special Tax Reserve Fund as additional security for the Bonds. The Fiscal Agent Agreement requires the Additional Special Tax Reserve Fund to be funded at the Additional Special Tax Reserve Requirement until the date on which an Officer’s Certificate signed by the Director of the Office of Public Finance and the Treasure Island Director is delivered to the Fiscal Agent certifying that the vertical construction on Sub-Block B1 is underway (the “Additional Special Tax Reserve Release Date”).

The Additional Special Tax Reserve Requirement represents an amount equal to the current and subsequent fiscal year Maximum Facilities Special Tax Levy on Sub-Block B1. The Additional Special Tax Reserve Requirement, initially equal to \$652,770, will increase annually by two percent (2%) beginning on September 1, 2024. On the date of issuance of the 2023A Bonds, available Special Taxes will be deposited into the Additional Special Tax Reserve Fund in an amount of approximately \$640,000, with earnings thereon retained in the Additional Special Tax Reserve Fund until the initial Additional Special Tax Reserve Requirement is satisfied.

The Bonds will be secured by a first pledge of all moneys deposited in the Additional Special Tax Reserve Fund. The moneys in the Additional Special Tax Reserve Fund (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium

on, the Bonds as provided in the Fiscal Agent Agreement. See “SECURITY FOR THE BONDS – Additional Special Tax Reserve Fund” herein.

### **Foreclosure Covenant**

The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the Improvement Area No. 2, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS –Special Tax Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

### **Limited Obligations**

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

### **Treasure Island Project**

The “Treasure Island Project” entails the development of portions of the naturally-formed Yerba Buena Island (“Yerba Buena Island”) and the artificially created Treasure Island (“Treasure Island”), both located in the middle of the San Francisco Bay between downtown San Francisco and the City of Oakland. Yerba Buena Island and Treasure Island are accessible by Interstate Highway 80 via the San Francisco-Oakland Bay Bridge (which passes through Yerba Buena Island) and connected by a causeway.

The Treasure Island Project consists of approximately 461 acres (the “Treasure Island Project Site”). The Treasure Island Project is entitled under the Planning Code for the development of up to 8,000 residential units, up to approximately 140,000 square feet of new commercial and retail space, adaptive reuse of three historic buildings with up to 311,000 square feet of commercial/flex space, up to 500 hotel rooms, up to approximately 100,000 square feet of office space, 290 plus acres of open space, 22 miles of walking/biking paths, playing fields, a marina, and a ferry terminal.

A portion of the Treasure Island Project Site is located on land that was previously the site of a United States Naval Station (“Naval Station Treasure Island” or “NSTI”). In 1993, Congress selected NSTI for closure and disposition by the Base Realignment and Closure Commission. The Department of Defense later designated the City as the initial local reuse authority responsible for the conversion of NSTI under the federal disposition process. In July 1996, after an extensive community planning effort, the City’s Mayor, Board of Supervisors, Planning Commission, and the Citizens Reuse Committee unanimously endorsed a Draft Reuse Plan (the “Reuse Plan”) for NSTI to serve as the basis for the preliminary redevelopment plan for NSTI.

In 1997, the Board of Supervisors authorized the creation of the Treasure Island Development Authority, a California nonprofit public benefit corporation (“TIDA”), to serve as the entity responsible for the reuse and development of NSTI, taking over such responsibility from the City. In addition, the Board of Supervisors designated TIDA as a redevelopment agency with powers over NSTI under the Treasure Island Conversion Act of 1997.

In 2003, after completion of a competitive selection process, Treasure Island Community Development, LLC, a California limited liability company (“TICD”), was selected to serve as master developer for the Treasure Island Project. TICD is a joint venture comprised of various affiliates of Lennar Corporation (“Lennar”), Stockbridge TI Fund LP (“Stockbridge”), Kenwood Investments (“Kenwood”), Wilson Meany, LP (“Wilson Meany”) and others. See “THE TREASURE ISLAND PROJECT - TICD and the Treasure Island Project” herein.

In 2011, TIDA and the City certified an Environmental Impact Report and approved the Treasure Island Project entitlements, a General Plan Amendment, adoption of Planning Code Section 749.72 that established the Treasure Island/Yerba Buena Island Special Use District (the “TI/YBI SUD”), a Design for Development (“D4D”) that established design standards and guidelines, and a Development Agreement vesting those entitlements.

In 2014, the United States of America, acting by and through the Department of the Navy (the “Navy”), and TIDA entered into an Economic Development Conveyance Memorandum of Agreement (as amended and supplemented from time to time, the “Conveyance Agreement”) that governs the terms and conditions for the transfer of NSTI from the Navy to TIDA. Under the Conveyance Agreement, the Navy must convey NSTI to TIDA in phases after the Navy has completed environmental remediation and issued a finding of suitability to transfer for specified parcels of NSTI or portions thereof. To date, the Navy has conveyed five separate conveyances to TIDA, including all of the property within Improvement Area No. 2.

The Treasure Island Project will be carried out by, or at the direction of, TICD in accordance with the Disposition and Development Agreement between TIDA and TICD, dated as of June 28, 2011 (as amended from time to time, the “DDA”), and the Development Agreement between the City and TICD dated as of June 28, 2011 (as amended from time to time, the “DA”), and related Treasure Island Project approvals (including the Mitigation Monitoring and Reporting Program adopted by TIDA and the City in reliance on the Treasure Island/Yerba Buena Island Environmental Impact Report), the D4D, and the TI/YBI SUD.

TICD is developing the Treasure Island Project in Major Phases and Sub-Phases by transferring property related to such phases to one or more phase developers (separate entities within TICD). The phase developers, in turn, are developing the phase by transferring property to one or more merchant builders.

For additional information regarding the Treasure Island Project, Improvement Area No. 2, TICD and the development plans for the Treasure Island Project and Improvement Area No. 2, see “THE TREASURE ISLAND PROJECT” and “IMPROVEMENT AREA NO. 2” herein.

### **Improvement Area No. 2 and the Treasure Island Project**

The property in Improvement Area No. 2 is part of the larger Treasure Island Project. Improvement Area No. 2 covers about 5.22 gross acres, all of which is located on Treasure Island. A wholly-owned subsidiary of TICD, Treasure Island Series 1, LLC, a Delaware limited liability company (“TI Series 1”), is developing the property in Improvement Area No. 2. However, as described below, TI Series 1 no longer owns any of the properties in Improvement Area No. 2 that are subject to the Special Tax. Improvement Area No. 2 is located within Sub-Phases of Major Phase 1 (as defined in the DDA) known as Sub-Phases 1B, 1C and 1E. Development blocks within these Sub-Phases have been divided into sub-blocks of developable land (each, a “Sub-Block”). Improvement Area No. 2 is planned to be developed with five residential buildings, three of which are currently under construction. The five Sub-Blocks and expected development within each is summarized in the table below:

<b><u>Sub-Block (Marketing Name)</u></b>	<b><u>Planned Residential Use<sup>(1)</sup></u></b>	<b><u>Market Rate Units</u></b>	<b><u>Inclusionary Units<sup>(3)</sup></u></b>	<b><u>Total Number of Planned Units</u></b>
B1 <sup>(2)</sup>	Rental apartments	111	6	117
C2.2 (Hawkins)	Rental apartments	169	9	178
C2.3	For-sale condominiums	80	5	85
C2.4 (Isle House)	Rental apartments	226	24	250
C3.4 (Portico)	For-sale condominiums	<u>141</u>	<u>7</u>	<u>148</u>
<b>Totals</b>		<b>727</b>	<b>51</b>	<b>778</b>

<sup>(1)</sup> See “IMPROVEMENT AREA NO. 2 – Merchant Builder Development and Financing Plans” for a discussion of development status.

<sup>(2)</sup> Comprised of development parcels B1.1 and B1.2, but referred to collectively herein as Sub-Block B1.

<sup>(3)</sup> Inclusionary units within each Sub-Block are not subject to Special Taxes.

Source: *TI Series 1*.

On February 22, 2016, TI Series 1 acquired from TIDA Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4. On November 9, 2020, Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4 were sold to five Merchant Builders (as defined herein). TIDA retained leasehold and public property that will be developed by TICD Developer (as defined herein) within Sub-Phases 1B and 1C including Building 1, the Building 1 Plaza, Marina Plaza, Clipper Cove Promenade 1, Cityside Waterfront Park 1, Cultural Park, Cityside Waterfront Park 2 and various streets within these Sub-Phases. None of such leasehold and public property are subject to the Special Tax.

In 2018, TI Series 1 commenced construction of various infrastructure improvements required for the development of Improvement Area No. 2, including the removal of underground utilities, geotechnical stabilization, construction of all new public roads, a new joint trench system, and improvements along the Treasure Island Causeway that delivers utilities between Treasure Island and Yerba Buena Island. As of October 1, 2023, geotechnical improvements on the Improvement Area No. 2 pads, as well as joint trench, public roads, improvements along the Causeway, and all horizontal infrastructure required in order to receive a temporary certificate of occupancy for planned developments for Improvement Area No. 2 is complete. Although the infrastructure work is complete, the TICD Developer still has various payments and retentions to be paid for the work that has been completed.

See the captions “TREASURE ISLAND PROJECT —Initial Phase Approvals and Land Transfers” and “IMPROVEMENT AREA NO. 2—Infrastructure Development and Financing Plan” herein.

## Appraisal

Integra Realty Resources, Inc. (the “Appraiser”) has been retained by the City and has prepared an Appraisal Report dated September 20, 2023 (the “Appraisal Report”) with a valuation date of August 4, 2023, estimating the market value of the fee simple interest in the appraised parcels within Improvement Area No. 2. The Appraisal Report appraised the value of Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4.

The Appraisal Report reflects that the aggregate, or cumulative, market values, by ownership, of the fee simple interest in the appraised properties in Improvement Area No. 2 is \$219,900,000, subject to certain assumptions and limiting conditions set forth in the Appraisal Report. The Appraisal Report, which is included in Appendix G, should be read in its entirety by prospective purchasers of the 2023A Bonds.

In a letter dated November 29, 2023 (the “Bring Forward Letter”) the Appraiser concluded that the cumulative, or aggregate, value of the fee simple interest in the appraised properties in Improvement Area No. 2, derived in the Appraisal Report, as of August 4, 2023, in accordance with the assumptions and conditions set forth therein, as of November 1, 2023, is not less than the \$219,900,000 reported in the

Appraisal Report. In addition, the Appraiser determined that the market value of each of the appraised properties, as of November 1, 2023, is not less than the value as of the original date of value of August 4, 2023. In so concluding, the Appraiser noted that Sub-Block B1 is currently comprised of two legal parcels identified by two Assessor Parcel Numbers (APN 8901-003 (0.507 acres) and APN 8901-004 (0.51 acres)), with a site permit for development across both such legal parcels and therefore referenced collectively as Sub-Block B1, and that for purposes of allocating the \$10,500,000 Sub-Block B1 value between the two parcels, the Appraiser concluded the most appropriate method of such allocation is on the basis of their acreage; although, the Appraiser has assumed the parcels would not be sold separately because of the nature of the site permit and highest and best use.

The value of individual parcels in Improvement Area No. 2 may vary significantly, and no assurance can be given that if Special Taxes levied on one or more of the parcels become delinquent, and if the delinquent parcels were to be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid were received, that such bid would be sufficient to pay such parcel's delinquent Special Taxes. See "IMPROVEMENT AREA NO. 2 – Projected Special Tax Levy, Assessed Values and Value-to-Lien Ratios," "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" and "SPECIAL RISK FACTORS – Tax Delinquencies."

See the caption "IMPROVEMENT AREA NO. 2 – Property Values" and Appendix G. *None of the City, the District or the Underwriter make any representation as to the accuracy or completeness of the Appraisal Report or the Bring Forward Letter.*

## **Formation of the District and Improvement Area No. 2**

The District was formed by the City pursuant to the Act. The Act was enacted by the State of California (the "State") Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. Any local agency (as such term is defined in the Act) may establish a district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency that forms a district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may cause the district to issue bonds and may levy and collect a special tax within such district to repay such indebtedness. The Board of Supervisors serves as the legislative body of the District.

Pursuant to the Act, the Board of Supervisors adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes (as such term is defined in this Official Statement) on taxable property within the boundaries of the District, and enable the District to incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the Board of Supervisors adopted resolutions establishing the District and designating Improvement Area No. 1, and calling special elections to submit the authorization of the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified electors of Improvement Area No. 1, including (i) Resolution No. 8-17 (the "Resolution 8-17") adopted by the Board of Supervisors on January 24, 2017, pursuant to which the City formed the District, designated a future annexation area for the District (the "Future Annexation Area") and designated Improvement Area No. 1; and (ii) Ordinance No. 22-17 adopted by the Board of Supervisors on January 31, 2017, providing for the levy of the Special Taxes (the "Ordinance"), including within improvement areas within the District designated in the future.

The Resolution 8-17 established procedures to designate other improvement areas within the District. Pursuant to such procedures, on April 13, 2020, TI Series 1 who comprised the qualified elector of Improvement Area No. 2, authorized annexation of Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4 into the District and designation of Improvement Area No. 2. TI Series 1 also approved the District incurring bonded

indebtedness with respect to Improvement Area No. 2 in an aggregate principal amount not to exceed \$278,200,000 and the rate and method of apportionment of the special taxes (the “Rate and Method”) for Improvement Area No. 2. Such actions were later confirmed by resolution of the Board of Supervisors. See the captions “FORMATION OF THE DISTRICT AND IMPROVEMENT AREA NO. 2” and “IMPROVEMENT AREA NO. 2” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

As of the date of this Official Statement, there are three improvement areas in the District: Improvement Area No. 1 (consisting of certain property on Yerba Buena Island), Improvement Area No. 2 (consisting of certain property on Treasure Island, as described in this Official Statement), and Improvement Area No. 3 (consisting of certain other property on Treasure Island). Prior to the issuance of the 2022A Bonds, in 2020 and 2021, the City issued special tax bonds for and on behalf of the District secured by special taxes in Improvement Area No. 1. The special taxes collected in Improvement Area No. 1 and Improvement Area No. 3 are not available for payment of debt service on the Bonds. Moreover, the City may annex all or any portion of the Future Annexation Area as a separate improvement area, but the special taxes or other moneys derived from such subsequently-created improvement areas would not be available for payment of debt service on the Bonds. Special Taxes levied in Improvement Area No. 2 will not be available to pay debt service on bonds issued by the City for the District with respect to such other improvement areas. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 2.

### **Continuing Disclosure**

The City has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (“MSRB”) certain annual financial information and operating data and notice of certain enumerated events. The City’s covenants have been made in order to assist the Underwriter in complying with the Securities and Exchange Commission’s Rule 15c2-12 (“Rule 15c2-12”). See the caption “CONTINUING DISCLOSURE” and Appendix E-1 for a description of the specific nature of the annual reports and notices of enumerated events to be filed by the City.

In addition, each Merchant Builder (or a related company on the Merchant Builder’s behalf) have agreed to execute separate continuing disclosure undertakings that provide, or cause to be provided, to the MSRB certain information on a semiannual basis and notice of certain enumerated events. See the caption “CONTINUING DISCLOSURE” and Appendix E-2 for a description of the specific nature of the semiannual reports and notices of enumerated events to be filed by the Merchant Builders.

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

### **Further Information**

Brief descriptions of the 2023A Bonds, the security for the Bonds, special risk factors, the District, Improvement Area No. 2, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2023A Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2023A Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. For definitions of certain capitalized terms used herein and

not otherwise defined, and a description of certain terms relating to the 2023A Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

## THE FINANCING PLAN

The 2023A Bonds are being issued to finance the following: (i) the Facilities, (ii) a deposit to the 2022 Reserve Fund (as defined herein), and (iii) costs of issuance. Proceeds of the 2023A Bonds are expected to be used, to finance acquisition and construction of public facilities.

## ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources of Funds</u>	
Principal Amount	\$
[Net] Premium	
Transfer from Special Tax Fund	
Total Sources	\$
<u>Uses of Funds</u>	
Deposit to Improvement Fund	\$
Deposit to 2022 Reserve Fund	
Deposit to Additional Special Tax Reserve Fund	
Costs of Issuance <sup>(1)</sup>	
Total Uses	\$

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

## THE 2023A BONDS

### Description of the 2023A Bonds

The 2023A Bonds will be issued as fully registered bonds, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof within a single maturity and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. The 2023A Bonds will be issued in fully registered form, without coupons. The 2023A Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof.

The 2023A Bonds will bear interest at the rates set forth on the inside cover page hereof, payable on the Interest Payment Dates in each year. Interest on all 2023A Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2023A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the dated date of the 2023A Bonds; provided, however, that if at the time of authentication



of a 2023A Bond, interest is in default thereon, such 2023A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

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

**Redemption\***

**Optional Redemption.** The 2023A Bonds maturing on or after September 1, 2031 are subject to optional redemption as directed by the City, from sources of funds other than prepayments of Special Taxes, prior to their stated maturity on any date on or after September 1, 2030, as a whole or in part, at a redemption price (expressed as a percentage of the principal amount of the 2023A Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

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

**Mandatory Sinking Fund Redemption.** The 2023A Bonds maturing on September 1, 20\_\_ (the “Term 2023A Bonds (20\_\_”)”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date ( <u>September 1</u> )	Principal Amount <u>Subject to Redemption</u> \$
---	--

(maturity)

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\* Preliminary, subject to change.

Provided, however, if some but not all of the Term 2023A Bonds (20\_\_) have been redeemed pursuant to optional redemption or redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2023A Bonds (20\_\_) so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

The 2023A Bonds maturing on September 1, 20\_\_ (the “Term 2023A Bonds (20\_\_)”) are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Sinking Fund Redemption Date (September 1)	Principal Amount Subject to Redemption \$
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(maturity)

Provided, however, if some but not all of the Term 2023A Bonds (20\_\_) have been redeemed pursuant to optional redemption or redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term 2023A Bonds (20\_\_) so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

***Redemption from Special Tax Prepayments.*** Special Tax Prepayments and any corresponding transfers from the 2022 Reserve Fund shall be used to redeem 2023A Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities so as to maintain substantially the same Debt Service profile for the Bonds as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2023A Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

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

***Notice of Redemption.*** The Fiscal Agent shall cause notice to be sent at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, and to the respective registered Owners of any 2023A Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any

defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. In addition, the Fiscal Agent shall file each notice of redemption with the MSRB through its Electronic Municipal Market Access system (“EMMA”). Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2023A Bonds are to be called for redemption shall state as to any 2023A Bond called in part the principal amount thereof to be redeemed, and shall require that such 2023A Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2023A Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund. The City has the right to rescind any notice of the optional redemption of 2023A Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2023A Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Fiscal Agent Agreement.

***Selection of Bonds for Redemption.*** Except as provided under the Fiscal Agent Agreement provisions described above under the captions “ – Optional Redemption,” “ – Mandatory Sinking Fund Redemption” and “ – Redemption from Special Tax Prepayments,” whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2023A Bonds of any maturity or any given portion thereof, the City shall select the 2023A Bonds or portions thereof to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, and the Fiscal Agent shall select the Bonds or portions thereof to be redeemed by lot within a maturity and notify the City.

***Purchase of Bonds in Lieu of Redemption.*** In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2023A Bonds, upon the filing with the Fiscal Agent of an Officer’s Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer’s Certificate may provide, but in no event may 2023A Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. All 2023A Bonds purchased by the Fiscal Agent will be canceled by the Fiscal Agent.

## **The Fiscal Agent**

Zions Bancorporation, National Association has been appointed as the Fiscal Agent for all of the Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

## **Book-Entry System**

DTC will act as securities depository for the 2023A Bonds. The 2023A Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers (referred to herein as “Beneficial Owners”) in the denomination of \$100,000 or any integral multiple in of \$5,000 in excess thereof, under the book-entry system maintained by DTC. Beneficial Owners of 2023A Bonds will not receive physical certificates representing their interest in the Bonds. So long as the 2023A Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the

Owners shall mean Cede & Co., and shall not mean the Beneficial Owners of the 2023A Bonds. Payments of the principal of, premium, if any, and interest on the 2023A Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the 2023A Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM" hereto.

### **Debt Service**

The 2023A Bonds were sized to leverage Maximum Annual Special Taxes on the four Sub-Blocks, categorized as Developed Property under the Rate and Method, as of October 1, 2023 (with at least a site permit) with annual debt service coverage on the 2023A Bonds and the 2022A Bonds of at least 110%, after deducting estimated administrative expenses. In addition, the Additional Special Tax Reserve Fund will be established with the requirement that it will be funded in an amount equal to the Additional Special Tax Reserve Requirement (although the Additional Special Tax Reserve Fund initially will be funded in a lower amount). The Additional Special Tax Reserve Requirement is equal to the current and subsequent fiscal year Maximum Facilities Special Tax levy on Sub-Block B1. See also Table 17 in "IMPROVEMENT AREA NO. 2 - Special Tax Levy, Assessed Values and Value-to-Lien Ratios" herein.

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The following tables set forth the debt service schedule for the 2023A Bonds and projected debt service coverage, in each case assuming no redemptions other than mandatory sinking fund redemptions. The tables do not present any future Parity Bonds that could be issued. See “SECURITY FOR THE BONDS – Parity Bonds” herein.

<b>Year Ending (September 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$	\$	\$
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

*Source: Underwriter.*

Year Ending <sup>(1)</sup>	Maximum Annual Special Tax Revenues <sup>(2)</sup>	Estimated Administrative Expense	Net Special Tax Revenues <sup>(3)</sup>	Special Tax Bonds Debt Service			Projected Debt Service Coverage <sup>(4)*</sup>		
				Outstanding 2022A Bonds	2023A Bonds*	Total*	From Net Special Tax Revenues	From Net Special Tax Revenues from Developed Property <sup>(5)</sup>	From Net Special Tax Revenues from 3 Parcels Under Construction <sup>(6)</sup>
2024	\$ 3,077,797	(\$ 125,000)	\$ 2,952,797	\$ 1,164,600	\$ 875,699	\$ 2,040,299	145%	110%	94%
2025	3,139,353	(127,500)	3,011,853	1,188,000	893,105	2,081,105	145	110	94
2026	3,202,140	(130,050)	3,072,090	1,210,200	912,527	2,122,727	145	110	94
2027	3,266,183	(132,651)	3,133,532	1,236,200	928,982	2,165,182	145	110	94
2028	3,331,506	(135,304)	3,196,202	1,260,800	947,685	2,208,485	145	110	94
2029	3,398,137	(138,010)	3,260,126	1,289,000	963,655	2,252,655	145	110	94
2030	3,466,099	(140,770)	3,325,329	1,310,600	987,108	2,297,708	145	110	94
2031	3,535,421	(143,586)	3,391,836	1,340,800	1,002,862	2,343,662	145	110	94
2032	3,606,130	(146,457)	3,459,672	1,364,200	1,026,335	2,390,535	145	110	94
2033	3,678,252	(149,387)	3,528,866	1,391,000	1,047,346	2,438,346	145	110	94
2034	3,751,817	(152,374)	3,599,443	1,421,000	1,066,113	2,487,113	145	110	94
2035	3,826,854	(155,422)	3,671,432	1,449,000	1,087,855	2,536,855	145	110	94
2036	3,903,391	(158,530)	3,744,861	1,480,000	1,107,592	2,587,592	145	110	94
2037	3,981,459	(161,701)	3,819,758	1,508,800	1,130,544	2,639,344	145	110	94
2038	4,061,088	(164,935)	3,896,153	1,540,400	1,151,731	2,692,131	145	110	94
2039	4,142,310	(168,234)	3,974,076	1,569,600	1,176,374	2,745,974	145	110	94
2040	4,225,156	(171,598)	4,053,558	1,601,400	1,199,493	2,800,893	145	110	94
2041	4,309,659	(175,030)	4,134,629	1,630,600	1,226,311	2,856,911	145	110	94
2042	4,395,852	(178,531)	4,217,321	1,667,200	1,246,849	2,914,049	145	110	94
2043	4,483,769	(182,101)	4,301,668	1,695,800	1,276,530	2,972,330	145	110	94
2044	4,573,444	(185,743)	4,387,701	1,731,600	1,300,177	3,031,777	145	110	94
2045	4,664,913	(189,458)	4,475,455	1,764,200	1,328,212	3,092,412	145	110	94
2046	4,758,212	(193,247)	4,564,964	1,803,600	1,350,661	3,154,261	145	110	94
2047	4,853,376	(197,112)	4,656,263	1,839,400	1,377,946	3,217,346	145	110	94
2048	4,950,443	(201,055)	4,749,389	1,876,600	1,405,093	3,281,693	145	110	94
2049	5,049,452	(205,076)	4,844,376	1,895,000	1,452,327	3,347,327	145	110	94
2050	5,150,441	(209,177)	4,941,264	1,895,200	1,519,073	3,414,273	145	110	94
2051	5,253,450	(213,361)	5,040,089	1,892,800	1,589,759	3,482,559	145	110	94
2052	5,358,519	(217,628)	5,140,891	1,892,800	1,659,410	3,552,210	145	110	94
2053	5,465,689	(221,981)	5,243,709	-	3,623,254	3,623,254	145	110	94
<b>Total</b>	<b>\$124,860,312</b>	<b>(\$5,071,010)</b>	<b>\$119,789,303</b>	<b>\$44,910,400</b>	<b>\$37,860,609</b>	<b>\$82,771,009</b>			

\* Preliminary, subject to change.

(1) Debt service presented on a bond year ending on September 1.

(2) Revenues presented on a fiscal year basis ending on June 30. Projected based on the expected land uses at buildout as of July 28, 2023, per the TICD Developer. See Table 14 herein.

(3) Maximum Special Tax Revenues net of estimated annual administrative expenses.

(4) Special Taxes may be levied on all property within Improvement Area No. 2 up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds, however, the Special Tax levy on property used for private residential purposes may not increase by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquencies or defaults by the owners of any other parcels in Improvement Area No. 2. There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City.

(5) Coverage based on Maximum Special Tax Revenues from the four Sub-blocks categorized as Developed Property under the Rate and Method net of estimated annual administrative expenses. See "IMPROVEMENT AREA NO. 2 – Special Tax Levy, Assessed Values and Value-to-Lien Ratios" herein.

(6) Coverage based on Maximum Special Tax Revenues from the three Sub-blocks with projects under construction (Isle House, Hawkins, and Portico) net of estimated annual administrative expenses.

Source: Underwriter for debt service, Goodwin Consulting Group for special tax revenues.

## SECURITY FOR THE BONDS

### General

The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Special Tax Revenues and, except as provided below, all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement.

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

The Special Taxes are to be apportioned, levied and collected according to the Rate and Method on Taxable Parcels developed within Improvement Area No. 2. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

The 2022A Bonds, the 2023A Bonds and any 2022A Related Parity Bonds issued in the future will be secured by a first pledge of all moneys deposited in the 2022 Reserve Fund. The moneys in the 2022 Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the 2022A Bonds, the 2023A Bonds and any 2022A Related Parity Bonds issued in the future as provided in the Fiscal Agent Agreement and in the Act until all of the 2022A Bonds, the 2023A Bonds and all other 2022A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose.

“2022A Related Parity Bonds” means the 2023A Bonds and any series of Parity Bonds for which (i) the proceeds are deposited into the 2022 Reserve Fund so that the balance therein is equal to the 2022 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2022 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

The Bonds will be secured by a first pledge of all moneys deposited in the Additional Special Tax Reserve Fund. The moneys in the Additional Special Tax Reserve Fund are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until the date on which the City has delivered to the Fiscal Agent an Officer’s Certificate signed by the Director of the Office of Public Finance and the Treasure Island Director certifying that vertical construction of Sub-Block B1 is underway based on evidence reasonably satisfactory to the Director of the Office of Public Finance and the Treasure Island Director that the developer of Sub-Block B1 has spent more than \$250,000 on the onsite cost of labor and materials directly related to the construction of the vertical improvements for Sub-Block B1 that are authorized by the Building Permit (as defined in the Rate and Method) for Sub-Block B-1 (previously defined as, the “Additional Special Tax Reserve Release Date”).

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the 2023A Bonds. The Facilities are not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Facilities.

### **Limited Obligation**

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

### **No Teeter Plan**

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

By resolution, the Board of Supervisors has extended the Teeter Plan to the allocation and distribution of special taxes for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center). There are also four city-wide parcel taxes, which are similarly billed as direct charges on property tax bills, that are distributed based upon the Teeter method. However, the Board of Supervisors has not extended the Teeter Plan to the collection of Special Taxes within Improvement Area No. 2. Accordingly, the Teeter Plan is not expected to be available for the collection of the Special Taxes within Improvement Area No. 2 and the collection of the Special Taxes within such area will reflect actual delinquencies.

### **Special Tax Fund**

***Special Tax Fund.*** Pursuant to the Fiscal Agent Agreement, there is established a “Special Tax Fund” to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City has agreed in the Fiscal Agent Agreement to promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund. Notwithstanding the foregoing,

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

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, without



preference or priority for transfer to (a) the 2022 Reserve Fund to the extent needed to increase the amount then on deposit in the 2022 Reserve Fund up to the then 2022 Reserve Requirement and (b) the reserve account for any Parity Bonds that are not 2022A Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be on deposit therein; third, to the Additional Special Tax Reserve Fund to the extent needed to increase the amount then on deposit in the Additional Special Tax Reserve Fund up to the then Additional Special Tax Reserve Requirement; and fourth, to be held in the Special Tax Fund for use as described in below under “- *Disbursements*”; and

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

***Disbursements from the Special Tax Fund.*** At least seven (7) business days prior to each Interest Payment Date or redemption date the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the 2022 Reserve Fund and any reserve account for Parity Bonds that are not 2022A Related Parity Bonds, a capitalized interest account established for any series of Parity Bonds and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date, and any past due principal or interest on the Bonds not theretofore paid from a transfer described in clause second of subparagraph (ii) above under “- *Special Tax Fund*;”

(ii) without preference or priority (a) to the 2022 Reserve Fund an amount, taking into account amounts then on deposit in the 2022 Reserve Fund, such that the amount in the 2022 Reserve Fund is equal to the 2022 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2022A Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2022 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and

(iii) to the Additional Special Tax Reserve Fund, an amount, taking into account amounts then on deposit in the Additional Special Tax Reserve Fund, such that the amount in the Additional Special Tax Reserve Fund is equal to the Additional Special Tax Reserve Requirement, and

(iv) on each October 1, all of the moneys remaining in the Special Tax Fund, to the extent that they are not needed to pay for Administrative Expenses, shall be transferred to the Finance Director for deposit in accordance with the DDA and the DA. More specifically, such remaining Special Taxes shall be deposited in the remainder taxes project account established by TIDA and (1) before the date on which the first park owned by TIDA is completed and open to the public (the “Maintenance Commencement Date”), from time to time, at TICD’s request, applied to finance Qualified Project Costs (as defined in the Financing Plan attached to and part of the DDA (the “DDA Financing Plan”)) and (2) following the Maintenance Commencement Date, transferred to TIDA and held in the remainder taxes holding account established by TIDA and applied to the costs of operating and maintaining parks within the District.

Amounts on deposit in the remainder taxes project account or the remainder taxes holding account are not pledged to the repayment of the Bonds.

## **Bond Fund**

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

***Flow of Funds for Payment of Principal and Interest.*** At least ten (10) business days before each Interest Payment Date or redemption date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date or redemption date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date or redemption date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on the Bonds on such Interest Payment Date or redemption date. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer of the collections of delinquent Special Taxes will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

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

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the Additional Special Tax Reserve Fund, in accordance with the provisions of Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Additional Special Tax Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the 2022 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds (including the proceeds of any Qualified Reserve Account Credit Instrument held therein) or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2023A Bonds and any 2022A Related Parity Bonds. Amounts so withdrawn from the 2022 Reserve Fund shall be deposited in the Bond Fund.

(iii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2022A Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in the Bond Fund.

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

payment of principal due on the Bonds by reason of sinking payments. See “Additional Special Tax Reserve Fund” below.

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

**2022 Reserve Fund**

Upon issuance of the 2022A Bonds, the City established under the Fiscal Agent Agreement a 2022 Reserve Fund. The 2022 Reserve Fund is established for the benefit of the 2022A Bonds, the 2023A Bonds and any other 2022A Related Parity Bonds. Under the Fiscal Agent Agreement the 2022 Reserve Fund is to be funded at the 2022 Reserve Requirement.

“2022 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2022A Bonds, the 2023A Bonds and any other 2022A Related Parity Bonds, (b) 125% of average Annual Debt Service on the 2022A Bonds, the 2023A Bonds and any other 2022A Related Parity Bonds, and (c) 10% of the outstanding principal of the 2022A Bonds, the 2023A Bonds and any other 2022A Related Parity Bonds; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2022A Bonds, the 2023A Bonds or any other 2022A Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2022A Bonds, the 2023A Bonds or any other 2022A Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2022A Bonds, the 2023A Bonds or any other 2022A Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated exceed the amount on deposit in the 2022 Reserve Fund on the date of issuance of the 2022A Bonds (if they are the only Bonds covered by the 2022 Reserve Fund) or the most recently issued series of 2022A Related Parity Bonds except in connection with any increase associated with the issuance of 2022A Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2022 Reserve Fund in connection with the issuance of a series of 2022A Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

Upon issuance of the 2023A Bonds, the 2022 Reserve Requirement is expected to be satisfied as reflected in the table below:

<b>2022 Reserve Requirement</b>	<b>\$</b>
Balance in the 2022 Reserve Fund	\$
Deposit to the 2022 Reserve Fund from 2023A Bonds proceeds	
<b>Total Deposited to the 2022 Reserve Fund</b>	<b>\$</b>

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the 2022 Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund and the Additional Special Tax Reserve Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2022A Bonds, the 2023A Bonds and any other 2022A Related Parity Bonds or, in accordance with the Fiscal Agent Agreement, for the purpose of redeeming 2022A Bonds, 2023A Bonds and any other 2022A Related Parity Bonds from the Bond Fund.

The City has the right at any time to direct the Fiscal Agent to release funds from the 2022 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2022A Bonds, the 2023A Bonds or any other 2022A Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

### **Additional Special Tax Reserve Fund**

Upon issuance of the 2023A Bonds, the City will establish under the Fiscal Agent Agreement an Additional Special Tax Reserve Fund for the benefit of the Bonds and deposit therein approximately \$640,000 from available Special Taxes. Under the Fiscal Agent Agreement the Additional Special Tax Reserve Fund is to be funded at the Additional Special Tax Reserve Requirement.

“Additional Special Tax Reserve Requirement” means (i) as of the Closing Date, and continuing to September 1, 2024, an amount equal to \$652,770, provided, however, that the initial deposit on the Closing Date shall be approximately \$640,000 and (ii) on September 1, 2024 and each September 1 thereafter prior to the Additional Special Tax Reserve Release Date, an amount equal to the Additional Special Tax Reserve Requirement as of the preceding September 1 increased by two percent (2%).

Except as otherwise provided in the Fiscal Agent Agreement, moneys in the Additional Special Tax Reserve Fund will be used solely for the purpose of paying the principal of, and interest and any premium on the Bonds when due in the event that the amounts on deposit in the Bond Fund, or the Special Tax Fund are insufficient for such purpose. In such event, the Fiscal Agent will withdraw from the Additional Special Tax Reserve Fund the moneys necessary for the purpose of paying the principal of, and interest and any premium on the Bonds when due. On each September 1, the Fiscal Agent will transfer any remaining amount in the Additional Special Tax Reserve Fund that exceeds the Additional Special Tax Reserve Requirement to the Bond Fund for the purpose of paying debt service on the Bonds.

If the balance in the Additional Special Tax Reserve Fund is less than the Additional Special Tax Reserve Requirement, the Fiscal Agent will, as described in “- Special Tax Fund” above, transfer to the Additional Special Tax Reserve Fund from available moneys in the Special Tax Fund the amount needed to restore the amount of the Additional Special Tax Reserve Fund to the Additional Special Tax Reserve Requirement. If such available amounts in the Special Tax Fund are inadequate to restore the Additional Special Tax Reserve Fund to the Additional Special Tax Reserve Requirement, then the City will include the amount necessary to fully restore the Additional Special Tax Reserve Fund to the Additional Special Tax Reserve Requirement in the next annual Special Tax levy, subject to the Maximum Special Tax.

Amounts in the Additional Special Tax Reserve Fund in excess of the Additional Special Tax Reserve Requirement may be withdrawn for purposes of making rebate payments to the federal government to comply with the Fiscal Agent Agreement.

On the Additional Special Tax Reserve Release Date, the Fiscal Agent will transfer all amounts in the Additional Special Tax Reserve Fund to the Finance Director for application in accordance with the Fiscal Agent Agreement. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” hereto.

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

*The following is a brief summary of certain provisions of the Rate and Method. The summary is intended to provide an overview of the calculation and levy of the Facilities Special Tax. The Rate and Method also authorizes the levy of a Services Special Tax; however, under the terms of the Rate and Method, such Services Special Tax cannot be levied while the 2023A Bonds are outstanding. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B.*

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

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

“Developed Property” means, in any Fiscal Year, all Taxable Parcels for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year, but not prior to January 1, 2015.

“Expected Taxable Property” means any Parcel within Improvement Area No. 2 that: (i) pursuant to the Development Approval Documents, was expected to be a Taxable Parcel, (ii) based on the Expected Land Uses and as determined by the Administrator, was assigned Expected Maximum Facilities Special Tax Revenues, and (iii) subsequently falls within one or more of the categories that would otherwise be exempt from the Special Tax as described under “*Exemptions to the Special Tax*” below.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) replenish reserve funds created for the Bonds under the Fiscal Agent Agreement to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Expenditures, including park maintenance, Sea Level Rise Improvements, and capital reserves, in the priority set forth in the DDA Financing Plan, so long as such levy under clause (vi) does not increase the Facilities Special Tax levied on Undeveloped Property. Notwithstanding the foregoing, in any Fiscal Year in which any portion of a Developer Maintenance Payment is delinquent, the Maximum Facilities Special Tax shall be levied on Undeveloped Property until the amount collected from Undeveloped Property that is used to pay for park maintenance is equal to the aggregate amount of delinquent Developer Maintenance Payments. The amounts referred to in clauses (i) and (ii) of the definition of Facilities Special Tax Requirement may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Fiscal Agent Agreement; (b) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Facilities Special Taxes; and (c) any other revenues available to pay such costs, each as determined in the sole discretion of the Administrator.

“Special Tax Requirement” means prior to the Transition Year, the Facilities Special Tax Requirement and, in and after the Transition Year, the Services Special Tax Requirement. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel in addition to the Services Special Tax Requirement for that Fiscal Year.

“Taxable Parcel” means any Parcel within Improvement Area No. 2 that is not exempt from the Special Tax pursuant to law or under “*Exemptions to the Special Tax*” below.

“Transition Event” shall be deemed to have occurred when the Administrator determines that either of the following events have occurred: (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the District have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Capital Reserve Requirement has been fully funded, or (ii) all Bonds secured by the levy and collection of Facilities Special Taxes in the District have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Facilities Special Tax has been levied within Improvement Area No. 2 for one hundred (100) Fiscal Years.

“Transition Year” means the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year.

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

“Vertical DDA” means a disposition and development agreement between TICD and/or TIDA and a developer that governs the development of Vertical Improvements (as defined in the DDA) or a disposition and development agreement between TIDA and a developer that has a leasehold interest in property that is subject to the Public Trust, for a Taxable Parcel.

“Vertical DDA Property” means, in any Fiscal Year, any Parcel that is not yet Developed Property against which a Vertical DDA has been recorded, and for which the Developer or the Vertical Developer (as defined in the DDA) has, by June 30 of the prior Fiscal Year, notified the Administrator of such recording.

**General.** A Special Tax applicable to each Taxable Parcel in Improvement Area No. 2 shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount per square foot for the land use category of Taxable Parcel, as described below. All Taxable Parcels in the Improvement Area No. 2 shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including property subsequently annexed to the Improvement Area No. 2. During the term of the 2023A Bonds, only the Facilities Special Tax shall be levied. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto. Each Fiscal Year, the Administrator is required to identify the current parcel numbers for all Taxable Parcels and determine: (i) whether each Taxable Parcel is Developed Property, Vertical DDA Property, Undeveloped Property, or Expected Taxable Property, (ii) within which Sub-Block each Assessor’s Parcel is located, (iii) for Developed Property, the Residential Square Footage, Commercial/Retail Square Footage, and/or Hotel Square Footage on each Parcel, (iv) for Residential Property, the Residential Product Type, number of Market Rate Units, Inclusionary Units, For-Sale Units, Rental Units, and Converted For-Sale Units, (v) whether there are any delinquent Developer Maintenance Payments, and (vi) the Special Tax Requirement for the Fiscal Year.

**Base Facilities Special Tax Rates.** The following table sets forth the “Base Facilities Special Tax” before the Transition Year for any Land Use Category and the per-square foot Facilities Special Tax for

square footage within such Land Use Category, as provided in the Rate and Method. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

**Table 1**  
**Improvement Area No. 2 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Base Facilities Special Tax Rates per Square Foot**

<u>Land Use Category</u>	<u>FY 2023-24</u> <u>Base Facilities</u> <u>Special Tax</u> <sup>(1)</sup>
Low-Rise Unit	\$7.05
Mid-Rise Unit	8.16
Tower Unit	9.35
Treasure Island Townhome Unit	6.19
Yerba Buena Townhome Unit	6.69
Rental Unit	3.21
Hotel Condominium	6.82
Commercial/Retail	1.73
Hotel	3.45

*Source: Goodwin Consulting Group, Inc.*

<sup>(1)</sup> The Base Facilities Special Tax shall increase by 2% annually.

**Special Tax Rates.** The Rate and Method provides how the Special Tax Rates are determined generally based on a maximum tax rate per square foot that varies based on the land use category of the Parcel. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.

**Maximum Special Tax.** Pursuant to the Rate and Method, the Administrator shall apply the steps set forth therein to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in Improvement Area No. 2 based upon whether such Parcel is classified as Undeveloped Property, Vertical DDA Property, Developed Property or Expected Taxable Property. On each July 1, the Base Facilities Special Taxes, the Expected Maximum Facilities Special Tax Revenues and the Maximum Facilities Special Tax assigned to each Parcel in Improvement Area No. 2 shall be increased by 2% of the amount in effect in the prior Fiscal Year. For a discussion of changes to the Maximum Special Tax under the Rate and Method, see APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” hereto.

**Exemptions to the Special Tax.** Under the Rate and Method, no Special Tax is to be levied on: (i) Public Property or Association Property, except Public Property or Association Property that is determined to be Expected Taxable Property or a Hotel Project, (ii) Authority Housing Lots or Inclusionary Units unless any such lots or units have been determined to be Expected Taxable Property, (iii) Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, or open space, and (iv) the Yerba Buena Officers Quarters.

***Levy of the Special Tax.*** For each Fiscal Year, the Administrator shall calculate the Special Tax Requirement and levy Facilities Special Taxes on all Taxable Parcels in accordance with the following steps:

Step 1: In all Fiscal Years prior to and including the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the DDA Financing Plan, or (ii) 42 years after the 2022A Bonds were issued for Improvement Area No. 2, the Maximum Special Tax shall be levied on all Parcels of Developed Property regardless of debt service on Bonds (if any), and any Remainder Special Taxes collected shall be applied as set forth in the DDA Financing Plan.

In all Fiscal Years after the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the DDA Financing Plan, or (ii) 42 years after the 2022A Bonds were issued for Improvement Area No. 2, the Special Tax shall be levied Proportionately on each Parcel of Developed Property, up to 100% of the Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Vertical DDA Property, up to 100% of the Maximum Special Tax for each Parcel of Vertical DDA Property for such Fiscal Year.

Step 3: If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for each Parcel of Undeveloped Property for such Fiscal Year.

Step 4: If additional revenue is needed after Step 3 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Expected Taxable Property, up to 100% of the Maximum Special Tax for each Parcel of Expected Taxable Property.

***Capital Reserve Requirement.*** The Rate and Method requires the establishment of a reserve for the Treasure Island Project as a whole for public improvements to ensure that shoreline, public facilities, and public access improvements will be protected due to potential sea level rise at the perimeters of Treasure Island and Yerba Buena Island – “Sea Level Rise Improvements.” The target funding amount for the reserve is \$250 million in Fiscal Year 2016-17 dollars, escalating, on each July 1, by the lesser of (i) the increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose region (base years 1982-1984=100) published by the Bureau of Labor Statistics of the United States Department of Labor, or, if such index is no longer published, a similar escalator that is determined by TIDA and the City to be appropriate, and (ii) five percent. Special Tax revenues will be deposited in the capital reserve after the earliest to occur of (i) full reimbursement of TICD for qualified project costs and (ii) 2064. If the Bonds are still outstanding at that time, any such deposit into the capital reserve will be payable after debt service on the Bonds has been paid, the 2022 Reserve Fund has been maintained in the amount of the 2022 Reserve Requirement, other reserve accounts for Parity Bonds that are not 2022A Related Parity Bonds have been maintained in the amount of their required amount and the Additional Special Tax Reserve Fund has been maintained in the amount of the Additional Special Tax Reserve Requirement. Moneys in the capital reserve are intended to address future potential capital needs related to sea level rise, and are not intended to pay for the near-term infrastructure that will support development of taxable parcels in Improvement Area No. 2, and they are not available to pay debt service on the Bonds. See “SPECIAL RISK FACTORS – Sea Level Changes and Flooding” herein.



## **Covenant for Superior Court Foreclosure**

**General.** In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in the Superior Courts of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" and "SPECIAL RISK FACTORS – Tax Delinquencies." Such judicial foreclosure proceedings are not mandatory.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City. Special Taxes may be levied on all property within Improvement Area No. 2 up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds, however, the Special Tax levy on property used for private residential purposes may not increase by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquencies or defaults by the owners of any other parcels in Improvement Area No. 2.

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

**Covenant to Foreclose.** Under the Act, the City covenants in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in a Superior Court of the State to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in Improvement Area No. 2 to the amount of Special Tax Revenues theretofore received by the City, and:

(A) **Individual Delinquencies.** If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 2 is delinquent in the payment of two installments of Special Taxes for Developed Property consisting of a Residential Unit and one installment for all other Taxable Parcels, then the Finance Director must send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 90 days of such determination. Despite the requirement in the prior sentence, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 2 is then participating in the Teeter Plan, or equivalent procedure, (2) the amount in the 2022 Reserve Fund is at least equal to the 2022 Reserve Requirement, (3) the amount in the reserve account for any Parity Bonds that are not 2022A Related Parity Bonds is at least equal to the required amount and (4) prior to the Additional

Special Tax Reserve Release Date, the amount in the Additional Special Tax Reserve Fund is at least equal to the Additional Special Tax Reserve Requirement.

(B) ***Aggregate Delinquencies.*** If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 2 (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, determined by reference to the latest available secured property tax roll of the City, the Finance Director must notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 2 with a Special Tax delinquency.

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

### **No Obligation of the City Upon Delinquency**

If a delinquency occurs in the payment of any Special Taxes, the City is under no obligation to transfer any funds of the City, other than Special Tax Revenues, into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds. Similarly, the City is under no obligation to levy any tax, other than the Special Tax, for the payment of the principal of or interest on the Bonds. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the City’s obligation to foreclose Special Tax liens upon delinquencies, “SECURITY FOR THE BONDS – 2022 Reserve Fund,” for a discussion of the 2022 Reserve Fund securing the 2022A Bonds, the 2023A Bonds or any other 2022A Related Parity Bonds and “SECURITY FOR THE BONDS – Additional Special Tax Reserve Fund,” for a discussion of the Additional Special Tax Reserve Fund securing the Bonds.

### **Parity Bonds**

The 2022A Bonds were previously issued under the Fiscal Agent Agreement. The 2023A Bonds will be the second series of Bonds issued under the Fiscal Agent Agreement. The City covenants under the Fiscal Agent Agreement that the principal amount of the 2022A Bonds, the 2023A Bonds and any future Parity Bonds shall not exceed \$278.2 million (although Parity Bonds that constitute refunding bonds under the Act will not count against this \$278.2 million limit). The City may issue Parity Bonds on behalf of the District with respect to Improvement Area No. 2, subject to the conditions set forth in the Fiscal Agent Agreement. TI Series 1 does not anticipate requesting the issuance of additional Parity Bonds until there is further development in Improvement Area No. 2.

The City may issue Parity Bonds under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds, to the extent provided in the Fiscal Agent Agreement, shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The City may issue such Parity Bonds, on a parity basis with the 2023A Bonds, subject to the following specific conditions precedent:

(A) ***Compliance.*** Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed Improvement Area No. 2’s \$278.2 million limitation on debt.

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

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

(i) a deposit to the 2022 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2022 Reserve Requirement following issuance of the Parity Bonds;

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2022 Reserve Fund and that the Owners of the Bonds covered by the 2022 Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the 2022 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2022 Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Value.* The Improvement Area No. 2 Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels in Improvement Area No. 2, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on Taxable Parcels within Improvement Area No. 2 (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on Taxable Parcels within the Improvement Area No. 2, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds, in each case based upon information from the most recent available Fiscal Year.

"Improvement Area No. 2 Value" means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all Taxable Parcels in Improvement Area No. 2 and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent Taxable Parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Taxable Parcels as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged in the Fiscal Agent Agreement that, in determining the Improvement Area No. 2 Value, the City may rely on an appraisal to determine the value of some or all of the Taxable Parcels in Improvement Area No. 2 and/or the most recent City real property tax roll as to the value of some or all of the Taxable Parcels in

Improvement Area No. 2. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any such appraiser pursuant to this definition.

“TIDA Parcel” means a parcel owned by TIDA that is subject to an LDDA (as defined in the Rate and Method) with a term of twenty (20) years or more that is leased to a developer and that is subject to the Special Taxes under the RMA. As of the date of this Official Statement, there are no TIDA Parcels in Improvement Area No. 2 and none are expected.

(E) *Coverage.* An independent financial consultant shall certify:

(i) for each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied on the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For purposes of clause (i) above, “Qualifying Taxable Parcel” means, as of the date of the Officer’s Certificate required by paragraph (F) below, a Taxable Parcel that (i) is not delinquent in the payment of Special Taxes and (ii) has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Bonds then Outstanding that is allocable to such Taxable Parcel, plus (x) the portion of the aggregate principal amount of the series of Parity Bonds proposed to be issued that is allocable to such Taxable Parcel, plus (y) the aggregate principal amount of any fixed assessment liens on such Taxable Parcel, plus (z) the portion of the applicable principal amount of any and all Other District Bonds that is allocable to such Taxable Parcel. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Bonds, Parity Bonds or Other District Bonds allocable to each Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Bonds, proposed Parity Bonds or Other District Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied on such Taxable Parcel to pay for the Bonds, proposed Parity Bonds or Other District Bonds in the next Fiscal Year that begins after issuance of the proposed Parity Bonds and based on the assumptions that (A) the proposed Parity Bonds have been issued, (B) the special taxes will be levied to pay debt service on the proposed Parity Bonds, (C) the special taxes will be levied in the next Fiscal Year based on Expected Land Uses (as defined in the Rate and Method) on the date that the City Council approves the issuance of the proposed Parity Bonds or such other date prior to the issuance of the Parity Bonds selected by the Finance Director and the assumption that the property constitutes Developed Property (as defined in the Rate and Method) and (D) there is no capitalized interest, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all Taxable Parcels in Improvement Area No. 2 or other district to pay for the Bonds, Parity Bonds or Other District Bonds in such fiscal year and based on such assumptions.

“Taxable Parcel Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of a Taxable Parcel, including with respect to such Taxable Parcel the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund or with the proceeds of any proposed series of Parity Bonds, as determined by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of such Taxable Parcel as shown on the then current City real

property tax roll available to the Finance Director. In determining the Taxable Parcel Value, the City may rely on an appraisal to determine the value of a Taxable Parcel and/or the most recent City real property tax roll.

(ii) in the event Special Taxes are prepaid under the Act and applied in accordance with the Fiscal Agent Agreement, the Special Taxes that may be levied for each Fiscal Year after the prepayment under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year will be at least 110% of the Annual Debt Service payable with respect to the remaining Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For the purpose of calculating the Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds under this subsection (E)(ii), the City shall not include the Special Taxes that may be levied on any parcel of Taxable Property that is delinquent in the payment of Special Taxes on the date of the Officer's Certificate required by subsection (F) below.

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

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

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

"Refunding Bonds" means bonds issued by the City for the District with respect to Improvement Area No. 2, the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

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

## **FORMATION OF THE DISTRICT AND IMPROVEMENT AREA NO. 2**

On December 6, 2016, the Board of Supervisors adopted Resolution No. 506-16 stating its intent to form the District, Improvement Area No. 1 and a Future Annexation Area under the Act. The resolution was signed by the Mayor on December 16, 2016. Also, on December 6, 2016, the Board of Supervisors adopted Resolution No. 510-16, in which it declared its intention to incur indebtedness on behalf of the District in an aggregate amount not to exceed \$5 billion. The resolution was signed by the Mayor on December 16, 2016. As described below, of the \$5 billion, up to \$278.2 million of indebtedness may be issued for Improvement Area No. 2.

On January 24, 2017, after holding a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 8-17 and 9-17, forming the District and, subject to approval by the qualified electors, approving the levy of special taxes within Improvement Area No. 1 and for improvement areas designated in the future (such as Improvement Area No. 2) according to the applicable rate and method of apportionment and indebtedness in an amount not to exceed \$5 billion (including \$250 million for

Improvement Area No. 1 indebtedness) and approving a \$90 million annual appropriation limit for Improvement Area No. 1. The Mayor signed these resolutions on February 3, 2017. These resolutions also approved a streamlined process, through a unanimous approval of property owners, for future annexations into District improvement areas from the Future Annexation Area.

Ordinance No. 22-17 adopted by the Board of Supervisors on January 31, 2017, provides for the levy of special taxes (the “Ordinance”) in accordance with the applicable rate and method of apportionment, including special taxes within improvement areas within the District to be designated in the future, such as the Special Taxes in Improvement Area No. 2. The Mayor signed the Ordinance on February 9, 2017.

On April 13, 2020, TI Series 1, LLC (as owner at the time) submitted a unanimous approval of annexation into the District of the parcels in the Future Annexation Area that comprise Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4, which parcels now form Improvement Area No. 2, as well as the maximum amount of indebtedness for Improvement Area No. 2 of \$278.2 million, the rate and method of apportionment of special tax for Improvement Area No. 2 (defined herein as the Rate and Method), and the initial appropriations limit for Improvement Area No. 2 of \$76 million.

On May 15, 2020, a Notice of Special Tax Lien was recorded against the property in Improvement Area No. 2 as Instrument No. 2020-K931696-00 (the “Notice of Special Tax Lien”). The Notice of Special Tax Lien establishes the lien of special taxes pursuant to the Rate and Method against all of the property in Improvement Area No. 2.

While additional Board of Supervisors approval was not required to effect the actions contemplated by the unanimous approval, on September 22, 2020, the Board of Supervisors adopted Resolution No. 410-20 (together with Resolution 8-17, the “Resolution of Formation”), pursuant to which the City confirmed and ratified (i) the annexation into Improvement Area No. 2 of the parcels specified in the unanimous approval, (ii) the maximum indebtedness amount of \$278.2 million for Improvement Area No. 2 indebtedness, (iii) the Rate and Method and (iv) a \$76 million annual appropriation limit for Improvement Area No. 2. The Mayor signed Resolution No. 410-20 on September 25, 2020. See “SECURITY FOR THE BONDS” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

***Only the property in Improvement Area No. 2 is subject to the Special Tax that secures payment on the Bonds.*** Land within the Future Annexation Area may be annexed into the District and become subject to a special tax only with the unanimous approval of the owner or owners of each parcel or parcels at the time of annexation into the District. The Future Annexation Area encompasses the entirety of the Islands other than Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3.

Property owners may annex their property into Improvement Area No. 2 or another improvement area established in the District according to the procedures described in the Resolution of Formation. The City does not anticipate annexing any portion of the Future Annexation Area into Improvement Area No. 2. *Special taxes levied in each improvement area in the District will secure only bonds issued for that respective improvement area. In other words, special taxes levied on property outside of the boundaries of Improvement Area No. 2 are not and will not be security for the 2023A Bonds. Similarly, Special Taxes levied in Improvement Area No. 2 will not be available to pay for bonds issued by the City for the District with respect to other improvement areas.*

## THE CITY

***General.*** The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with

the balance consisting of tidelands and a portion of the San Francisco Bay (previously defined as the “Bay”). Silicon Valley is about a 40-minute drive to the south and the Napa and Sonoma “wine country” is about an hour’s drive to the north. As of January 1, 2023, the State estimates the City’s population to be 831,703, among the largest in the country. See APPENDIX A – “DEMOGRAPHIC INFORMATION REGARDING THE CITY AND COUNTY OF SAN FRANCISCO” hereto.

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

***Continuing Impact of COVID-19 Pandemic and Other Factors on San Francisco Economy.*** Beginning in late winter 2020, the City faced significant negative impacts resulting from the global COVID-19 pandemic and efforts to contain it. While public health restrictions have been loosened or eliminated in response to positive public health data on COVID-19, economic conditions have not fully recovered. Housing affordability, homelessness and crime, which have posed challenges in urban areas like the City in recent years, may also negatively impact economic activities.

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

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

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

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

See “SPECIAL RISK FACTORS – Real Estate Investment Risks” and “ – Public Health Emergencies” herein.

## **THE TREASURE ISLAND PROJECT**

*TI Series I has provided the following information with respect to the Treasure Island Project. No assurance can be given by the City that all information is complete. The City has not independently verified*

*this information and assumes no responsibility for its accuracy or completeness. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2023A Bonds. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner may be subject to the DA and DDA (as such terms are defined below) and will be subject to the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2023A Bonds.*

## **Overview**

The property in Improvement Area No. 2 is part of the larger Treasure Island Project. The Treasure Island Project encompasses approximately 461 acres on Yerba Buena Island and Treasure Island, two adjacent islands (the “Islands”) located in the middle of the San Francisco Bay between downtown San Francisco and the City of Oakland, accessible by automobiles via the San Francisco-Oakland Bay Bridge.

Yerba Buena Island is a naturally occurring island that serves as the midpoint of the San Francisco-Oakland Bay Bridge, and hosts an active U.S. Coast Guard station and a former U.S. Army Base. Treasure Island, in contrast, is a man-made island built by the United States Government in the 1930s that was originally intended to serve as an airport for San Francisco but was repurposed to serve as a U.S. Naval Station from 1941 until its closure in 1997. The two Islands are connected via a causeway.

The Treasure Island Project is generally planned to include up to 8,000 residential units, up to approximately 140,000 square feet of new commercial and retail space, adaptive reuse of certain historic buildings with up to 311,000 square feet of commercial/flex space, up to 500 hotel rooms, up to approximately 100,000 square feet of office space, 290 plus acres of open space, 22 miles of walking/biking paths, playing fields, a marina, and a ferry terminal.

Improvement Area No. 2 includes approximately 5.22 gross acres of the approximately 461 acres of the Treasure Island Project, with the remainder, approximately 455 acres, included within Improvement Area No. 1 (created at formation of the District), Improvement Area No. 3 (created on February 8, 2021), or property identified as Future Annexation Area.

***Only the property in Improvement Area No. 2 that is subject to the levy of Special Taxes will serve as security for the Bonds. The information below is intended to provide the overall context of the entire Treasure Island Project, of which Improvement Area No. 2 is a part.***

## **History**

Treasure Island is an artificial island that was constructed of bay sand in the years 1936 and 1937 and was the site of the Golden Gate International Exposition held between February 18, 1939 and September 29, 1940 (the “Exposition”). The Exposition celebrated the ascendancy of California and San Francisco as economic, political, and cultural forces in the increasingly important Pacific region. Treasure Island was intended to become an airport for the City, but with World War II looming, Treasure Island became a U.S. Naval Station in 1941 (previously defined as “Naval Station Treasure Island” or “NSTI”). During World War II, NSTI was used as a center for receiving, training, and dispatching service personnel. After World War II, it was used primarily as a naval training and administrative center.



In 1867, the U.S. Army (the “Army”) established a post on the northeastern side of Yerba Buena Island adjacent to present day Clipper Cove. In the 1890s, the Army built a small torpedo station complex on the island; one building, the Torpedo Depot, remains. The Army maintained a small base on the island until 1960. In 1898, the Navy also established a training station on Yerba Buena Island; after 1923, it operated as a receiving station for servicemen returning from overseas assignments.

**Base Closure.** In 1993, Congress selected NSTI for closure and disposition by the Base Realignment and Closure Commission. The Department of Defense subsequently designated the City, and later TIDA, as the local reuse authority responsible for the conversion of NSTI under the federal disposition process. In July 1996, after an extensive community planning effort, the City’s Mayor, Board of Supervisors, Planning Commission, and the Citizens Reuse Committee unanimously endorsed a Draft Reuse Plan (previously defined as the “Reuse Plan”) for NSTI to serve as the basis for the preliminary redevelopment plan for NSTI. The Board of Supervisors authorized the creation of TIDA in 1997 to serve as the entity responsible for the reuse and development of NSTI, and TIDA was incorporated in January 1998. The Board of Supervisors designated TIDA as a redevelopment agency with powers over NSTI under the Treasure Island Conversion Act of 1997 in Resolution No. 43-98, dated February 6, 1998. After completion of a competitive master developer selection process, TIDA and TICD entered into the Exclusive Negotiating Agreement dated as of June 1, 2003, as amended and restated in September 2005, as further amended in July 2006, March 2008, February 2010, and June 2011. The 2006 Development Plan was adopted by all necessary parties and the Development Plan and Term Sheet were updated in 2010 and approved unanimously by the TIDA Board and the Board of Supervisors.

**Navy Remediation and Transfer.** In 2011, TIDA and the City certified an Environmental Impact Report and approved the Treasure Island Project entitlements, including the DDA, a General Plan Amendment, adoption of Planning Code Section 749.72 that established the Treasure Island/Yerba Buena Island Special Use District (previously defined as the “TI/YBI SUD”), a Design for Development (previously defined as “D4D”) that established design standards and guidelines, and a Development Agreement vesting those entitlements.

In 2014, the United States of America, acting by and through the Navy, and TIDA entered into an Economic Development Conveyance Memorandum of Agreement (as amended and supplemented from time to time and previously defined as the “Conveyance Agreement”) that governs the terms and conditions for the transfer of NSTI from the Navy to TIDA. Under the Conveyance Agreement, the Navy must convey NSTI to TIDA in phases after the Navy has completed environmental remediation and issued a finding of suitability to transfer for specified parcels of NSTI or portions thereof. Several parcels of land on Treasure Island remain under federal ownership to allow completion of environmental remediation activities by the Navy. The Navy is legally required to complete all of its environmental remediation obligations, including radiological cleanup, prior to transferring these remaining parcels to TIDA. The Navy’s environmental remediation program is separate from the Treasure Island Project. The Navy remediates hazardous materials to standards consistent with applicable Federal laws governing base closure prior to transfer to TIDA.

The first conveyance occurred in early 2015 and included all of the Navy’s property on Yerba Buena Island, most of the Navy-owned submerged lands around the Islands, and much of the southern portions of Treasure Island. As of October 1, 2023, the Navy has made five separate conveyances to TIDA, including all of the property within Improvement Area No. 2. The bulk of the land the Navy still owns is comprised of Investigation/Remediation Site 12 (“IR Site 12”), which includes a substantial portion of the Major Phase 4 area, a small portion of the Major Phase 2 area, and shares a boundary with Major 3 as it is currently defined. The Navy has not yet received approval from applicable State and federal regulators to transfer IR Site 12 in the condition required by the Navy MOA. While the Navy continues its remediation work, the timeline for the transfer of this property is uncertain. Portions of IR Site 12 could be delayed for as much as 10 years, and in such event TIDA could invoke a redesign process under the Navy MOA if such

delay impacts future phases of the development. However, the timing of such disposition does not affect development in Improvement Area No. 2.

**Trust Exchange.** Treasure Island includes lands subject to the public trust (the “Public Trust”), a common law doctrine that has been developed primarily through case law and interpretations of law by the California State Lands Commission and Attorney General. The Public Trust effectively acts as a type of zoning by limiting the permitted uses of lands subject to the Public Trust. Uses of Public Trust lands are generally limited to waterborne commerce, navigation, fisheries, water-oriented recreation, including commercial facilities that must be located on or adjacent to water, and environmental preservation and recreation, such as natural resource protection, wildlife habitat and study, and facilities for fishing, swimming, and boating. Ancillary or incidental uses that promote Public Trust uses or accommodate public enjoyment of Public Trust lands are also permitted, such as hotels, restaurants and specialty retail. Residential and general office uses are generally not permitted uses on Public Trust lands.

To enable economic redevelopment, the California Legislature authorized a reconfiguration of the Public Trust whereby the Public Trust would be removed from certain portions on Treasure Island and added to certain portions of Yerba Buena Island. This Public Trust reconfiguration was authorized through the Treasure Island Public Trust Exchange Act (the “Exchange Act”) and implemented through a trust exchange agreement (the “Trust Exchange Agreement”) between TIDA and the California State Lands Commission (“SLC”). Pursuant to the Trust Exchange Agreement, in 2015, TIDA and SLC engaged in a series of concurrent quitclaim deed and patent conveyances whereby areas to be impressed with the Public Trust (referred to as “Trust Lands”) were patented to TIDA by SLC subject to the Public Trust, and areas where the Public Trust was to be removed (referred to as “Trust Termination Lands”) were patented to TIDA by SLC free of the Public Trust.

**Subdivision Mapping Process.** The TICD Developer (as defined herein) has filed and will file additional Tentative Transfer Map applications (“TTM”) encompassing various Sub-Phases within Major Phases (see discussion under “ – Land Transfer and Mapping Parcels” for a description of Major Phase 1), to allow for the processing of multiple phased final transfer maps. The final transfer maps establish transfer parcels within the development blocks of each Sub-Phase, and transfer parcels on Trust Termination or Non-Trust Lands may be transferred by TIDA to the TICD Developer upon Sub-Phase Approval and once these lands have gone through the trust exchange. Phases 1 and 2 of the trust exchange were completed in 2015 and 2020, respectively. Consistent with the Treasure Island/Yerba Buena Island Subdivision Regulations, these transfer parcels may be used for financing purposes, including as collateral to support construction lending, but they do not include any development rights.

As contemplated under the DDA and following the approval of the applicable transfer map, various subdivision maps have been and are being processed to establish development lots on these lands. Lots established on Trust Termination Lands or Non-Trust Lands may be held in fee simple and are available for private residential, commercial, and mixed-use development in accordance with the D4D. In collaboration with TIDA, subdivision lots may also be established on Trust Lands to facilitate arrangements including ground leases to facilitate economic development on such lands and structures (e.g., historic buildings) while maintaining the Public Trust restrictions.

**Opportunity Zone.** The Opportunity Zones program was established by Congress in the Tax Cut and Jobs Act in 2017 as an innovative approach to spurring long-term private sector investments in low-income urban and rural communities nationwide. The program establishes a mechanism that enables investors with capital gains tax liabilities across the country to receive favorable tax treatment for investing in Opportunity Zones that are certified by the U.S. Treasury Department. Those incentives include temporary deferral of capital gains that are reinvested in qualified opportunity zones, a step up in basis for investments held in qualified opportunity funds, as well as other benefits. The Opportunity Funds use the

capital invested to make equity investments in businesses and real estate in Opportunity Zones designated by each state. Treasure Island and Yerba Buena Island are both designated as Opportunity Zones and, although the project has not benefited to date, the project may directly or indirectly benefit from the added incentive the programs offered to investors to invest in future multifamily buildings or businesses.

### **TICD and the Treasure Island Project**

TICD is the master developer of the Treasure Island Project. TICD is a joint venture, the members in which are (i) a joint venture (“TIH”) comprised of a subsidiary of Lennar Corporation (“Lennar”) and a subsidiary of Poly (USA) Real Estate Development Corporation, as a non-managing, third-party member, (ii) an indirect subsidiary of Lennar (“TICD Hold Co”), (iii) a joint venture (“KSWM”) comprised of affiliates of Stockbridge TI Fund LP (collectively, “Stockbridge”), Kenwood Investments (“Kenwood”) and Wilson Meany (“Wilson Meany”) and (iv) Stockbridge TI Co-Investors, LLC, an affiliate of Stockbridge (“Co-Investors”). TIH and TICD Hold Co. together own a fifty percent (50%) membership interest in TICD, and KSWM and Co-Investors together own a fifty percent (50%) membership interest in TICD. The responsibility for establishing the policies and operating procedures with respect to the business and affairs of TICD and for making all decisions as to all matters which TICD has authority to perform is vested in an Executive Committee, which is comprised of representatives of KSWM and of TIH (all of which are Lennar employees), with equal power given to the KSWM and TIH representatives. Wilson Meany, on behalf of KSWM, and Lennar, on behalf of TIH, are co-managing members of TICD, charged with conducting the business of TICD on a day-to-day basis. TICD’s subsidiary, Treasure Island Development Group, LLC (“TIDG”), leads many of the day-to-day activities of the Project under the direction of TICD’s co-managing members (Wilson Meany, on behalf of KSWM, and Lennar, on behalf of TIH). Each of Wilson Meany and Lennar are deeply experienced in such projects, with seasoned and highly qualified personnel managing their respective roles in the Treasure Island Project, and TIDG’s team is also deeply experienced and highly qualified. Third party investors in Stockbridge and TIH hold limited and customary major decision approval rights related to certain high-level policies of TICD. Capital for the development of the Treasure Island Project comes from equity, the proceeds of land sales, debt financing, and reimbursements from public financing sources (including District bonds and City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) (the “IRFD”) bonds). In addition, to the extent that TICD does not have capital in the amount or at the times required for budgeted expenses of the Project, TICD’s co-managing members (Wilson Meany, on behalf of KSWM, and Lennar, on behalf of TIH) have the right to call capital of TICD’s members, and the members are obligated to timely contribute their respective pro rata shares. The members of TICD are subject to customary and significant remedies in the event that they do not contribute such capital, and the other members are permitted to put in capital in the event that another member does not do so. See the organization chart on the following page. In addition, see the caption “ - KSWM Litigation” below for a discussion of the litigation between Kenwood and entities of Stockbridge and Wilson Meany.

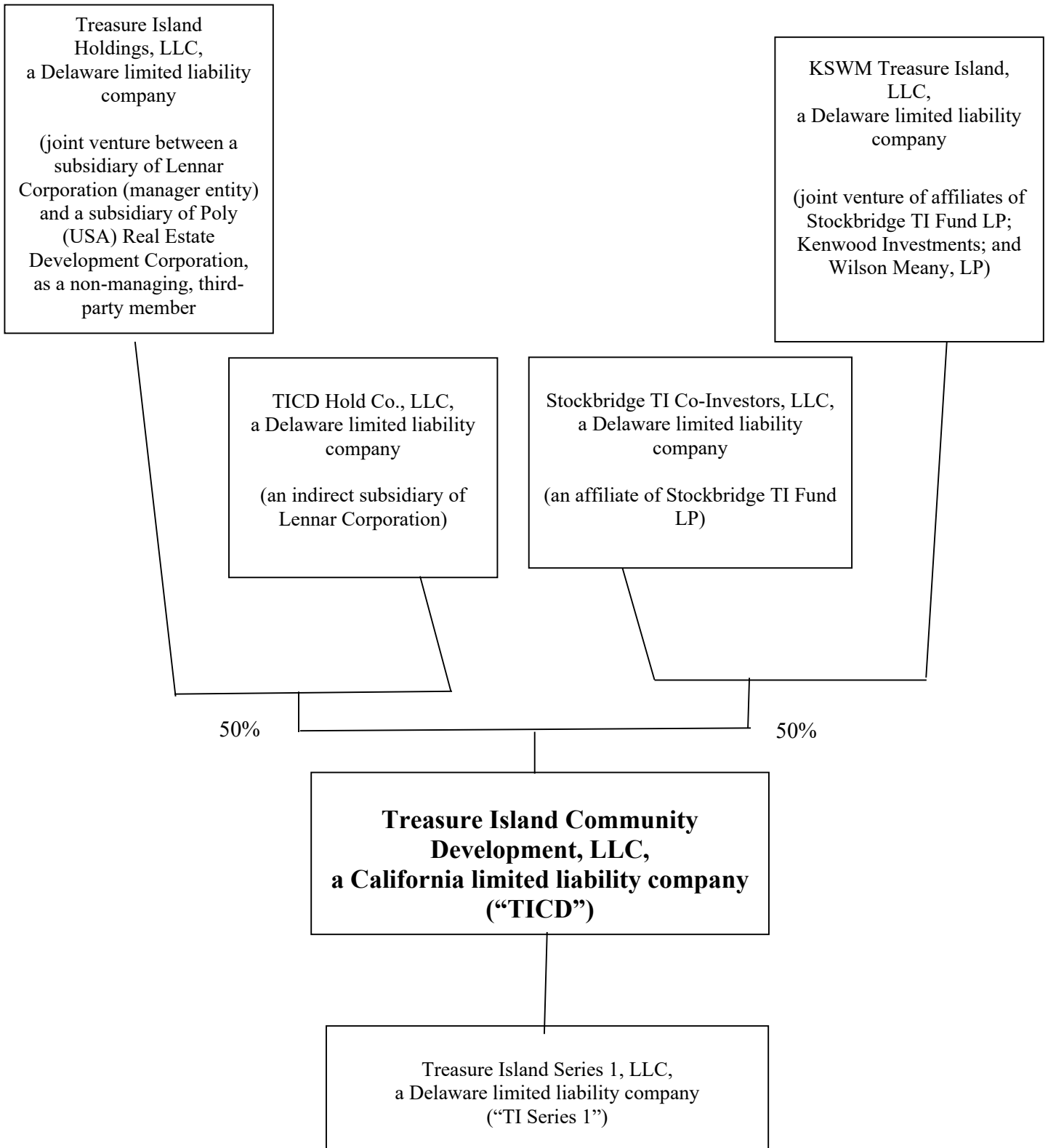
From time to time, TICD has admitted new members in connection with additional capital needs for the project. In one such instance, in 2016, Co-Investors was admitted as a direct member to TICD in proportion to its capital contributions. At the same time, Stockbridge admitted a new, limited partner investor in its ownership structure, an affiliate of CITIC Capital Holdings Limited (“CITIC Capital”). CITIC Capital is a global alternative investment management and advisory company headquartered in Hong Kong. The firm manages over \$17 billion USD of capital through its multi-asset class platform covering private equity, real estate, structured investment and finance, asset management, and special situations.

As originally envisioned, TICD was going to sell property to builders to develop the property. As TICD sought to market the property to builders and developers, TICD found that the market would be more receptive for the land at the pricing being sought if it were to show “proof of concept.” To do this, TICD’s members determined to have affiliated entities acquire the land in the first phase of the project to build the

vertical improvements. All acquisitions were at market prices and in compliance with the DDA which has direction on how internal purchases can be made. For example, the DDA requires that an appraisal must be commissioned and various approvals are required from various agencies prior to a sale.

Both the admission of Co-Investors and the acquisition of property by TICD's affiliates took place without objection from Kenwood, although Kenwood has alleged that it was not aware of these actions at the time.

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**Lennar Corporation** – As previously defined in this Official Statement, “Lennar” is Lennar Corporation, which is based in Miami, Florida. Founded in 1954, Lennar completed its initial public offering in 1971 and listed its common stock on the New York Stock Exchange in 1972. Lennar’s Class A and Class B common stock are listed on the New York Stock Exchange under the symbols “LEN” and “LEN.B.” respectively. Lennar is one of the largest homebuilders in the United States based on home sales revenues and net earnings, and operates under a number of brand names, including Lennar Homes and U.S. Home. Lennar primarily develops residential communities both within the Lennar family of builders and through consolidated and unconsolidated partnerships in which Lennar maintains an interest.

Lennar is subject to the informational requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the SEC. Such filings, particularly the Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q, set forth, among other things, certain data relative to the consolidated results of operations and financial position of Lennar and its consolidated subsidiaries as of such dates.

The SEC maintains a website that contains reports, proxy and other information statements and other information regarding registrants that file electronically with the SEC, including Lennar. The address of such website is [www.sec.gov](http://www.sec.gov). All documents filed by Lennar pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of Lennar’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are available from Lennar’s website at [www.lennar.com](http://www.lennar.com).

*The foregoing internet addresses and references to filings with the SEC are included for reference only, and the information on such internet sites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information contained on such sites. Lennar is not obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes, and investors should not rely on the information and financial statements contained on such internet sites in evaluating whether to buy, hold or sell the 2023A Bonds.*

**Stockbridge** – Headquartered in San Francisco, Stockbridge is an SEC-registered real estate investment adviser, specializing in U.S.-based opportunities. As of June 30, 2023, Stockbridge and its affiliates have approximately \$33.7 billion of gross assets under management on behalf of a variety of investor types, such as U.S. public and corporate retirement plans, sovereign wealth funds, foreign family offices and foundations and 130 professionals in three offices in San Francisco, Atlanta and Chicago. The Stockbridge senior management team has an average of more than 30 years of real estate industry experience and an average tenure of more than 10 years at the firm.

**Wilson Meany** – San Francisco-based developer with offices in San Francisco and Los Angeles, Wilson Meany employs over 35 professionals. Wilson Meany specializes in urban in-fill development and in delivering real estate solutions that address regional growth challenges and revitalize urban areas. Wilson Meany is known for place-making, historic renovation, innovative technology, sustainability, and public/private partnerships. Well-known Bay Area projects of this developer include the Ferry Building, 140 New Montgomery, 1595 Pacific Avenue, The Exploratorium, and the large, mixed-use Bay Meadows project (and an associated community facilities district) in San Mateo. Stockbridge and Wilson Meany have a 23-year track record of partnering on large, mixed-use development projects in coastal California, both as horizontal developers and vertical builders.

**Kenwood** – For over twenty years, Kenwood Investment’s focus has been on real estate development, land entitlement, media, tourism and hospitality projects. Kenwood Investments is based in San Francisco and has a track record of developing extraordinary projects that augment the cultural fabric of the California community. Notable projects include Aquarium of the Bay, Wing & Barrel Ranch, and the Sacramento Kings Arena.

**Poly (USA) Real Estate Development Corporation** – See “IMPROVEMENT AREA NO. 2 - Ownership of Property in Improvement Area No. 2” for additional information regarding Poly (USA) Real Estate Development Corporation and its affiliates.

### **Treasure Island Project Development Plan**

The Treasure Island Project is designed to provide a new, high-density, mixed-use community with a variety of housing types, a retail core, open space and recreation opportunities, on-site infrastructure, and public and community facilities and services. There are expected to be up to approximately 8,000 residential units; up to approximately 140,000 square feet of new commercial and retail space; adaptive reuse of three specified historic buildings with up to 311,000 square feet of commercial/flex space; approximately 100,000 square feet of new office space; up to 500 hotel rooms; approximately 290 acres of parks and open space; bicycle, transit, and pedestrian facilities; a ferry terminal and intermodal transit hub; and new and/or upgraded public services and utilities, including a new or upgraded wastewater treatment plant. In addition to the adaptive reuse of those three historic buildings on Treasure Island there is also an opportunity to adaptively reuse nine other historic buildings and four garages on Yerba Buena Island.

### **Development Entitlement**

The Treasure Island Project is carried out by TICD in accordance with the Disposition and Development Agreement between TIDA and TICD, dated as of June 28, 2011 (as amended from time to time, the “DDA”) and the Development Agreement between the City and TICD dated as of June 28, 2011 (as amended from time to time and previously defined as the “DA”), and related Treasure Island Project approvals (including the Mitigation Monitoring and Reporting Program adopted by TIDA and the City in reliance on the Treasure Island/Yerba Buena Island Environmental Impact Report, the D4D, and the TI/YBI SUD). These documents control the overall design, development and construction of the Treasure Island Project and all infrastructure and improvements, including the permitted uses on the Treasure Island Project Site, the required infrastructure and community benefits, the density and intensity of uses, the maximum height and size of buildings, the number of allowable parking spaces and all mitigation measures required in order to eliminate or mitigate any materially adverse environmental impacts of the Treasure Island Project.

### **KSWM Litigation**

There is an ongoing lawsuit between certain entities holding indirect financial interests in the Stockbridge-Wilson Meany-Kenwood half of TICD (the “Stockbridge Ownership”). The Stockbridge Ownership consists of two members: Stockbridge TI Co-Investors, LLC (“Co-Investors”) and KSWM Treasure Island, LLC (“KSWM”). KSWM’s members are Stockbridge Treasure Island Investment Company, LLC (“STIIC”), a limited liability company affiliated with Stockbridge; Kenwood Investments, LLC (“Kenwood”), a real estate investment firm; and WMS Treasure Island Development, LLC (“WMS”), a real estate development firm associated with Wilson Meany.

As members of KSWM, relationship among the parties is governed by an operating agreement, which prescribes, among other things, the members’ relative financial claims to any returns that KSWM derives from its investment in the Treasure Island Project. Under KSWM’s operating agreement, STIIC has

a right to receive a return of its capital contributions to KSWM and a compounding-aggregate preferred return on those contributions, for so long as such amounts were invested in KSWM, before any distributions are payable to Kenwood or WMS. In the event that STIIC receives sufficient distributions to repay its capital contributions and realizes its aggregate preferred return, Kenwood and WMS each would be entitled to share with STIIC any further distributions from KSWM pursuant to their respective “promote” interests in KSWM. For numerous reasons, including the COVID pandemic, supply chain issues, inflationary increases in costs, and various delays caused by the foregoing, projected revenues for the Treasure Island Project have been pushed out and reduced such that the projected values of, and expected returns on, those interests are projected to be lower today than they were projected to be a few years ago.

In November 2022, Kenwood alleged that Stockbridge Ownership and WMS had breached the KSWM operating agreement by causing KSWM to enter into an amendment (the “2016 Amendment”) to TICD’s operating agreement that brought in Co-Investors as an additional member of TICD without Kenwood’s consent. Kenwood alleged that, because Co-Investors’ membership interest in TICD came out of KSWM’s original 50% share of TICD, the 2016 Amendment diluted KSWM’s interest in TICD, thereby reducing the value of Kenwood’s promote. STIIC and WMS disputed Kenwood’s allegations.

On March 31, 2023, STIIC and WMS delivered a buy-sell offer to Kenwood, under a provision of the KSWM operating agreement that allows members to make such an offer in the event of a “Deadlock,” which is defined to include a dispute with other members over the validity of a decision made by KSWM’s managing committee that renders KSWM incapable of carrying out its business. STIIC and WMS believe that there is a Deadlock among KSWM’s members; Kenwood disputes that there is any such Deadlock.

On April 3, 2023, STIIC and WMS filed a complaint against Kenwood in the Superior Court of California, County of San Francisco, seeking a declaration of their right to make the March 31, 2023 buy-sell offer to Kenwood and Kenwood’s obligation in response thereto. Stockbridge Treasure Island Investment Company, LLC v. Kenwood Investments, LLC, Case No. CGC-23-605537 (Superior Court, County of San Francisco).

On April 4, 2023, Kenwood filed its own complaint in San Francisco Superior Court against Stockbridge Capital Partners, LLC (“SCP”), Co-Investors, and WMS, asserting claims for breach of contract, breach of the covenant of good faith and fair dealing, negligent misrepresentation, intentional misrepresentation, tortious interference with contract, and quantum meruit. Kenwood Investments, LLC v. Stockbridge Capital Partners, LLC, Case No. CGC-23-605626 (Superior Court, County of San Francisco). In its complaint, Kenwood alleged that SCP, Co-Investors and WMS breached the KSWM operating agreement by authorizing the 2016 Amendment without Kenwood’s consent; misled Kenwood about the effect of the 2016 Amendment; and appropriated for themselves certain benefits relating to the Treasure Island development to which KSWM was entitled under its operating agreement, including by acquiring, through affiliates, various land parcels from TICD for vertical development.

On April 25, 2023, STIIC and WMS made a second buy-sell offer to Kenwood. This second offer was substantively similar to the first offer of March 31, 2023, but corrected what Kenwood had asserted was a deficiency in the first offer and also updated certain financial calculations. In their April 25, 2023 offer, STIIC and WMS selected an offer price such that Kenwood either could sell its interest in KSWM to STIIC and WMS for \$0 or buy both STIIC’s and WMS’s interests in KSWM and Co-Investors’ interest in TICD for \$220,000,000.

On June 6, 2023, STIIC and WMS filed a first amended complaint against Kenwood asserting claims for declaratory relief as to the validity of the second buy-sell offer and breach of contract based on Kenwood’s alleged repudiation of its buy-sell obligations.



Kenwood did not make an election in response to the April 25, 2023 buy-sell offer by the election deadline specified by KSWM's operating agreement. STIIC and WMS contend that, by failing to make any election, Kenwood is deemed to have elected to sell its interest in KSWM to STIIC and WMS. Kenwood disputes that the April 25, 2023 buy-sell offer is enforceable. On July 14, 2023, Kenwood filed a demurrer to STIIC and WMS's first amended complaint. If the April 25, 2023 buy-sell offer is found to be valid and enforceable, Kenwood will be compelled to sell its interest in KSWM for \$0. If the offer is found to be invalid or otherwise unenforceable, Kenwood will not be required to sell its interest in KSWM and, absent a consensual transaction, will remain a member of KSWM along with STIIC and WMS.

On June 28, 2023, Kenwood filed a first amended complaint, which substituted STIIC for SCP as a defendant and added claims against STIIC and WMS for breach of fiduciary duty. The allegations in Kenwood's first amended complaint are otherwise similar to those in its original complaint. As remedies on its claims, Kenwood seeks monetary and punitive damages, as well as restitution, but Kenwood does not expressly seek to rescind any prior investments in TICD nor does it seek to enjoin any future development on the project.

On September 8, 2023, the court overruled Kenwood's demurrer to STIIC and WMS's claims for declaratory relief and breach of contract.

On October 18, 2023, the court overruled a demurrer to Kenwood's first amended complaint filed by STIIC, WMS, and Co-Investors. The court partially granted a motion to strike certain allegations in Kenwood's complaint as barred by the statute of limitations but granted leave to amend. On October 30, 2023, Kenwood filed a second amended complaint against STIIC, WMS, and Co-Investors, asserting claims for breach of fiduciary duty, breach of contract, breach of implied covenant of good faith and fair dealing, negligent misrepresentation, intentional misrepresentation, fraudulent concealment, tortious interference, quantum meruit, and declaratory judgment.

No assurances can be given as to the outcome of this litigation or its potential effect on TICD and the Treasure Island Project development, but based on the current pleadings and the completion of the horizontal improvements needed for temporary certificates of occupancy in Improvement Area No. 2, TICD does not believe that this lawsuit will prevent the continued development within Improvement Area No. 2.

### **Negotiations to Revise Project Agreements**

As discussed above, the Treasure Island Project is carried out by TICD in accordance with the DDA and the DA, and related Treasure Island Project agreements (collectively, the "Project Agreements"). The Project Agreements and related approvals control the overall design, development and construction of the Treasure Island Project and all infrastructure and improvements. The Treasure Island Project, as a complex, phased development of horizontal infrastructure and vertical development, requires coordination among TICD, TIDA and the various agencies of the City to map, permit, inspect, and construct the Treasure Island Project, and transfer to the City completed public infrastructure.

In the course of implementing the Treasure Island Project, disagreements have arisen between TICD on the one hand and TIDA and the City on the other.

*Budget Disputes.* The DDA obligates TICD to pay certain costs incurred by City departments ("City Costs"), certain TIDA costs to the extent there are annual budgetary shortfalls ("Authority Costs"), and certain agreed-upon developer subsidies, which include certain costs for open space, transportation, community facilities, authority housing, school improvements, ramps/viaducts, fill, and job training programs ("Developer Subsidies"). TICD has questioned the appropriateness and amount of City Costs and Authority Costs, and whether costs are being appropriately tracked and credited against TICD's payment

obligations under the Project Agreements specifically for Developer Subsidies. The City and TIDA have asserted that the City Costs and Authority Costs invoiced to TICD are appropriate.

TICD has paid all invoiced and due City Costs and Authority Costs, to date, but paid the Fiscal Year 2020-21 Authority Costs of approximately \$2.1 million under protest, and has argued that some of these costs should be credited against the defined Developer Subsidies. The aggregate amount of such invoiced costs was approximately \$7.9 million in Fiscal Year 2020-21 and \$3.8 million for Quarters 1, 2 and 3 of Fiscal Year 2021-22. Additional Authority Costs have not been invoiced in the interim period to date. Certain City Costs have been generated and invoiced to TICD in the interim to date, but TIDA has not received any disputes or questions related to such invoiced City Costs.

TICD has not delivered to TIDA a formal notice of default under the Project Agreements pertaining to this dispute over the City and Authority Costs (collectively, the “Budget Disputes”). On April 8, 2022, TICD filed a government claim under California Government Code section 900 et seq. (the “Government Claims Act”) pertaining to the Budget Disputes to preserve its rights under the Project Agreements and applicable law.

*Permit Disputes.* TICD has also raised additional concerns from time to time regarding the time and manner in which the City has processed and conditioned the Treasure Island Project’s permits and maps, and the scope, timing and acceptance of public infrastructure (collectively, the “Permit Disputes”). TICD claims that because of construction cost inflation, the pandemic and the City and TIDA’s period to review permits and permit costs, the Treasure Island Project’s total projected costs have increased from \$1.5 billion to approximately \$2.5 billion and the time period for construction of the project has been extended. TICD has not sent to TIDA or the City a notice of default under the Project Agreements for the Permit Disputes, nor has it filed a government claim under the Government Claims Act pertaining to the Permit Disputes.

*Negotiations Related to Budget/Permit Disputes and Other Terms.* The parties have met regularly to discuss concerns regarding the Budget Disputes and Permit Disputes and those discussions have expanded to other matters as well. The discussions include, among other things, improved budgeting and permitting processes to manage costs and minimize schedule impacts; processes to limit changes to the Project’s basis of design; processes to resolve certain budget disagreements and provide flexibility for the method and timing of the payment of certain Developer Subsidies; potential changes to timing of when certain public facilities such as the new elementary school and fire and police station will be delivered, based on the Project’s current schedule and requirements; and additional funding sources and/or revisions to existing funding arrangements to address the unanticipated project cost increases that the Project has experienced. Negotiations on these subjects is continuing and certain of the terms being negotiated could require amendments to the Project Agreements. TICD believes that the revised terms being negotiated do not negatively implicate critical project feasibility; rather, the contractual adjustments are intended to improve and/or sustain the pace of development, including by potentially facilitating access to additional and/or earlier funding streams to be used to facilitate construction of future subphases. No assurance is given regarding the outcome or timing of such negotiations. With respect to the disputed issues in particular, TICD has informed TIDA and the City that it believes these issues can be resolved amicably without resort to litigation. Consequently, there is no litigation pending, or currently threatened, against the Project, Improvement Area No. 2 or any of the underlying Project Agreements known to TICD, TIDA or the City at this time. However, TICD has informed the City and TIDA that it reserves the right to initiate such litigation, and to seek any and all appropriate legal and equitable remedies (e.g., specific performance, money damages, and/or rescission) if circumstances change.

In connection with any future claims, TICD might seek recovery of all or a portion of the costs incurred by TICD under the Project Agreements, including the Initial Project Costs. Although the City and

TIDA believe that TICD is prevented from recovering damages (including costs) under the Project Agreements, no assurance can be given by TIDA or the City that the Budget Disputes and the Permit Disputes will be resolved through negotiations. If TICD were to file a lawsuit arising out of the disputed matters, no assurance can be given that the remedies that TICD might seek would not have an adverse impact on the Treasure Island Project. While the Project Agreements afford TICD effectively the right but not the obligation to develop the balance of the Treasure Island Project beyond Improvement Area No. 2, TICD and TI Series 1 have confirmed that, as of the date of this Official Statement, they are actively proceeding with development of the Treasure Island Project in accordance with the terms and requirements of the DDA, and, at this time, have no plans to cease such development. See “RISK FACTORS – Real Estate Investment Risk.”

Horizontal infrastructure required in order to receive a temporary certificate of occupancy for planned developments for Improvement Area No. 2 is complete. See “IMPROVEMENT AREA NO. 2 – Infrastructure Development and Financing Plan.” **Neither TIDA, the City nor the Underwriter make any assurance that development of the remainder of the Treasure Island Project will be completed.** See “RISK FACTORS - Real Estate Investment Risks” herein.

### **Land Transfer and Mapping Process**

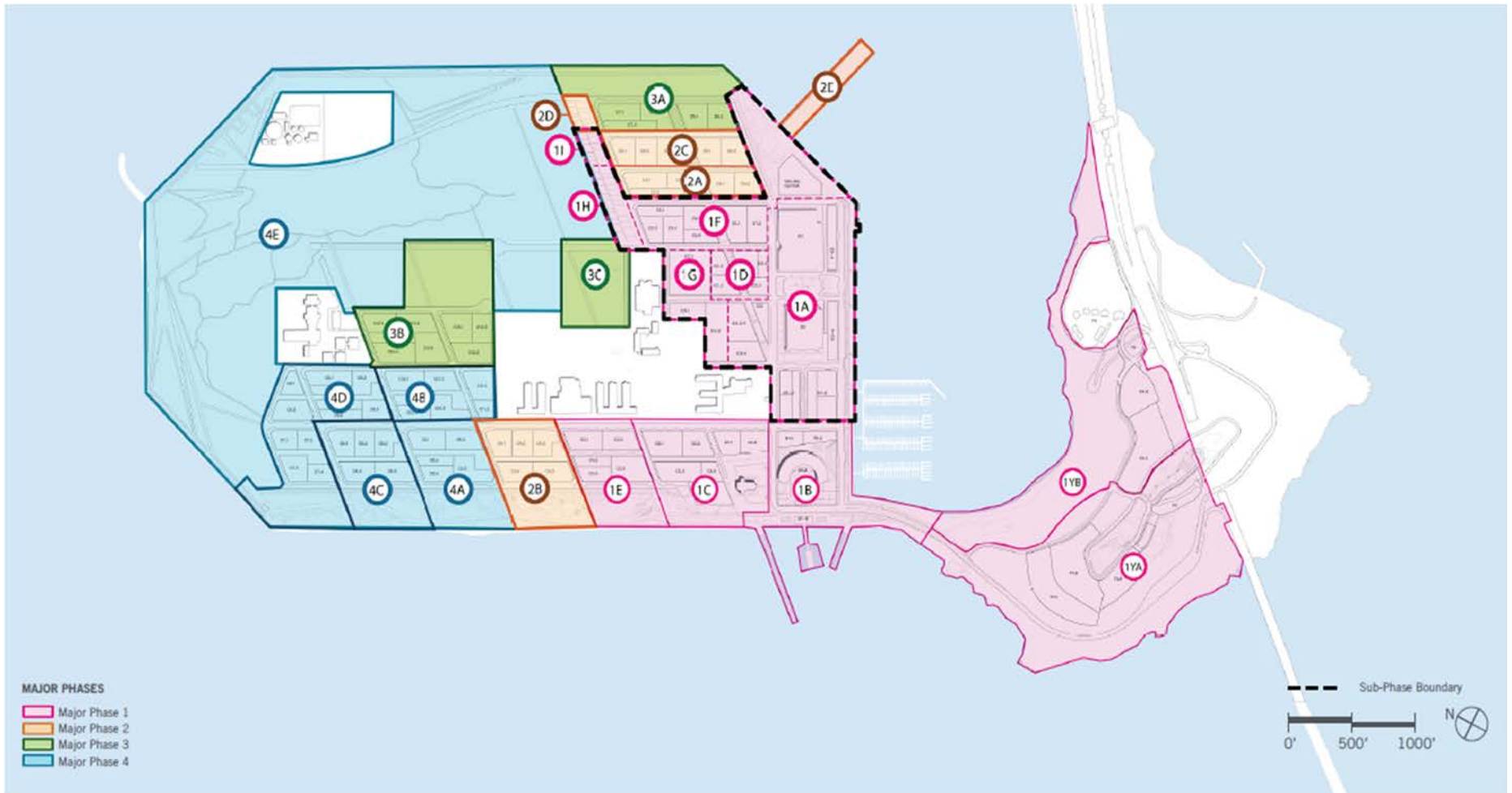
***Treasure Island Project Phasing.*** The Treasure Island Project has been divided into four Major Phases and, within each Major Phase, various Sub-Phases. Subject to the terms and conditions of the DDA, TIDA will convey development blocks within the Treasure Island Project owned or acquired by TIDA from the Navy to TICD or a phase developer selected by TICD (herein, the entity actually developing the property, whether TICD or a phase developer, shall be referred to as the “TICD Developer”).

TIDA’s approval of each Major Phase Application is required before, or concurrently with, its consideration of and grant of a Sub-Phase Approval for any Sub-Phase in that Major Phase. Such approval is based on established development requirements (e.g., development requirements under the DDA, the DA, and Vertical DDAs) and cannot be denied if those requirements are satisfied. Major Phase 1, which is comprised of 11 Sub-Phases shown in pink on the diagram below, was approved by the TIDA Board in May 2015.

The TICD Developer expects to file and process at least one Tentative Subdivision Map application (“TSM”) for each Sub-Phase within Major Phase 1 to allow for the processing of multiple phased Final Subdivision Maps that will establish vertical development parcels within each Sub-Phase. Each TSM is also expected to be followed by phased Final Subdivision Maps as well as Final Subdivision Maps that vertically subdivide airspace to accommodate separate financing or ownership of separate uses or portions thereof within the buildings.

The following graphic shows the Major Phases and the boundary delineation of the Sub-Phases. Improvement Area No. 2 is located entirely within Sub-Phase 1B, Sub-Phase 1C and Sub-Phase 1E.

[Remainder of page intentionally left blank.]



Note: Area labels on the map above represent sub-phase designations, not Improvement Area designations. For Improvement Area designations, see map on page 48.

## Initial Phase Approvals and Land Transfers

TIDA approved the Major Phase 1 Application and the Sub-Phase Applications 1 and 2 for Sub-Phases 1YA, 1YB, 1B, 1C, and 1E in 2015. Major Phase 1 includes approximately 3,500-plus residential units, approximately 103 acres of parks, and a ferry terminal to support ferry service between Treasure Island and San Francisco.

- Sub-Phases 1YA and 1YB (Yerba Buena Island) encompass all of the Treasure Island Project lands on Yerba Buena Island other than the TIDA-retained historic buildings and garages. On February 22, 2016, TI Series 1 acquired from TIDA Sub-Blocks 1Y, 3Y, and 4Y. Subsequently, Sub-Blocks 1Y, 3Y and 4Y were sold to merchant builders. Sub-Block 2Y is owned by TIDA, subject to the Public Trust. Hilltop Park, Beach Park and open space are part of these Sub-Phases but TIDA retains ownership of these public lands. On July 10, 2020, TIDA transferred two small areas of land on Yerba Buena Island to YBI Phase 1 Investors. This transfer followed a parcel boundary adjustment with the State to remove these areas of land from the trust in order to accommodate redesigned private infrastructure. This transfer included land within Sub-Phase 1YB. The Sub-Blocks located within Sub-Phases 1YA and 1YB are what comprise Improvement Area No. 1.
- Sub-Phases 1B, 1C and 1E (Treasure Island) encompass much of the southwestern portion of Treasure Island. On February 22, 2016, TIDA conveyed to TI Series 1 certain development blocks within Sub-Phases 1B, 1C and 1E. TIDA retained leasehold and public property that will be developed by TICD Developer within these Sub-Phases including Building 1, the Building 1 Plaza, Marina Plaza, Clipper Cove Promenade 1, Cityside Waterfront Park 1, Cultural Park, Cityside Waterfront Park 2 and various streets within these Sub-Phases. Improvement Area No. 2 and Improvement Area No. 3 are also located within Sub-Phases 1B, 1C and 1E.
- Sub-Phases 1A, 1D, 1F, 1G, 1H and 1I (Treasure Island) encompass most of the remaining southern-middle portion of Treasure Island. On September 4, 2019, Treasure Island Series 2, LLC (“TI Series 2”) – a wholly-owned subsidiary of TICD – acquired certain development parcels within Sub-Phase 1A. Certain other development parcels within Sub-Phase 1A and the rest of these Sub-Phases are expected to be transferred at a later date. On December 31, 2020, TIDA conveyed to TI Series 2 certain additional lots within Sub-Phase 1A for development.

TICD, through one or more TICD Developers, anticipates developing each phase of the Treasure Island Project following acquisition of the phase from TIDA, as provided in the DDA and DA. If acquired, TICD, through one or more TICD Developers, anticipates developing the property in four Major Phases, as described in the DA.

The infrastructure improvements and fees required for the total development of the Treasure Island Project are estimated to cost approximately \$2.5 billion, as of October 1, 2023. As of October 1, 2023, TICD and TICD Developers have expended approximately \$717 million on such costs (including the costs supporting development of Improvement Area No. 2), and they expect to spend the remainder of such costs over the next 15 years.

For Improvement Area No. 1, the first residential project on Yerba Buena Island, a 124-unit condominium building called the Bristol, began construction in June 2019 and opened in June 2022. As of October 1, 2023, TICD understands that 46 units in the Bristol (including 37 market rate and 9 below market rate units) have sold to individual buyers and closed escrow. Construction is nearing completion on the first phase of the next residential project in Improvement Area No. 1, known as The Residences.

For Improvement Area No. 2, construction on three of the residential projects (Isle House, Hawkins and Portico) began between July and October 2022. See “IMPROVEMENT AREA NO. 2.”

For Improvement Area No. 3, sales to merchant builders of the two lots owned by TI Series 1 has not yet begun. The Sub Phase 1A street improvement plan and subdivision map review with the City continues with the latest City review comments received in May 2023; demolition of structures, isolation of utilities, and geotechnical ground improvement in this area began in late 2021 and are now complete, with new utility construction expected to begin in early 2025.

Outside of the District on Treasure Island, the first new residential project, a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares called Maceo May Apartments, broke ground in the fall of 2020 and opened in May 2023. The second new residential project is a 138-unit, 100% affordable building developed by Mercy Housing in partnership with Catholic Charities called Star View Court. The project broke ground in July 2022 and is expected to be complete in spring 2024.

Set forth below is a map showing Improvement Area No. 2 (the areas marked with “2”), as well as Improvement Area No. 1 (the areas marked with “1”) and Improvement Area No. 3 (the areas marked with “3”). While the map below shows other areas on the Islands, special taxes levied on property outside of the boundaries of Improvement Area No. 2 are not and will not be security for the 2023A Bonds.

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Improvement Area No. 1, Improvement Area No. 3 and other areas and buildings outside of Improvement Area No. 2 do not provide security for the 2023A Bonds.

### **Acquisition Agreement**

In connection with the formation of the District, TICD, the City, and TIDA entered into an Acquisition and Reimbursement Agreement (Treasure Island/Yerba Buena Island), dated as of March 8, 2016 (as it may be amended from time-to-time, the “Acquisition Agreement”). Pursuant to the Acquisition Agreement, the City will purchase from TICD certain capital improvements and finance certain development impact fees for the construction of capital improvements (referred to herein as the “Authorized Improvements”). However, the City’s obligation under the Acquisition Agreement will be funded solely from the sources identified in the Acquisition Agreement, which include (but are not limited to) the Special Taxes levied in Improvement Area No. 2 and the net proceeds of bonds issued for Improvement Area No. 2. The net proceeds of the 2023A Bonds, certain investment earnings thereon and the Special Tax are also expected to be sufficient to fund a portion, but not all, of the Authorized Improvements.

### **Treasure Island Amenities**

The Treasure Island Project includes the development of up to 140,000 square feet of new commercial and retail space, adaptive reuse of approximately 311,000 square feet of commercial/flex space, and approximately 100,000 square feet of office space. Most of this space will be in new and rehabilitated historic structures in the “Island Center” neighborhood east of the transportation hub and Administration Building. Treasure Island currently is home to several businesses that will serve residents and their guests, including The Island Market grocery store with two locations, Mersea and Aracely restaurants, Woods Brewery, and Winery SF. However, TICD recognizes that the first residents will desire certain additional amenities to entice them to make the decision to move to the newly developing community. With this in mind, TICD is investing in improvements to existing buildings and available open spaces that can provide space for the most important resident serving businesses. These include expanded grocery offerings, additional restaurants, pharmacy, and an urgent care medical clinic. The Administration Building, Quarters 10, the Chapel/Cultural Park, and the future Hotel Parcel C2-H are all being studied for potential to host commercial space on an interim basis until the Island Center district can be built and occupied. In addition, the residential buildings in Improvement Area No. 2 contain approximately 8,000 square feet of ground floor retail space that can be home to new commercial businesses that will serve residents.

In addition to commercial space noted above, the Community Facilities Plan includes a number of planned community-serving facilities, including a new school, a community center, childcare centers, a police and fire station, new sports fields, an urban farm, an environmental education center, space for the Treasure Island Museum, and a pad for the Treasure Island Sailing Center. The Community Facilities Plan further describes these uses, and the DDA describes the developer’s community facilities funding obligations. No assurance is given that these planned amenities will be constructed as planned. See “THE TREASURE ISLAND PROJECT – Negotiations to Revise Project Agreements” herein.

### **Transportation Planning**

The transportation plan for the Treasure Island Project is integral to the DDA and the project EIR. The relevant document is the Treasure Island Transportation Implementation Program, or “TITIP.” The TITIP goals are to encourage walkability, bikeability, and transit use, while discouraging auto use. The TITIP is overseen by the Treasure Island Mobility Management Agency (“TIMMA”), a transportation agency formed specifically for the Treasure Island Project. The San Francisco County Transportation Agency has been designated to act as the TIMMA.



The Transportation Program consists of new services, including a ferry to downtown San Francisco, new AC Transit bus service to Oakland, enhanced MUNI bus service to San Francisco, and an on-island shuttle. Revenues to support the program will come from fare box recovery, parking charges on Treasure Island, a mandatory transit pass program for new residents, a new auto toll, and subsidies from TICD defined in the TITIP and the DDA. All parking is to be charged, and revenues from public parking meters and future garages (but not resident parking garages) will support the transportation program.

A new “congestion pricing” auto toll will charge drivers for each auto trip to and/or from Treasure Island. The toll is integral to the project EIR. TIMMA is evaluating pricing structures as of the fourth quarter of 2023, and anticipates installing infrastructure in the future to allow for toll collection.

The DDA requires that each new market rate household purchase one transit pass, paid through HOA dues for condo projects and rental fees for rental buildings. Additional passes can be purchased if more than one household member desires a pass.

Under the DDA, TICD is responsible for the following contributions to the Transportation Program:

- Construction of the ferry terminal (completed).
- Construction of the street and bike network.
- Construction of parking garages (future phases).
- Purchase of up to 9 buses for use in the East Bay bus service: five initially, and the balance as needed but no earlier than the occupancy of the 5,000th new residential unit.
- Purchase up to 4 buses for use in the on-island shuttle service, procurement and specifications as mutually agreed between TICD, TIDA, and shuttle operator.
- Provision of a subsidy of \$1.8 million to TIDA as matching funds for the purchase of 6 Muni buses.
- Establishment of a “bicycle library,” up to a maximum expenditure of \$110,000.
- Provision of an Operating Subsidy - \$30 million, with a maximum \$4 million in any year, with an additional \$5 million if after completion of the 4,000th unit the transit mode share is 50% or less.

Currently, the Treasure Island Project is served by San Francisco MUNI line 25, with stops at the Administration Building/Ferry Terminal, the existing residential neighborhoods, and adjacent to the Job Corps Campus. Service is generally on 15-minute intervals on weekdays and evenings, with 20-30 minute intervals on weekends and overnight hours. In the future, MUNI service will be limited to the transit hub area of Treasure Island with service to new neighborhoods provided by the island shuttle.

TICD has established a privately-managed ferry service that launched on March 1, 2022 so that water transportation is available for the first new residents of The Bristol on Yerba Buena Island. The service runs from the new Treasure Island ferry terminal to the San Francisco Ferry Building, with approximately 16 daily round-trips. Frequency is approximately 30-minute intervals during commute hours and hourly in the afternoons and evenings. This service is expected to run until the full TIMMA program is ready to commence with ferry service provided by a public operator such as WETA.

See “THE TREASURE ISLAND PROJECT – Negotiations to Revise Project Agreements” herein.

### **Transfer Tax Refund Request**

On March 16, 2022, TICD filed a tax-refund claim in the amount of \$1.78 million from the City for a portion of property transfer taxes that TICD or its affiliates paid to the City in connection with the conveyance of a certain parcel on Treasure Island. The tax-refund claim asserts that the increase in transfer taxes adopted by the San Francisco voters in November 2020 (referred to as Proposition I) does not apply to land transfers under the Project Agreements because the DA protects the Treasure Island Project from such changes in law. The tax-refund claim also asserts that the City must refrain from imposing or collecting the increased transfer taxes under Proposition I for all future land conveyances under the Project Agreements. The City has not formally responded to the tax-refund claim, but the City asserts that the increase in transfer taxes under Proposition I applies to land transfers under the Treasure Island Project and that the DA does not prevent the City from imposing or collecting these increased transfer taxes. Neither TIDA nor the City can give any assurance regarding the outcome of this claim or its impact, if any, on the Treasure Island Project. Transfer tax revenue does not secure the 2023A Bonds.

### **IMPROVEMENT AREA NO. 2**

*Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within Improvement Area No. 2. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect not to pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within Improvement Area No. 2 of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within Improvement Area No. 2. The City, on behalf of the District, however, has covenanted in the Fiscal Agent Agreement for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within Improvement Area No. 2, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS –Special Tax Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.*

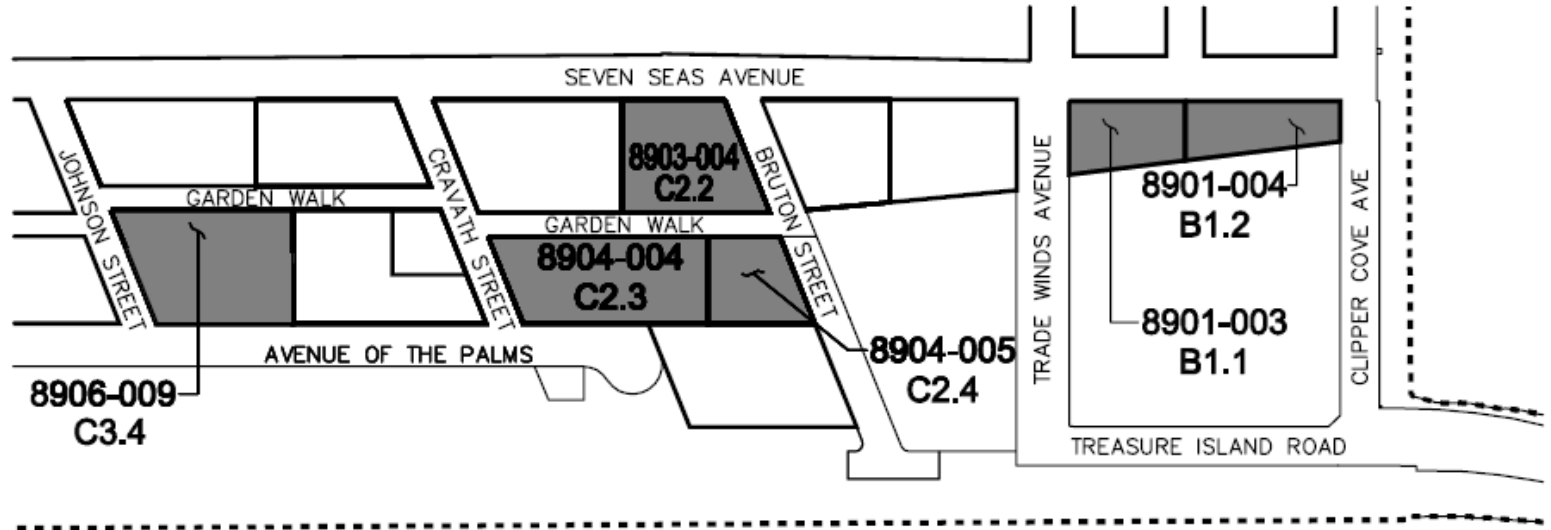
*No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. TI Series 1 and the Merchant Builders (defined below) have provided the information set forth in this section. No assurance can be given by the City that all information is accurate or complete. The City has not independently verified this information and assumes no responsibility for its accuracy or completeness. It is only provided as a convenience to enable investors to more easily commence their own independent investigations if they so choose. There may be material adverse changes in this information after the date of this Official Statement. In addition, any internet addresses included below are for reference only, and the information on those internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement. If the development of the property is not completed, or is not completed in a timely manner, there could be an adverse effect on the payment of Special Taxes, which, in turn, could result in the inability of the District to make full and punctual payments of debt service on the 2023A Bonds. See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating an investment in the 2023A Bonds.*

## **Location and Description of Improvement Area No. 2 and the Immediate Area**



Improvement Area No. 2 is made up of five development blocks on Treasure Island known as “Sub-Block B1,” “Sub-Block C2.2,” “Sub-Block C2.3,” “Sub-Block C2.4” and “Sub-Block 3.4.” Sub-Block B1 is comprised of development parcels B1.1 and B1.2, but referred to collectively herein as “Sub-Block B1.” The planned development at Sub-Block C2.2 is also sometimes referred to herein as “Hawkins,” the development at Sub-Block C2.4 as “Isle House” (formerly “Tidal House”) and the development at Sub-Block C3.4 as “Portico.” Sub-Block C3.4 is comprised of development parcels C3.3 and C3.4, but referred to collectively herein as “Sub-Block C3.4.” Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4, together, constitute approximately 5.22 gross acres.

[Remainder of page intentionally left blank.]

The map and graphic below show the various Sub-Blocks within Improvement Area No. 2 and their surroundings. Note that the parcels identified as C3.3 and C3.4 have been combined into one parcel, now known collectively as C3.4 and Assessor's Parcel Number 8906-009.



NOT TO SCALE

Legend	
	Improvement Area No. 2 of Community Facilities District No. 2016-1
	Boundary of Community Facilities District



The boundaries above are approximate. Improvement Area No. 3 and other highlighted buildings outside of Improvement Area No. 2 and appearing in the graphics above do not provide security for the 2023A Bonds.

## Tract Map Status of Improvement Area No. 2

On September 13, 2018, Final Map No. 9235 (the “Final Map 9235”) was recorded, establishing the conditions for the subdivision of Sub-Blocks 1B, 1C, and 1E. In connection with this map recordation, TI Series 1 and TIDA entered into a Public Improvement Agreement dated September 7, 2018 (as amended, the “9235 Public Improvement Agreement”). The Final Map and the 9235 Public Improvement Agreement describes TI Series 1’s obligations to complete public improvements to serve Treasure Island.

Final Map No. 10297 was recorded on April 7, 2021 (“Final Map 10297”). Final Map 10297 merged the 2 lots comprising Sub-Block C3.4 in to one legal parcel, and adjusted the maximum number of condominium units allowed on Sub-Blocks C2.3, C3.4, and C3.5 (which Sub-Block C3.5 is not in Improvement Area No. 2). All other conditions required by Final Map 9235 (and the 9235 Public Improvement Agreement) continue to apply. Final Map 10297 provides that up to 114 residential units may be constructed on Sub-Block C2.3, and 160 condominium units on Sub-Block C3.4.

A summary of the tract map status for Improvement Area No. 2 is shown below as of October 1, 2023:

<u>Sub-Block</u>	<u>Final Map</u>	<u>Date of Recordation</u>	<u>Status</u>	<u>Planned Development</u>
B1	Final Map 9235	September 13, 2018	Authorizes the construction of up to 95 condominium units, no restriction on number of rental units.	117 rental units
C2.2	Final Map 9235	September 13, 2018	Authorizes the construction of up to 128 condominium units, no restriction on number of rental units.	178 rental units
C2.3	Final Map 10297	April 7, 2021	Authorizes the construction of up to 114 residential condominium units.	85 residential condominiums
C2.4	Final Map 9235	September 13, 2018	Authorizes the construction of up to 176 condominium units, no restriction on number of rental units.	250 rental units
C3.4	Final Map 10297	April 7, 2021	Authorizes the construction of up to 160 residential condominium units.	148 residential condominiums

As a condition to TIDA’s conveyance of the property to TI Series 1, TI Series 1 posted performance and payment bonds in an amount equal to 125% of the estimated cost of the backbone infrastructure. Subsequently, TI Series 1 entered into the 9235 Public Improvement Agreement with the City in which it was required to post additional performance and payment bonds, such that the total amount secured would equal 125% of the estimated cost of the backbone infrastructure that was not complete at the time the map was recorded. As of August 29, 2023, TI Series 1 has posted various bonds with TIDA and the City and, after exonerations of the original \$240 million, the outstanding bonds total approximately \$108.3 million and secure the construction of infrastructure on both Yerba Buena Island and on Treasure Island. The

remaining costs for the TI Required Infrastructure (as defined in the 9235 Public Improvement Agreement to mean streets, sewer, water, utilities, etc.) are fully secured by the outstanding bonds.

The 9235 Public Improvement Agreement required various infrastructure improvements to be constructed by certain dates. The City approved the First Amendment to the 9235 Public Improvement Agreement on September 27, 2022 (“First Amendment to PIA”), which extended the completion date for TI Required Infrastructure for street and utility improvements to September 14, 2023, and March 14, 2024, respectively. The First Amendment to PIA was recorded on October 19, 2022, as Document No. 2022095274 of the Official Records of the City and County of San Francisco. The City has determined that the aforementioned TI Required Infrastructure is complete as documented by issuance of Conditional Notices of Completion. The City and TIDA expect to accept the infrastructure for purposes of maintenance and liability in the first quarter of 2024.

### **Geotechnical Mitigation Program**

A geotechnical mitigation program was implemented in Improvement Area No. 2 and elsewhere on Treasure Island in advance of infrastructure improvements and construction of buildings to make the Treasure Island perimeter seismically stable, strengthen the causeway that connects Treasure Island to Yerba Buena Island, densify the sandy fill to minimize seismic settlement within the development footprint, and compress the soft Bay Mud sediments to minimize future settlement from the addition of fill and buildings. See “RISK FACTORS – Climate Change; Risk of Sea Level Rise and Flooding Damage” for a description of Bay Mud. The geotechnical program for Improvement Area No. 2 and infrastructure serving it was completed and does not require ongoing maintenance work.

The geotechnical plan relied on numerous techniques to achieve the stability needed to support the new development. The plan included densification of the sandy fill throughout the development and the shoreline with direct power compaction vibrocompaction improvement method (“DPC”), preloading new building parcels and City streets with surcharge, and strengthening the causeway and the portions of the shoreline with cement deep soil mixing.

The DPC technique employed combined tamping and direct power compaction, a method widely used in Japan that densifies loose sandy soils by vibration, displacement, and compaction. The equipment to perform this work includes an electrically driven, 50-ton vibratory hammer suspended from a vibration isolation mount, which in turn is suspended from the main cable of a 270-ton crawler crane. The hammer is attached to four H-beam probes, which are modified with steel flaps hinged to the web at the base of the beam. As the beam penetrates the ground, the flaps are deployed to provide more area for compaction. During extraction of the beams, the flaps retract to reduce resistance. Approximately 9,560 DPC compaction elements have been installed and DPC is complete for Improvement Area Nos. 2 and 3.

After completion of the deep power compaction, tamping is employed to compact the upper 10 feet of sandy soil. The tamper has a 35-ton vibratory hammer attached to a 10-foot-by-10- square steel plate. The tamper plate is placed directly on the ground and the vibro-hammer is activated to compact the soil. Then the tamper is relocated to an adjacent position and the process is repeated until all the densification area is tamped. Approximately 16,490 tamping elements have been completed and tamping is complete for Improvement Area Nos. 2 and 3.

Deep soil mixing (“DSM”) was used to strengthen the weak soils that underlie parts of the shoreline and the causeway. DSM is a ground improvement technique that enhances the strength of the soils by mechanically mixing them with a cement slurry, causing the soil to become more like weak rock. In total, about 160,000 cubic yards of deep cement soil mixing was performed for the geotechnical program and DSM is complete for Improvement Area Nos. 2 and 3.

Geotechnical work continues for portions of Treasure Island outside of Improvement Area Nos. 2 and 3.

### **Sea Level Rise and Adaptive Management Strategy**

The sea level rise and adaptive management strategy for Treasure Island includes a multi-phased approach to mitigation, with initial infrastructure designs to accommodate reasonable sea level rise scenarios as well as future monitoring and funding mechanisms to implement necessary improvements in the future. As part of the first phase of such strategy, the perimeter shoreline areas near Improvement Area Nos. 2 and 3 have been adjusted to function as a berm, and finished grades for the inland proposed building areas for Improvement Area Nos. 2 and 3 have been raised up to 6.0 feet. See “SPECIAL RISK FACTORS – Climate Change; Risk of Sea Level Rise and Flood Damage.”

### **Infrastructure Development and Financing Plan**

***Public Improvements Required for Temporary Certificates of Occupancy for Improvement Areas Completed.*** Horizontal Infrastructure, including geotechnical improvement of soil conditions, that are required to be constructed by the TICD Developer in order to receive temporary certificates of occupancy for planned developments for Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3 (collectively, “Improvement Areas 1, 2 and 3”) are completed.

Although the infrastructure work is complete, the TICD Developer still has various payments and retentions to be paid for the work that has been completed. The table below includes specific information regarding Improvement Area No. 2 costs and the amount remaining of such costs attributed to Improvement Area No. 2.

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**Table 2**  
**Improvement Areas 1, 2 and 3 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)**  
**Cost Estimates of Public Improvements (as of October 1, 2023)**

	<b>Direct Infrastructure Costs<sup>(1)</sup></b>	<b>Percent Spent<sup>(1)</sup></b>	<b>Remaining Costs<sup>(1)</sup></b>	<b>Remaining Improvement Area No. 2 Costs<sup>(1)(3)</sup></b>
<b>Hard Costs</b>				
Demolition	\$ 8,616,813	100%	\$ -	\$ -
Geotechnical	58,472,458	100%	71,578 <sup>(2)</sup>	71,578
Causeway	15,746,082	98%	296,475	-
Treasure Island Street Improvements	89,082,651	95%	4,602,666	3,062,120
Yerba Buena Island Street Improvements	105,061,713	94%	6,109,649	-
Interim Gas Line	1,927,603	86%	261,552	-
Sanitary Sewer Pump Station	4,787,600	89%	529,500	-
Interim Sanitary Sewer Force Main	7,356,090	100%	-	-
Wastewater Treatment Plant	1,489,945	91%	138,973	138,973
12KV Improvements	<u>2,415,407</u>	100%	<u>-</u>	<u>-</u>
<b>Total Hard Costs</b>	<b>\$294,956,360</b>	<b>96%</b>	<b>\$12,010,393</b>	<b>\$3,272,671</b>
<b>Soft Costs</b>				
Landscape Architect	\$ 3,541,336	96%	\$ 154,202	\$ 102,847
Civil Engineer	12,216,477	97%	325,632	-
Geotechnical Engineer	15,999,661	97%	432,311	145,405
Environmental Engineer	5,865,491	96%	241,433	115,111
Permits and Fees and Bonds	18,791,978	94%	1,153,998	850,374
Other (Utilities Consultants, Legal, etc.)	1,202,767	94%	75,379	-
Construction Management	<u>14,986,202</u>	99%	<u>220,787</u>	<u>220,787</u>
<b>Total Soft Costs</b>	<b>\$ 72,603,912</b>	<b>96%</b>	<b>\$ 2,603,742</b>	<b>\$1,434,523</b>
<b>Total Estimated Project Costs</b>	<b>\$367,560,272</b>	<b>96%</b>	<b>\$14,614,135</b>	<b>\$4,707,194</b>

<sup>(1)</sup> Horizontal infrastructure, including geotechnical improvement of soil conditions, needed to secure temporary certificates of occupancy for Improvement Areas 1, 2 and 3 are complete. Remaining costs include lagging payments and retentions for work that has been completed as of October 1, 2023.

<sup>(2)</sup> Geotechnical program is complete for supporting infrastructure serving Improvement Areas 1, 2 and 3 and development within Improvement Area No. 2 and Improvement Area No. 3. Amount reflects retentions not yet paid as of October 1, 2023, for completed work.

<sup>(3)</sup> Appraisal costs are costs allocated specifically to Improvement Area No. 2. Demolition, geotechnical, and Treasure Island street improvements are allocated by costs that fall outside of Improvement Area No. 1's scope of work and then split by the estimated developable square footage between Improvement Area No. 2 and Improvement Area No. 3, approximately 44% and 56%, respectively. Other hard costs are allocated by Improvement Area No. 2's proportion of units to the entire Treasure Island Project's unit count, approximately 11%. As soft costs are tied to specific hard costs, soft costs are allocated by their corresponding hard cost allocation method. Costs reviewed by the Appraiser for the Appraisal Report were as of an earlier date.

Source: TI Series I.

***Other Costs of Public Improvements.*** The public improvement costs remaining in the Treasure Island Project but not required for a temporary certificate of occupancy and excluded from the table above are primarily attributable to public parks. Park construction is expected to trail other horizontal infrastructure. So far, contracts have been let for Hilltop Park East and West and a dog park, and their costs have been consistent with estimates.

***Public Improvements Financing Plan.*** Horizontal infrastructure, including geotechnical improvement of soil conditions, needed to secure temporary certificates of occupancy for Improvement Areas 1, 2 and 3 are complete, but TI Series 1 has various payments and retentions to be paid for the work that has been completed. To date, TI Series 1 has financed its land acquisition and various site development costs related to the property in Improvement Areas 1, 2 and 3 through internally generated funds, EB-5 loan proceeds (see discussion herein), community facilities district bond proceeds and lot sales revenues. TI Series 1 expects to use, internal funding, and reimbursement from 2023 Bond proceeds and other bond proceeds to pay these costs. Such other bonds may include IRFD bonds approved by the Board of Supervisors as the legislative body of the IRFD in an aggregate principal amount not to exceed \$10,000,000, expected to be issued on or about the same time as the 2023A Bonds. TI Series 1 believes that it will have sufficient and available funds to make such payments.

On March 4, 2016, TI Series 1 obtained an EB-5 loan (the “TI Series 1 EB-5 Loan”) in the total amount of \$155,000,000. The proceeds of the TI Series 1 EB-5 Loan were used to pay for a portion of the costs of horizontal development associated with Sub-Phases 1YA, 1YB, 1B, 1C and 1E, as further described within and in accordance with the business plan for the TI Series 1 EB-5 Loan, which encompass (a) certain southern portions of Treasure Island (including Improvement Area No. 2 and Improvement Area No. 3) and (b) certain improvements on Treasure Island Project lands on Yerba Buena Island (including Improvement Area No. 1), with exclusion of those certain TIDA-retained historic buildings and garages.

The TI Series 1 EB-5 Loan is secured by (i) a deed of trust secured by TI Series 1’s fee simple ownership interest in the unsold real property contained within Improvement Areas 1, 2 and 3 (the “TI Series 1 Deed of Trust”), (ii) any ground leasing revenues received in relation to the commercial parcels outside of Improvement Area No. 2, and (iii) those certain rights and obligations set forth within the Disposition and Development Agreement by and between Treasure Island Development Authority and Treasure Island Community Development. The TI Series 1 Deed of Trust has been and will be partially released in conjunction with the sale of parcels to vertical developers or builders (subject to satisfaction of the release terms and conditions in the EB-5 loan documents), consistent with the release in connection with the completed sales of certain land parcels to the Merchant Builders.

The overall cost of borrowing (including interest and fees) or “Interest Rate” on the TI Series 1 EB-5 Loan is approximately 4.97% per annum, a portion of which is paid quarterly and a portion of which is deferred until loan maturity. As of September 1, 2023, the TI Series 1 EB-5 Loan had an outstanding balance of \$146,000,000. The initial maturity date of the TI Series 1 EB-5 Loan was March 4, 2021, and has subsequently been extended by agreement of the lender to March 4, 2024. The TI Series 1 EB-5 Loan may be extended by up to one (1) additional year to March 4, 2025 (Extended Maturity Date) at the option of TI Series 1 upon satisfaction of certain conditions by TI Series 1.

There can be no guarantee that the conditions necessary to extend the TI Series 1 EB-5 Loan to the Extended Maturity Date will be met or lender will agree to any further extensions beyond the Extended Maturity Date. The conditions for the Extended Maturity Date include, among other things, substantial completion of remaining infrastructure serving Improvement Areas 1, 2 and 3 (which is now complete) and substantial completion of parks (which have not yet been completed). If extension to the Extended Maturity Date is not secured, the TI Series 1 EB-5 Loan will mature on March 4, 2024, and TI Series 1 may be required to negotiate additional extensions with the EB-5 Lender or seek additional sources of capital (e.g.,

equity or loans) to repay the TI Series 1 EB-5 Loan. There is no guarantee that alternative refinancing options will be available with favorable terms or at all.

The TI Series 1 EB-5 Loan is made with proceeds obtained by the EB-5 lender from individual investors that have purchased membership interests in the applicable EB-5 lender in accordance with the EB-5 Regional Center Pilot Program. The United States Citizenship and Immigration Services (“USCIS”) must approve each individual investor’s immigration application (“I-526 Petition”). Although the TI Series 1 EB-5 Loan was fully funded, the USCIS process is ongoing and therefore no guarantee can be made that if an investor’s application is subsequently denied that such denial will not trigger a repayment obligation under the EB-5 loan agreement. Thus far, according to information provided to TI Series 1 by the EB-5 Lender, twelve investors have withdrawn their I-526 Petitions. TI Series 1 may be required to repay up to \$500,000 per withdrawn investor as part of its extension.

The EB-5 Immigrant Investor Program is subject to reauthorization by the United States Congress from time to time. Congress passed the EB-5 Reform and Integrity Act of 2022, which reauthorized the EB-5 Regional Center Program through September 30, 2027. However, the EB-5 program has lapsed previously over the course of the TI Series 1 EB-5 Loan, and TI Series 1 believes based on advice of immigration and legal advisors that the program will continue to be reauthorized in the future, although TI Series 1 cannot provide any assurances of such future reauthorization(s). For the avoidance of doubt, expiration of the program does not trigger an acceleration or repayment of the TI Series 1 EB-5 Loan or other obligations of TI Series 1.

Critical infrastructure work required for vertical projects to achieve temporary certificates of occupancy is complete in Improvement Areas 1, 2 and 3.

Although TI Series 1 expects to have sufficient funds available to complete its development (both public infrastructure and other development) in Improvement Areas 1, 2 and 3 as described in this Official Statement, there can be no assurance that amounts necessary to finance the remaining development costs will be available to TI Series 1 from its internally generated funds or from any other source when needed.

*If and to the extent that internal funding, including but not limited to lot sales revenues, are inadequate to pay the costs to complete the planned development by TI Series 1 within Improvement Area No. 2 and other financing by TI Series 1 is not put into place, there could be a shortfall in the funds required to complete the planned development by TI Series 1 in Improvement Area No. 2.*

**Flood Zone Status.** Per FEMA Flood Insurance Rate Map 060298-0128A dated March 23, 2021, the pre-development elevation of the majority of the land and the proposed development in Improvement Area No. 2 is higher than the current 100-year flood plain. Additionally, the construction performed under the street improvement permit includes raising development pads approximately three feet above the pre-development elevations that FEMA 060298-0128A references. One parcel in Improvement Area No. 2, C3.4, has been removed from the Special Flood Hazard Area through a Letter of Map Revision based on placement of fill elevating the entirety of the site above the base flood elevation. See “SPECIAL RISK FACTORS – Climate Change; Risk of Sea Level Rise and Flood Damage” for a discussion of current projected sea level rise estimates.

The Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island. For additional information regarding the establishment of the capital reserves for the Treasure Island Project, see “RATE AND METHOD” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

## Utilities

The utility providers for Improvement Area No. 2 are listed in the below table.

<u>Utility</u>	<u>Provider</u>
Water	San Francisco Public Utilities Commission
Sewer	San Francisco Public Utilities Commission
Gas	Pacific Gas & Electric
Electric	San Francisco Public Utilities Commission
Telecom	AT&T; Comcast; Verizon

## Ownership of Property in Improvement Area No. 2

On February 22, 2016, TIDA transferred the property in Improvement Area No. 2 to Treasure Island Series 1, LLC (previously defined as “TI Series 1”), a wholly-owned subsidiary of TICD. The Sub-Blocks were transferred to their current owners on November 9, 2020.

Sub-Block B1 is currently owned by B1 Treasure Island 048 Holdings LLC (the “Poly Rental Merchant Builder”). Sub-Block C2.3 is currently owned by C2.3 Treasure Island 048 Holdings LLC (the “Poly Condo Merchant Builder”). The Poly Rental Merchant Builder and the Poly Condo Merchant Builder are subsidiaries of Poly (USA) Real Estate Development Corporation (“Poly USA”).

Poly (USA) is a subsidiary of Hengli (Hong Kong) Real Estate Limited (“Poly Global”) a diversified international property developer and a division of the Chinese listed property development company, Poly Developments and Holdings Group Co. Ltd. Poly Global has offices in Sydney, Melbourne and Queensland in Australia, London in the United Kingdom and San Francisco in the United States. In addition to a number of commercial developments, Poly Global, through its subsidiaries and affiliates, has completed or is developing 12 residential or mixed-use projects in Australia and one mixed-use project in the United Kingdom. In the United States, a joint venture including an affiliate of Poly Global developed a 27-story, 200-unit residential rental building known as 1133 Hope in Los Angeles, California. That building was completed in 2020.

Sub-Block C2.2 is currently owned by TI Lot 8, LLC (the “Lennar Merchant Builder”). The Lennar Merchant Builder is a subsidiary of Lennar. See “THE TREASURE ISLAND PROJECT – TICD and the Treasure Island Project – Lennar Corporation” herein.

Sub-Block C2.4 is currently owned by TI Lot 10, LLC (the “Stockbridge/Wilson Meany Merchant Builder”). The Stockbridge/Wilson Meany Merchant Builder is a joint venture by Stockbridge and Wilson Meany. See “THE TREASURE ISLAND PROJECT – TICD and the Treasure Island Project – Stockbridge” and “– Wilson Meany” herein.

Sub-Block C3.4 is currently owned by TI Lots 3-4, LLC (the “Stockbridge/Wilson Meany/Lennar Merchant Builder”). The Stockbridge/Wilson Meany/Lennar Merchant Builder is a joint venture by Lennar, Stockbridge and Wilson Meany. See “THE TREASURE ISLAND PROJECT – TICD and the Treasure Island Project – Lennar,” “– Stockbridge” and “– Wilson Meany” herein.

The Poly Rental Merchant Builder, the Lennar Merchant Builder, the Poly Condo Merchant Builder, the Stockbridge/Wilson Meany Merchant Builder and the Stockbridge/Wilson Meany/Lennar Merchant Builder shall be referred to herein, individually, as a “Merchant Builder” and, collectively, as the “Merchant Builders.”

## **Merchant Builder Development and Financing Plans**

*A more detailed description of each of the phases within Improvement Area No. 2 is set forth below. The Merchant Builders provide no assurance that design, construction, leasing and/or sales will be carried out on the schedule and according to the plans summarized below, or that construction, rental and sale plans set forth below will not change after the date of this Official Statement.*

Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4 are owned by the Merchant Builders, as described in the table below. The planned projects on these Sub-Blocks currently contemplate five buildings with a total of 778 residential units, including for-sale and rental units, as well as some retail space.

As of October 1, 2023, total vertical development costs for the five planned buildings (including land acquisition) are estimated to be approximately \$771 million. (See Tables 5, 7, 9, 11 and 13, for additional details.) Three of the five buildings have begun construction on their sites with details below. *The other two buildings are currently on hold and are being reevaluated by the Merchant Builder for such parcels.*

The buildings in Improvement Area No.2 are in various stages of pre-development and development.

Planned product descriptions, ownership and development status information for each Sub-Block in Improvement Area No. 2 is summarized in Table 3 below. Details on projected construction costs and sources of construction funding are provided for each planned building in the discussion following the table.

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**Table 3**  
**Improvement Area No. 2 of the**  
**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)**  
**Summary of Merchant Builder Ownership and Planned Development**  
**(as of October 1, 2023)**

<b>Description of Development</b>	<b>Sub-Block B1<sup>(3)</sup></b>	<b>Sub-Block C2.2 (Hawkins)<sup>(4)</sup></b>	<b>Sub-Block C2.3<sup>(3)</sup></b>	<b>Sub-Block C2.4 (Isle House)<sup>(4)</sup></b>	<b>Sub-Block C3.4 (Portico)<sup>(4)</sup></b>
Product type	Rental Podium	Rental Podium	Condo Podium	Rental Tower	Condo Podium
Total Planned Residential Units <sup>(1)</sup>	117	178	85	250	148
Market-Rate Residential Units	111	169	80	226	141
<b>Vertical Developer Entities</b>					
Merchant Builder	B1 Treasure Island 048 Holdings LLC ("Poly Rental Merchant Builder")	TI Lot 8, LLC ("Lennar Merchant Builder")	C2.3 Treasure Island 048 Holdings LLC ("Poly Condo Merchant Builder")	TI Lot 10, LLC ("Stockbridge/Wilson Meany Merchant Builder")	TI Lots 3-4, LLC ("Stockbridge/Wilson Meany/Lennar Merchant Builder")
Merchant Builder Affiliated Entity or Entities	Poly (USA) Real Estate Development Corporation	Lennar	Poly (USA) Real Estate Development Corporation	Stockbridge/Wilson Meany Joint Venture	Stockbridge/Wilson Meany/Lennar Joint Venture
<b>Development Milestones</b>					
100% Schematic Design	Completed	Completed	Completed	Completed	Completed
100% Design Development	Completed	Completed	Completed	Completed	Completed
100% Construction Design	Completed	Completed	Completed	Completed	Completed
Site Permit Issuance <sup>(2)</sup>	Completed	Completed	TBD	Completed	Completed
Start of Construction	TBD	September 2022	TBD	July 2022	October 2022
Projected Core/Shell Completion	TBD	July 2023	TBD	January 2024	May 2024
Construction Completion	TBD	November 2024	TBD	September 2024	January 2025
<b>Marketing Milestones</b>					
Projected Pre-Sales/Pre-Leasing Commencement	TBD	September 2024	TBD	August 2024	September 2024
Projected Stabilization	TBD	June 2025	TBD	September 2025	December 2026

<sup>(1)</sup> Total planned residential units include market-rate units and inclusionary units. Inclusionary units are not subject to Special Taxes.

<sup>(2)</sup> Site permit issuance allows the developer to pursue addenda allowing the developer to start construction. Once a site permit is issued, additional shoring and foundation permits are required before construction can commence; other permits (such as for various utilities) may be obtained as relevant construction phases proceed.

<sup>(3)</sup> See "– Sub-Block B1" and "– Sub-Block C.2.3" below for more details on those projects.

<sup>(4)</sup> All dates in the future for development and marketing milestones are estimates only, based upon the respective builder's good faith projections based on current and anticipated market conditions; all dates are subject to change based upon changing market conditions and other risk factors for real estate development.

Sources: Merchant Builders.

**Sub-Block C2.2 (Hawkins).** Lennar Merchant Builder owns Sub-Block C2.2. Construction is underway on a 70-foot, 178-rental unit, podium building, known as “Hawkins,” designed by Mark Cavagnero Associate Architects. Multiple variations of four rental floor plans are planned, ranging in size from approximately 458 square feet to 1,648 square feet. Nine of the planned units will be inclusionary units and not subject to the Special Tax. The planned development at Sub-Block C2.2 is designed with an amenity package that includes approximately 1,550 square feet of retail space across from a park and adjacent to the shared public way, a fitness center, outdoor yoga/fitness space, pet spa, and spacious (mixed and private) co-working and meeting areas. The rooftop is planned to include a covered outdoor roof deck lounge, cabanas, barbeque and seating areas with views of the San Francisco skyline and the East Bay. Parking, storage, and other building systems are planned to be located in the parking garage below grade. The ground floor is expected to be wrapped by amenities on the east side, lobby and guest services on the south, and courtyard apartment homes on the north and west. The building is designed as Type III Construction.

The following table provides additional information regarding the proposed development of the 178 rental units within the development planned for Sub-Block C2.2 as of October 1, 2023.

**Table 4  
Sub-Block C2.2 (Hawkins)  
Floor Plans and Units  
(as of October 1, 2023)**

<b>Floor Plan</b>	<b>Avg. Approx. Square Footage</b>	<b>Total Number of Planned Rental Units<sup>(1)</sup></b>	<b>Total Number of Planned Market-Rate Rental Units</b>
Plan A	458	34	32
Plan B	728	87	83
Plan C	1,077	55	52
Plan D	1,648	<u>2</u>	<u>2</u>
<b>Totals</b>		<b>178</b>	<b>169</b>

<sup>(1)</sup> Includes nine (9) planned inclusionary units. Inclusionary units are not subject to Special Taxes.

Source: Lennar Merchant Builder.

The Lennar Merchant Builder currently projects average monthly rent across all market-rate unit types to average approximately \$4,970 at the time leasing is expected to commence in fourth quarter 2024. Actual rental rates may be more or less than estimated and are exclusive of any concessions that may be offered.

Design development drawings were completed in December 2021. A site permit was obtained in July 2022 and 100% construction drawings were completed in March 2023. Construction commenced in September 2022, with core/shell completed and building completion is expected in November 2024. The Lennar Merchant Builder entered into a guaranteed maximum price construction contract with a general contractor in September 2022. The Lennar Merchant Builder is using internal sources of funds to complete the project and does not currently anticipate sourcing a construction loan secured by the property.

Vertical construction cost estimates and funding sources for Sub-Block C2.2 are summarized in the table below.

**Table 5**  
**Sub-Block C2.2 (Hawkins)**  
**Construction Cost Estimates and Funding Sources**  
**(as of October 1, 2023)**

<u>Vertical Budget</u>		<u>Total Costs</u>	<u>Spend to Date</u>	<u>Remaining<sup>(2)</sup></u>
Land Acquisition		\$ 14,166,041	\$14,166,041	\$ 0
Direct Costs <sup>(1)</sup>		107,872,672	30,554,805	77,317,867
Indirect Costs		20,730,704	12,023,833	8,706,871
Total		\$142,769,417	\$56,744,678	\$86,024,739
<u>Financing Sources</u>	<u>% of total</u>			
Internal Funding <sup>(2)</sup>	100%	\$142,769,417	\$56,744,678	\$86,024,739
Construction Loan	-	-	-	-
Total	100%	\$142,769,417	\$56,744,678	\$86,024,739

<sup>(1)</sup> Based on 100% construction design, assuming 178 rental apartments.

<sup>(2)</sup> Construction financing is currently not anticipated to fund this project.

Source: Lennar Merchant Builder.

*Although Lennar Merchant Builder expects to have sufficient funds available to complete its development activities at Sub-Block C2.2, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that construction costs estimates will be accurate or that that amounts necessary to finance the remaining development and construction costs will be available from Lennar Merchant Builder or any other source when needed. For example, if Lennar Merchant Builder should decide to obtain construction financing from a third-party lender, it may not be able to obtain such construction financing on terms acceptable to Lennar Merchant Builder, if at all. Any contributions by Lennar Merchant Builder or any of its parent companies to fund the costs of such development and construction are entirely voluntary.*

***If and to the extent that the aforementioned funding sources are unavailable or inadequate to pay the costs to complete the planned development by Lennar Merchant Builder at Sub-Block C2.2 and other financing by Lennar Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by Lennar Merchant Builder at Sub-Block C2.2 or to pay ad valorem property taxes or Special Taxes related to Lennar Merchant Builder’s property at Sub-Block C2.2 and the remaining portions of the development may not be developed.***

***Sub-Block C2.4 (Isle House).*** Stockbridge/Wilson Meany Merchant Builder owns Sub-Block C2.4. Construction is underway on a 230-foot, 250-rental unit, building, designed by David Baker Architects, is planned for the site, known as “Isle House.” Multiple variations of four rental floor plans are planned, ranging in size from approximately 500 square feet to 1,600 square feet. Twenty-four of the planned units will be inclusionary units and not subject to the Special Tax. The planned development at Sub-Block C2.4 is designed with an amenity package that includes approximately 1,125 square foot retail cafe adjacent to a park, a fitness center, a private yoga room, an indoor/outdoor roof deck solarium lounge with views of the San Francisco skyline, a library lounge and den, co-working study areas, and private offices available for rent. Parking and building systems are designed at grade, and excavation is only for the fire tank, car stacker pits, and elevator pits. Parking stackers are in the central part of the building and wrapped by live-work units. The podium courtyard sits atop the wrapped parking at levels 2 and 3 of the



structure. The building is designed as Type I Construction, which is a concrete and steel frame construction method typical of high-rise buildings. Tower and podium unit plans have been refined by the design team in collaboration with Greystar Worldwide LLC.

The following table provides additional information regarding the proposed development of the 250 rental units within the development planned for Sub-Block C2.4 as of October 1, 2023.

**Table 6**  
**Sub-Block C2.4 (Isle House)**  
**Floor Plans and Units**  
**(as of October 1, 2023)**

<b>Floor Plan</b>	<b>Avg. Approx. Square Footage</b>	<b>Total Number of Planned Rental Units<sup>(1)</sup></b>	<b>Total Number of Planned Market-Rate Rental Units</b>
Plan A	500-550	31	25
Plan B	650-725	93	86
Plan C	1,000-1,225	124	113
Plan D	1,250-1,600	<u>2</u>	<u>2</u>
<b>Totals</b>		<b>250</b>	<b>226</b>

<sup>(1)</sup> Includes 24 planned inclusionary units. Inclusionary units are not subject to Special Taxes.

Source: Stockbridge/Wilson Meany Merchant Builder.

The Stockbridge/Wilson Meany Merchant Builder currently projects average monthly rent across all market-rate unit types to average approximately \$5,780 at the time leasing is expected to commence, in late summer or early fall 2024. Actual rental rates may be more or less than estimated and are exclusive of any concessions that may be offered.

Construction is well underway at Isle House. The Merchant Builder completed foundation work and commenced vertical construction in November 2022. The seven-level podium portion of the building topped out in March 2023, and the twenty-two-level tower component topped out in July 2023. Dry-in and facade work is complete. Interior work commenced in October 2023, and is expected to be complete by early in the second quarter of 2024. Temporary certificate of occupancy is anticipated to be issued at the end of the second quarter of 2024, and final completion is currently scheduled for September 2024.

Vertical construction cost estimates and funding sources for Sub-Block C2.4 are summarized in the table below. As of October 1, 2023, the contractor has billed approximately 62% of the construction contract.

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**Table 7**  
**Sub-Block C2.4 (Isle House)**  
**Construction Cost Estimates and Funding Sources**  
**(as of October 1, 2023)**

<u>Vertical Budget</u>		<u>Total Costs</u>	<u>Spend to Date</u>	<u>Remaining</u>
Land Acquisition		\$26,108,870	\$26,108,870	-
Direct Costs <sup>(1)</sup>		163,461,564	80,885,555	82,576,009
Indirect Costs		38,812,328	22,211,918	16,600,409
Total		<u>\$228,382,762</u>	<u>\$129,206,343</u>	<u>\$99,176,419</u>
<u>Financing Sources</u>	<u>% of total</u>			
Equity	46%	\$105,617,762	\$105,617,762	-
Construction Loan <sup>(2)</sup>	54	122,765,000	23,588,581	99,176,419
Total	<u>100%</u>	<u>\$228,382,762</u>	<u>\$129,206,343</u>	<u>\$99,176,419</u>

<sup>(1)</sup> Based on the executed guarantee maximum price contract, assuming 250 rental apartments.

<sup>(2)</sup> On August 12, 2022, Merchant Builder secured a \$122.8 million construction loan.

Source: Stockbridge/Wilson Meany Merchant Builder.

Stockbridge/Wilson Meany Merchant Builder closed a construction loan on August 12, 2022 in the amount of \$122,765,000 with The Union Labor Life Insurance Company for a term of thirty-six months, with two twelve-month extension options, subject to certain conditions (the “C2.4 Loan”). The C2.4 Loan is secured by a deed of trust on Sub Block C2.4, which will be released upon loan repayment. As of October 1, 2023, \$23.6 million was outstanding under the C2.4 Loan and the C2.4 Loan was in good standing.

*Although Stockbridge/Wilson Meany Merchant Builder expects to have sufficient funds available to complete its development activities at Sub-Block C2.4, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that construction costs estimates will be accurate or that amounts necessary to finance the remaining development and construction costs will be available from Stockbridge/Wilson Meany Merchant Builder or any other source when needed. Any contributions by Stockbridge/Wilson Meany Merchant Builder or any of its parent companies to fund the costs of such development and construction are entirely voluntary.*

***If and to the extent that the aforementioned funding sources are unavailable or inadequate to pay the costs to complete the planned development by Stockbridge/Wilson Meany Merchant Builder at Sub-Block C2.4 and other financing by Stockbridge/Wilson Meany Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by Stockbridge/Wilson Meany Merchant Builder at Sub-Block C2.4 or to pay ad valorem property taxes or Special Taxes related to Stockbridge/Wilson Meany Merchant Builder’s property at Sub-Block C2.4 and the remaining portions of the development may not be developed.***

***Sub-Block C3.4 (Portico).*** Stockbridge/Wilson Meany/Lennar Merchant Builder owns Sub-Block C3.4. Construction is underway on a six-story, 148-condo unit, podium building, known as “Portico,” designed by Fougerson Architects. Multiple variations of four residential floor plans are planned, ranging in size from approximately 500 square feet to 2,013 square feet. Seven of the planned units will be inclusionary units and not subject to the Special Tax.

The following table provides additional information regarding the proposed development of the 148 for-sale condo units within the development planned for Sub-Block C3.4 as of October 1, 2023.

**Table 8**  
**Sub-Block C3.4 (Portico)**  
**Floor Plans and Units**  
**(as of October 1, 2023)**

<b>Floor Plan</b>	<b>Avg. Approx. Square Footage</b>	<b>Total Number of Planned For-Sale Units<sup>(1)</sup></b>	<b>Total Number of Planned Market-Rate For-Sale Units</b>	<b>Completed Market-Rate For-Sale Units</b>	<b>Market-Rate For-Sale Units in Escrow</b>	<b>Market-Rate For-Sale Units Completed, Sold, and Closed</b>	<b>Estimated Initial Base Prices for Market Rate For-Sale Units<sup>(2)</sup></b>
Plan A	500	7	7	0	0	0	\$ 698,000
Plan B	678	47	45	0	0	0	867,000
Plan C	1,058-1,375	73	68	0	0	0	1,714,443
Plan D	1,320-2,013	<u>21</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>0</u>	2,528,065
<b>Totals</b>		<b>148</b>	<b>141</b>	<b>0</b>	<b>0</b>	<b>0</b>	

<sup>(1)</sup> Includes seven (7) planned inclusionary units. Inclusionary units are not subject to Special Taxes.

<sup>(2)</sup> Actual initial based prices may be less than estimated. Base Prices are exclusive of upgrades and any concessions that may be offered.

Source: Stockbridge/Wilson Meany/Lennar Merchant Builder.

A site permit was issued by the City in January 2022. 100% design development drawings are complete. 100% construction design drawings are complete. Construction commenced in October 2022. Concrete podium is complete and framing is underway. Building completion is expected in January 2025.

**Table 9**  
**Sub-Block C3.4 (Portico)**  
**Construction Cost Estimates and Funding Sources**  
**(as of October 1, 2023)**

<b>Vertical Budget</b>		<b>Total Costs</b>	<b>Spend to Date</b>	<b>Remaining</b>
Land Acquisition		\$14,900,000	\$14,900,000	-
Direct Costs <sup>(1)</sup>		119,111,476	24,225,298	94,886,178
Indirect Costs		40,728,822	23,958,596	16,770,226
<b>Total</b>		<b>\$174,740,298</b>	<b>\$63,083,894</b>	<b>\$111,656,404</b>
<b>Financing Sources</b>	<b>% of total</b>			
Equity	46%	\$80,040,298	\$53,083,894	\$26,956,404
Construction Loan <sup>(2)</sup>	54%	94,700,000	10,000,000	84,700,000
<b>Total</b>	<b>100%</b>	<b>\$174,740,298</b>	<b>\$63,083,894</b>	<b>\$111,656,404</b>

<sup>(1)</sup> Based on executed contract with Suffolk-Guzman.

<sup>(2)</sup> On September 23, 2022, Stockbridge/Wilson Meany/Lennar Merchant Builder closed a \$94.7 million construction loan with Pacific Western Bank.

Source: Stockbridge/Wilson Meany/Lennar Merchant Builder.

Stockbridge/Wilson Meany/Lennar Merchant Builder closed a construction loan on September 23, 2022 in the amount of \$94.7 million with Pacific Western Bank for a term of approximately three years (the "C3.4 Loan"), with two twelve-month extension options. The C3.4 Loan was then assigned by Pacific Western Bank to Odyssey Reinsurance Company, ISAO on June 8, 2023. The C3.4 Loan is secured by a

deed of trust on Sub-Block C3.4, which will be released upon loan repayment. As of October 1, 2023, \$10 million of the construction loan has been drawn and the C3.4 Loan was in good standing.

*Although Stockbridge/Wilson Meany/Lennar Merchant Builder expects to have sufficient funds available to complete its development activities at Sub-Block C3.4, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that construction costs estimates will be accurate or that that amounts necessary to finance the remaining development and construction costs will be available from Stockbridge/Wilson Meany/Lennar Merchant Builder or any other source when needed. Any contributions by Stockbridge/Wilson Meany/Lennar Merchant Builder or any of its parent companies to fund the costs of such development and construction are entirely voluntary.*

***If and to the extent that the aforementioned funding sources are unavailable or inadequate to pay the costs to complete the planned development by Stockbridge/Wilson Meany/Lennar Merchant Builder at Sub-Block C3.4 and other financing by Stockbridge/Wilson Meany/Lennar Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by Stockbridge/Wilson Meany/Lennar Merchant Builder at Sub-Block C3.4 or to pay ad valorem property taxes or Special Taxes related to Stockbridge/Wilson Meany/Lennar Merchant Builder's property at Sub-Block C3.4 and the remaining portions of the development may not be developed.***

***Sub-Block B1 and Sub-Block C2.3.*** Due to changes in both global and local economic conditions that are beyond the Poly Rental Merchant Builder's and the Poly Condo Merchant Builder's control, each such Merchant Builder has delayed commencement of construction at this time, pending satisfaction of proforma internal underwriting criteria approved by Poly Global. On a quarterly basis, each of the Poly Rental Merchant Builder and the Poly Condo Merchant Builder is analyzing and reevaluating market factors, including, without limitation, equipment and material costs, supply chain delays, labor availability and costs, construction financing availability and terms, and supply and demand indicators in the local residential real estate market for rental apartments and for condominium units, respectively, all in light of proforma internal underwriting criteria. Each of Poly Rental Merchant Builder and the Poly Condo Merchant Builder has continued to evaluate these factors in determining the feasibility of constructing the planned projects on Sub-Block B1 and C2.3, respectively.

No assurance can be given that plans for either Sub-Block B1 or Sub-Block C2.3 will meet proforma internal underwriting criteria in light of current or future market conditions, or that amounts necessary to finance the remaining development and construction costs of either subject project will be available to the Poly Rental Merchant Builder on terms acceptable to the Poly Rental Merchant Builder or to the Poly Condo Merchant Builder on terms acceptable to the Poly Condo Merchant Builder, respectively. No assurance can be given that development of either property will be commenced or completed, or that it will be commenced or completed in a timely manner.

In order for the two remaining planned buildings in Sub-Blocks B1 and C2.3 to proceed to construction, a Merchant Builder would need to (i) complete the construction design and bid process, (ii) receive all necessary construction permits from the City, and (iii) secure construction funding – through a construction loan and/or equity commitments.

***Construction Design:*** The construction design process for each building includes the following consecutive steps: (1) schematic design, (2) design development, (3) construction documents, (4) construction bidding (typically initiated when construction documents are from 50-90% complete), (5) execution of a guaranteed maximum price contract for construction and (6) secure insurance commitments. Construction cost estimates are refined throughout this process to reflect design changes, current market conditions, and value engineering, and therefore can fluctuate materially.

*Construction Permits:* A merchant builder can apply for a site permit from the City once schematic design is complete; once a site permit is issued, additional shoring and foundation permits are required before construction can commence; other permits (such as for various utilities) may be obtained as relevant construction phases proceed. The process of securing a site permit from the City typically takes about six months; however, design changes can extend this process further.

*Construction Funding:* Typically, a market study assessing the feasibility of projected rental rates (for apartments) or sales prices (for condominiums) is considered by construction lenders and/or equity investors before construction financing can be obtained. Typically, the process of soliciting construction loans begins in the construction documents stage of design and takes about 3 months from initiation to loan closing. Each merchant builder has its own internal process for securing or confirming final approvals and/or equity commitments.

Sub-Block B1. Poly Rental Merchant Builder owns Sub-Block B1. A 50-foot, 117-rental unit, podium building, designed by Stanley Saitowitz / Natoma Architects, Inc, is planned for the site. Multiple variations of three rental floor plans are planned, ranging in size from approximately 400 square feet to 975 square feet. Six of the planned units will be inclusionary units and not subject to the Special Tax. The planned development at Sub-Block B1 is designed with an amenity package that includes 4,950 square feet of retail/commercial space, 11,550 square feet of usable public outdoor space, and views of the San Francisco skyline and the East Bay. Parking, storage, and other building systems are planned to be located in the parking garage below grade. The ground floor is expected to include two retail areas separated by a public mid-block easement, a resident lobby, and residential rental units. The building is designed as Type III construction. Type III construction means that the wood framed building consists of exterior walls built from noncombustible materials and the interior building elements are of any material allowed by code (including wood framing).

The following table provides additional information regarding the proposed development of the 117 rental units within the development planned for Sub-Block B1 as of October 1, 2023.

**Table 10**  
**Sub-Block B1**  
**Floor Plans and Units**  
**(as of October 1, 2023)**

<b>Floor Plan</b>	<b>Avg. Approx. Square Footage</b>	<b>Total Number of Planned Rental Units<sup>(1)</sup></b>	<b>Total Number of Planned Market-Rate Rental Units</b>
Plan A	400	6	2
Plan B	700-750	84	83
Plan C	900-975	<u>27</u>	<u>26</u>
<b>Totals</b>		<b>117</b>	<b>111</b>

<sup>(1)</sup> Includes six (6) planned inclusionary units. Inclusionary units are not subject to Special Taxes.

*Source: Poly Rental Merchant Builder.*

100% schematic design drawings were completed. A site permit was issued in December 2021. 100% construction design drawings were completed in December 2021, however they remain subject to revision during the value engineering process.

Vertical construction cost estimates and funding sources for Sub-Block B1 are summarized in the table below.

**Table 11**  
**Sub-Block B1**  
**Construction Cost Estimates and Funding Sources**  
**(as of October 1, 2023)**

<u>Vertical Budget</u>		<u>Total Costs</u>	<u>Spend to Date</u>	<u>Remaining<sup>(3)</sup></u>
Land Acquisition		\$ 7,900,000	\$ 7,900,000	\$ -
Direct Costs <sup>(1)</sup>		74,805,576	-	74,805,576
Indirect Costs		22,966,620	5,267,238	17,699,382
Total		<u>\$105,672,196</u>	<u>\$13,167,238</u>	<u>\$92,504,958</u>
<u>Financing Sources</u>				
	<u>% of total</u>			
Equity <sup>(2)</sup>	60%	\$ 63,403,318	\$13,167,238	\$50,236,080
Construction Loan <sup>(3)</sup>	40	42,268,878	-	42,268,878
Total	100%	<u>\$105,672,196</u>	<u>\$13,167,238</u>	<u>\$92,504,958</u>

<sup>(1)</sup> Based on 100% construction drawings, assuming 117 rental apartments. Subject to ongoing evaluation. Poly Rental Merchant Builder considers a number of factors, including the cost of construction, in order to determine when to commence construction, and will continue to assess its internal minimum proforma requirements in light of changing market conditions.

<sup>(2)</sup> Equity contributions to be provided by Poly Global. Future equity contributions subject to satisfaction of internal underwriting criteria approved by Poly Global described above.

<sup>(3)</sup> Construction financing not yet secured.

Source: Poly Rental Merchant Builder.

*There can be no assurance that construction costs estimates will be accurate or that amounts necessary to finance the remaining development and construction costs will be available from Poly Rental Merchant Builder or any other source when needed. For example, Poly Rental Merchant Builder may not be able to obtain construction financing on terms acceptable to Poly Rental Merchant Builder, if at all. Any contributions by Poly Rental Merchant Builder or any of its parent companies to fund the costs of such development and construction are entirely voluntary.*

***If and to the extent that the aforementioned funding sources are unavailable or inadequate to pay the costs to complete the planned development by Poly Rental Merchant Builder at Sub-Block B1 and other financing by Poly Rental Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by Poly Rental Merchant Builder at Sub-Block B1 or to pay ad valorem property taxes or Special Taxes related to Poly Rental Merchant Builder's property at Sub-Block B1 and the remaining portions of the development may not be developed. As Sub-Block B1 has been issued a site permit, such property is categorized as Developed Property under the Rate and Method, and Special Taxes have been and will be levied on such property. See "SECURITY FOR THE BONDS – Additional Special Tax Reserve Fund."***

Sub-Block C2.3. Poly Condo Merchant Builder owns Sub-Block C2.3. A 60-foot, 85-condo unit, podium building, designed by Kennerly Architecture and Planning, is planned for the site. Multiple variations of three residential floor plans are planned, ranging in size from approximately 675 square feet to 1,643 square feet. Five of the planned units will be inclusionary units and not subject to the Special Tax. The planned development at Sub-Block C2.3 is designed with an amenity package that includes a resident lobby, co-working/lounge spaces, public and private indoors spaces, a gym, and views of the San Francisco skyline and the East Bay. Parking, storage, and other building systems are planned to be located in the

parking garage below grade. The ground floor is expected to be wrapped by six stories of units on the west side and four stories of units on the east side along with a resident lobby on the south side. The building is designed as Type III Construction, but other construction types are still under consideration.

100% schematic design and design development drawings were completed. 100% construction design drawings were completed in August 2023, however they remain subject to revision during the value engineering process.

The following table provides additional information regarding the proposed development of the 85 for-sale condo units within the development planned for Sub-Block C2.3 as of October 1, 2023.

**Table 12**  
**Sub-Block C2.3**  
**Floor Plans and Units**  
**(as of October 1, 2023)**

<b>Floor Plan</b>	<b>Avg. Approx. Square Footage</b>	<b>Total Number of Planned Units<sup>(1)</sup></b>	<b>Total Number of Planned Market-Rate Units</b>	<b>Completed Market-Rate For-Sale Units</b>	<b>Market-Rate For-Sale Units in Escrow</b>	<b>Market-Rate For-Sale Units Completed, Sold, and Closed</b>	<b>Estimated Initial Base Prices for Market Rate For-Sale Units</b>
Plan A	675	30	28	0	0	0	TBD
Plan B	1,071	11	9	0	0	0	TBD
Plan C	1,643	44	43	0	0	0	TBD
<b>Totals</b>		<b>85</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>0</b>	

<sup>(1)</sup> Includes five (5) planned inclusionary units. Inclusionary units are not subject to Special Taxes. Actual initial base prices may be less than estimated. Base Prices are exclusive of upgrades and any concessions that may be offered.

Source: Poly Condo Merchant Builder.

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Vertical construction cost estimates and funding sources for Sub-Block C2.3 are summarized in the table below.

**Table 13**  
**Sub-Block C2.3**  
**Construction Cost Estimates and Funding Sources**  
**(as of October 1, 2023)**

<u>Vertical Budget</u>	<u>Total Costs</u>	<u>Spend to Date</u>	<u>Remaining<sup>(3)</sup></u>
Land Acquisition	\$ 11,000,000	\$11,000,000	\$ -
Direct Costs <sup>(1)</sup>	77,286,902	-	77,286,902
Indirect Costs	31,335,128	7,014,467	24,320,661
Total	<u>\$119,622,030</u>	<u>\$18,014,467</u>	<u>\$101,607,563</u>
<u>Financing Sources</u>	<u>% of total</u>		
Equity <sup>(2)</sup>	60%	\$ 71,773,218	\$ 53,462,951
Construction Loan <sup>(3)</sup>	40	47,848,812	47,848,812
Total	<u>100%</u>	<u>\$119,622,030</u>	<u>\$18,014,467</u>

<sup>(1)</sup> Based on 100% schematic drawings, assuming 85 condominiums. Subject to ongoing evaluation. Poly Condo Merchant Builder considers a number of factors, including the cost of construction, in order to determine when to commence construction, and will continue to assess its internal minimum proforma requirements in light of changing market conditions.

<sup>(2)</sup> Equity contributions to be provided by Poly Global. Future equity contributions subject to satisfaction of internal underwriting criteria approved by Poly Global described above.

<sup>(3)</sup> Construction financing not yet secured.

Source: Poly Condo Merchant Builder.

*There can be no assurance that construction costs estimates will be accurate or that that amounts necessary to finance the remaining development and construction costs will be available from Poly Condo Merchant Builder or any other source when needed. For example, Poly Condo Merchant Builder may not be able to obtain construction financing on terms acceptable to Poly Condo Merchant Builder, if at all. Any contributions by Poly Condo Merchant Builder or any of its parent companies to fund the costs of such development and construction are entirely voluntary.*

***If and to the extent that the aforementioned funding sources are unavailable or inadequate to pay the costs to complete the planned development by Poly Condo Merchant Builder at Sub-Block C2.3 and other financing by Poly Condo Merchant Builder is not put into place, there could be a shortfall in the funds required to complete the proposed development by Poly Condo Merchant Builder at Sub-Block C2.3 or to pay ad valorem property taxes or Special Taxes related to Poly Condo Merchant Builder's property at Sub-Block C2.3 and the remaining portions of the development may not be developed.***

### **Expected Land Use and Expected Maximum Special Tax Revenues**

The following table sets forth the expected land use and the Expected Maximum Special Tax Revenues for Fiscal Year 2023-24 for the Parcels in Improvement Area No. 2.

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**Table 14**  
**Improvement Area No. 2 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**

**Expected Land Uses and Expected Maximum Special Tax Revenues<sup>(1)</sup>**

<u>Sub-Block and Expected Land Uses</u>	<u>Expected Number of Residential Units</u>	<u>Expected Square Footage</u>	<u>FY 2023-24 Base Facilities Special Tax Rate</u>	<u>FY 2023-24 Expected Maximum Special Tax Revenues</u>
<b>Sub-Block B1</b>				
Rental Market Rate Units	111	97,942	\$3.21	\$314,866
Rental Inclusionary Units	6	3,318	0.00	0
Commercial/Retail Square Footage	-	4,785	1.73	8,287
<i>Subtotal</i>	117	106,045		\$323,153
<b>Sub-Block C2.2 (Hawkins)</b>				
Rental Market Rate Units	169	134,115	\$3.21	\$431,156
Rental Inclusionary Units	9	7,307	0.00	0
Commercial/Retail Square Footage	-	1,555	1.73	2,693
<i>Subtotal</i>	178	142,977		\$433,849
<b>Sub-Block C2.3</b>				
Low-Rise Market Rate Units	80	100,540	\$7.05	\$708,469
Low-Rise Inclusionary Rate Units	5	4,905	0.00	0
<i>Subtotal</i>	85	105,445		\$708,469
<b>Sub-Block C2.4 (Isle House)</b>				
Rental Market Rate Units	226	189,765	\$3.21	\$610,061
Rental Inclusionary Units	24	17,765	0.00	0
Commercial/Retail Square Footage	-	1,250	1.73	2,165
<i>Subtotal</i>	250	208,780		\$612,226
<b>Sub-Block C3.4 (Portico)</b>				
Low-Rise Market Rate Units	141	141,926	\$7.05	\$1,000,100
Low-Rise Inclusionary Rate Units	7	6,784	0.00	0
<i>Subtotal</i>	148	148,710		\$1,000,100
<b>TOTAL</b>	<b>778</b>	<b>711,957</b>		<b>\$3,077,797</b>

Source: Goodwin Consulting Group, Inc.

<sup>(1)</sup> Based on the expected land uses at buildout as of July 28, 2023 per the TICD Developer.

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## Property Values

**Assessed Value.** Table 15 below, sets forth total assessed values for fiscal years 2022-23 through 2023-24 for the Taxable Parcels. Table 16 below, sets forth assessed values for each Sub-Block shown on the tax roll for fiscal year 2023-24. The sale prices of the Taxable Parcels on which the assessed value was based were established through the sale of such Parcels between entities related to members of TICD, after such Taxable Parcels were marketed but not able to be sold by TICD at prices it sought to obtain. See “THE TREASURE ISLAND PROJECT – KSWM Litigation” herein. As a result, such sales prices, and consequently the assessed value, may not be reflective of an arms-length market transaction with adequate market exposures. Accordingly, there can be no assurance that the assessed valuations of the Taxable Parcels accurately reflect market values, which may be higher or lower.

**Table 15**  
**Improvement Area No. 2 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Total Assessed Values of Taxable Parcels<sup>(1)</sup>**

<u>Fiscal Year</u>	<u>Total Land Value</u>	<u>Total Improved Value</u>	<u>Total Assessed Value</u>
2022-23	\$ 78,973,246	\$ 6,266,026	\$ 85,239,272
2023-24	133,902,353	38,273,014	172,175,367

<sup>(1)</sup> Reflects initially enrolled values.

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

The following table sets forth the Fiscal Year 2023-24 aggregate assessed value by Sub-Block for the taxable parcels.

**Table 16**  
**Improvement Area No. 2 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Fiscal Year 2023-24 Assessed Values<sup>(1)</sup>**

<u>Sub Block</u>	<u>Land Value</u>	<u>Improved Value</u>	<u>Total Value</u>
B1 <sup>(2)</sup>	\$ 13,486,160	\$ 0	\$ 13,486,160
C2.2	21,031,696	3,114,115	24,145,811
C2.3	11,444,400	0	11,444,400
C2.4	43,886,977	29,956,814	73,843,791
C3.4	44,053,120	5,202,085	49,255,205
<b>Total</b>	<b>\$133,902,353</b>	<b>\$38,273,014</b>	<b>\$172,175,367</b>

<sup>(1)</sup> Reflects initially enrolled values, reflecting development status as of January 1, 2023.

<sup>(2)</sup> B1 includes two assessor parcels.

Sources: San Francisco Assessor’s Office; Goodwin Consulting Group, Inc.

***Appraisal Report and Bring Forward Letter.*** *The following is a summary of certain provisions of the Appraisal Report and the Bring Forward Letter, which should be read in conjunction with the full text of the Appraisal Report and the Bring Forward Letter set forth in Appendix G. None of the City, the District or the Underwriter makes any representation as to the accuracy or completeness of the Appraisal Report or the Bring Forward Letter.*

The Appraisal Report of all Taxable Parcels within Improvement Area No. 2 dated September 20, 2023 was prepared by the Appraiser in connection with the issuance of the 2023A Bonds. The purpose of the Appraisal Report was to estimate the market value, by ownership, and aggregate, or cumulative, value of the fee simple interest in all Taxable Parcels in Improvement Area No. 2 as of August 4, 2023. The effective date of the Appraisal Report is August 4, 2023. The inspection of the Taxable Parcels in Improvement Area No. 2 occurred on August 4, 2023. The values are subject to a hypothetical condition that the proceeds of the 2023A Bonds are available to reimburse for certain of the public improvements in Improvement Area No. 2 that have been completed to date. The Appraisal Report appraised the value of Sub-Blocks B1, C2.2, C2.3, C2.4 and C3.4.

**The Appraisal Report was based on certain assumptions and limiting conditions as described in detail beginning on page 143 thereof. The Bring Forward Letter was based on certain assumptions and limiting conditions as described in detail beginning on page 7 thereof. See Appendix G.**

***Valuation Method.*** The Appraisal Report determined the market value of the Sub-Blocks within Improvement Area No. 2 using land residual analysis for the single-family residential land. In land residual analysis, all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product. The net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the land. For those parcels valued using land residual analysis, the Appraiser applied a discount rate of 5.0%, exclusive of developer's incentive (profit). The Appraiser also considered comparable bulk sales as secondary support.

For the parcels to be developed with for-rent multifamily residential uses over ground floor retail, the Appraisal Report begins its valuation analysis by employing extraction analysis to estimate the market value of the land for each of the subject parcels. This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each parcel and deducts these costs from the market value as if stabilized to arrive at the value of the underlying land. Direct capitalization analyses are utilized to determine the market value of the proposed vertical improvements as if stabilized. As a test of reasonableness, the Appraisal Report considered improved multifamily sales, as well as multifamily residential land sales.

Both the for-sale and for-rent parcels will include units set aside to meet inclusionary housing requirements. These units will not be subject to the lien of the Special Tax securing the Bonds. Since the appraised property comprises land or vertical construction underway, the obligation to construct (cost) and sell/rent (at a restricted price) the Appraiser considered such inclusionary housing units in the valuation of the underlying land.

All five development parcels are held by Merchant Builders, and in the Appraiser's opinion the parcels could transfer within twelve months of exposure to the market; thus, the Appraiser concluded that no further discounting is necessary. As there remained on the effective date of the Appraisal Report additional backbone infrastructure to be completed, the allocable remaining infrastructure costs attributable to the parcels were considered on a proportionate share basis based upon each parcel's acreage. While the completion of backbone infrastructure remained the obligation of the TICD, rather than the present owners (Merchant Builders) the purpose of the Appraisal Report was to estimate the market value of the real property as of a specific point in time. Therefore, it was the Appraiser's opinion the proportionate allocation

of remaining costs to each parcel was appropriate. See “SPECIAL RISK FACTORS – Risk of Real Estate Secured Investments Generally – Failure to Develop Properties” herein.

In addition to roads and street improvements, infrastructure includes development associated with Treasure Island Causeway improvements, and utility infrastructure and upgrades. According to the development budget provided by TICD, total infrastructure costs needed for a temporary certificate of occupancy for Improvement Area Nos. 1, 2, and 3 is \$390,887,368, of which \$24,953,757 in costs remained on the effective date of the Appraisal Report. TICD has allocated \$12,837,669 in remaining costs specifically to Improvement Area No. 2, given that Improvement Area Nos. 1 and 3 each contribute payments to such costs. The Appraisal Report allocates backbone infrastructure costs by Sub-Block pro rata by acreage. Additional construction has been completed and additional infrastructure costs have been paid since the effective date of the Appraisal Report. See “IMPROVEMENT AREA NO. 2 – Infrastructure Development and Financing Plan” herein.

The Appraisal Report discussed developments in the San Francisco Bay Area condominium market related to the economic impacts of COVID-19 pandemic and recent interest rate increases. The Appraisal Report cites sources indicating that the San Francisco condominium market continues to lag behind the house market in key metrics. Demand declines were experienced more intensely in the urban core. However, these sources observe that, year over year, the 2022 median sale price was down only 2% lower from 2021 (which was a historic high). This was despite impacts to the broader residential market from interest rate increases by the Federal Reserve beginning in spring 2022. The condo market experienced a drop in demand corresponding with the interest rate hikes beginning in the second half of 2022. The Appraisal Report cites sources indicating that the average days on market for condominiums in San Francisco was 51 days as of May 2023 and that condominium inventory is 14.4% lower than inventory in 2022.

The Appraisal Report states that average absorption rates for active condominium projects in San Francisco as of July 2023 was 1.3 sales per month. The Bristol, in Improvement Area No. 1, averaged 1.5 sales per month from spring 2021 through the effective date of the Appraisal Report. The average absorption rate for condominium projects in San Francisco since 2016 is 3.8 sales per month, with projects that achieved sellout post-pandemic at 2.7 sales per month.

Given the price point and size of the proposed units, the suburban characteristics of the Islands, as well as recent sales activity in neighboring Improvement Area No. 1, the Appraiser projects an absorption rate of between 3.0 and 4.0 sales per month for for-sale condos in Improvement Area No. 2, corresponding to an implied absorption rate of 21.0 sales per semi-annual period.

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

The Appraisal Report cites sources indicating that the average asking monthly residential rental rate as of the second quarter of 2023 was \$3,041, up from \$3,028 in the first quarter 2023 and down from

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

For retail, vacancy in the San Francisco market has been gradually increasing since its historic low of 2.1% in 2015 to 6.0% as of mid-2023. It is reported that malls and power centers, particularly, were struggling prior to the coronavirus outbreak amidst an increase in customer preference for online shopping, and the mandatory closures and restrictions during 2020 have only accelerated their decline. The lowest submarket vacancy was posted in the San Francisco Outer Areas and Southeast at 3.5% and 3.9% vacancy, respectively. The highest vacancy was in the San Francisco Downtown North submarket at 11.4% vacant. The Appraisal Report cites to a source indicating an average asking rate of \$3.86 psf/month, triple net (\$46.33 psf/year) as of the second quarter 2023, unchanged from the previous quarter and year-over-year. The Appraisal Report cautions that guarded reliance should be placed on average asking rates due to the number of variables impacting these figures.

**Value Estimate.** Subject to the various conditions and assumptions set forth in the Appraisal Report, the Appraiser estimated that, as of August 4, 2023, the aggregate, or cumulative, value of the market values, by ownership, of the fee simple interest in the Taxable Parcels within Improvement Area No. 2 is \$219,900,000.

In the Bring Forward Letter the Appraiser concluded that the cumulative, or aggregate, value of the fee simple interest in the appraised properties in Improvement Area No. 2, derived in the Appraisal Report, as of August 4, 2023, in accordance with the assumptions and conditions set forth therein, as of November 1, 2023, is not less than the \$219,900,000 reported in the Appraisal Report. In addition, the Appraiser determined that the market value of each of the appraised properties, as of November 1, 2023, is not less than the value as of the original date of value of August 4, 2023. In so concluding, the Appraiser noted that Sub-Block B1 is currently comprised of two legal parcels identified by two Assessor Parcel Numbers (APN 8901-003 (0.507 acres) and APN 8901-004 (0.51 acres)), with a site permit for development across both such legal parcels and therefore referenced collectively as Sub-Block B1, and that for purposes of allocating the \$10,500,000 Sub-Block B1 value between the two parcels, the Appraiser concluded the most appropriate method of such allocation is on the basis of their acreage; although, the Appraiser has assumed the parcels would not be sold separately because of the nature of the site permit and highest and best use.

In preparing the Bring Forward Letter, the Appraiser analyzed market data presented in the Appraisal Report (as of the August 4, 2023 date of value), as well as market conditions as of the date of the Bring Forward Letter and considered any changes in the condition of the subject properties since the date of value above. The Bring Forward Letter stated that, since the original date of value of August 4, 2023, the total remaining infrastructure required for temporary certificates of occupancy for Improvement Area No. 2 has been substantially reduced, and parcels under construction have continued, reducing the remaining costs to complete.

The Appraisal Report and Bring Forward Letter are set forth in full in Appendix G.

The value of property within Improvement Area No. 2 is an important factor in determining the investment quality of the 2023A Bonds. If a property owner defaults in the payment of the Special Tax, the City’s primary remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. The Special Tax is not a personal obligation of the owners of the property. A variety of economic, political and natural occurrences incapable of being accurately predicted can affect property values. See “SPECIAL RISK FACTORS” herein.

**Special Tax Levy, Assessed Values and Value-to-Lien Ratios**

The following table sets forth the development class, the construction status, the actual Special Tax levy for fiscal year 2023-24 and a summary of value-to-lien ratios. The 2023A Bonds were sized to leverage Maximum Annual Special Taxes on the four Sub-Blocks, categorized as Developed Property under the Rate and Method, as of October 1, 2023 (with at least a site permit) with annual debt service coverage on the 2023A Bonds and the 2022A Bonds of at least 110%, after deducting estimated administrative expenses. In addition, the Additional Special Tax Reserve Fund will be established with the Additional Special Tax Reserve Requirement. The Additional Special Tax Reserve Requirement is equal to the current and subsequent fiscal year Maximum Facilities Special Tax levy on Sub-Block B1. Pursuant to the Act and the Rate and Method, the principal amount of the Bonds is not allocable among the parcels in Improvement Area No. 2 based on the value of the parcels. A downturn of the economy or other market factors may depress assessed values and hence the value-to-lien ratios. See “SPECIAL RISK FACTORS – Value-to-Lien Ratios” herein.

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**Table 17**  
**Improvement Area No. 2 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**

**Fiscal Year 2023-24 Actual Special Tax Levy and Summary of Value-to-Lien Ratios**  
**(Development Class as of June 30, 2023; Construction Status as of October 1, 2023)**

<b>Development Class/Construction Status<sup>(1)</sup></b>	<b>Taxable Parcels</b>	<b>Expected Taxable Residential Units<sup>(2)</sup></b>	<b>Appraised Value</b>	<b>FY 2023-24 Actual Special Tax Levy</b>	<b>Percent of Actual Special Tax Levy</b>	<b>Allocated Bond Debt<sup>(3)*</sup></b>	<b>Average Value-to-Lien*</b>
<b>Developed Property</b>							
<i>Construction Underway</i>							
C2.2 (Hawkins)	1	169	\$37,300,000	\$ 433,849	14.1%	\$ 5,637,027	6.62
C2.4 (Isle House)	1	226	99,900,000	612,226	19.9	7,954,686	12.56
C3.4 (Portico)	1	141	46,900,000	1,000,100	32.5	12,994,364	3.61
<i>Construction Not Underway</i>							
B1	2	111	10,500,000	323,153	10.5	4,198,750	2.50
Subtotal	5	647	\$ 194,600,000	\$ 2,369,329	77.0%	\$ 30,784,827	6.32
<b>Vertical DDA Property</b>							
C2.3	1	80	\$ 25,300,000	\$ 708,469	23.0%	\$ 9,205,173	2.75
<b>Total</b>	<b>6</b>	<b>727</b>	<b>\$219,900,000</b>	<b>\$3,077,797</b>	<b>100.0%</b>	<b>\$39,990,000</b>	<b>5.50</b>

<sup>(1)</sup> Development class is based on building permits issued as of June 30, 2023. Classification as “Developed Property” or “Vertical DDA Property” based on the respective defined terms under the Rate and Method. See “SECURITY FOR THE BONDS - Rate and Method of Apportionment of Special Taxes” herein. Not otherwise indicative of construction or development status.

<sup>(2)</sup> Excludes inclusionary units. Pursuant to the Rate and Method, inclusionary units are not subject to the Special Taxes.

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

\* Preliminary, subject to change.

Sources: *Integra Realty Resources; Goodwin Consulting Group, Inc. (except construction status provided by Merchant Builders)*

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## Estimated Effective Tax Rate

The following table sets forth an illustrative Fiscal Year 2022-23 tax bill for a low-rise unit for a Taxable Parcel in Sub-Block C2.3 and Sub-Block C3.4 in Improvement Area No. 2.

**Table 18**  
**Improvement Area No. 2 of the**  
**City and County of San Francisco**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Fiscal Year 2023-24 Illustrative Tax Bill for a Low-Rise Unit**

<u>Assumptions</u>		<b>Sub-Block C2.3</b>	<b>Sub-Block C3.4</b>
Estimated Base Value <sup>(1)</sup>		\$1,900,000	\$1,550,000
Homeowner's Exemption		(\$7,000)	(\$7,000)
<b>Net Expected Assessed Value</b>		<b>\$1,893,000</b>	<b>\$1,543,000</b>
<u>Ad Valorem tax Rate<sup>(2)</sup></u>			
Base Tax Rate	1.00000000%	\$18,930	\$15,430
General City Bond Debt Fund	0.01340000%	\$254	\$207
S.F. Community College District Bond Fund	0.01108630%	\$210	\$171
S.F. Unified School Dist. Bond Fund	0.11295032%	\$2,138	\$1,743
San Francisco Bay Area Rapid Transit District	0.04025720%	\$762	\$621
<b>Total Ad Valorem Taxes</b>	<b>1.17769382%</b>	<b>\$22,294</b>	<b>\$18,172</b>
<u>Direct Charges</u>			
SF Bay RS Parcel Tax		\$ 12	\$ 12
SFUSD Facilities District		41	41
SFCCD Parcel Tax		99	99
SFUSD Teacher Support		\$300	\$300
School Parcel Tax of 2020		\$314	\$314
IA Treasure Island CFD No. 2016-1 <sup>(3)</sup>		8,858	7,096
<b>Total Direct Charges</b>		<b>\$9,624</b>	<b>\$7,862</b>
<b>Total Taxes and Direct Charges</b>		<b>\$31,917</b>	<b>\$26,034</b>
<b>Percentage of Estimated Base Value</b>		<b>1.68%</b>	<b>1.68%</b>

<sup>(1)</sup> Represents the average sales prices included in the Appraisal Report.

<sup>(2)</sup> Based on the fiscal year 2023-24 ad valorem tax rates. Ad valorem tax rates are subject to change in future years.

<sup>(3)</sup> Reflects the fiscal year 2023-24 maximum special tax.

Sources: Integra Realty Resources; San Francisco Tax Collector's Office; Goodwin Consulting Group, Inc.

On November 28, 2023, the Board of Supervisors as the legislative body of the IRFD approved IRFD bonds in an aggregate principal amount not to exceed \$10,000,000. Such IRFD bonds are expected to be issued on or about the same time as the 2023A Bonds. The IRFD bonds are not reflected in Table 18 above.



## **Delinquency History**

Under the provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2023A Bonds are derived, will be billed to Property Owners on their regular property tax bills. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot generally be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See the caption “SPECIAL RISK FACTORS – Tax Delinquencies.”

Special Taxes were first levied in Improvement Area No. 2 in Fiscal Year 2022-23. Thus, there is little historical record regarding payment of Special Taxes. But no delinquencies were reported for Fiscal Year 2022-23. Because the County’s Teeter Plan is not available for the Special Taxes, collections of the Special Taxes will reflect actual deficiencies. Neither the City, the Underwriter nor the District can predict the willingness or ability of the Property Owners to pay the Special Taxes.

See the caption “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” for a discussion of the provisions that apply, and procedures that the District is obligated to follow, in the event of delinquency in the payment of Special Tax installments.

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## Direct and Overlapping Debt

The table below details the direct and overlapping debt currently encumbering property within Improvement Area No. 2 as of September 1, 2023.

**Table 18**  
**Improvement Area No. 2 of the**  
**Community Facilities District No. 2016-1**  
**(Treasure Island)**  
**Direct and Overlapping Debt**  
**(as of September 1, 2023)**

2023-24 Assessed Valuation: \$172,175,367 (Land and Improvements)

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/23</u>	
Bay Area Rapid Transit District General Obligation Bonds	0.017%	\$ 416,969	
San Francisco City and County General Obligation Bonds	0.051	1,308,178	
San Francisco Unified School District General Obligation Bonds	0.051	520,001	
San Francisco Community College District General Obligation Bonds	0.051	200,640	
<b>San Francisco City and County Community Facilities District No. 2016-1, I.A. 2</b>	<b>100.</b>	<b><u>24,990,000</u></b>	(1)
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$27,435,788</b>	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Francisco City and County General Fund Obligations	0.051%	\$713,400	
<b>TOTAL OVERLAPPING GENERAL FUND DEBT</b>		<b>\$713,400</b>	
<u>OVERLAPPING TAX INCREMENT DEBT:</u>			
San Francisco City and County			
Infrastructure and Revitalization Financing District No. 1	33.053%	\$9,560,603	
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$9,560,603</b>	
<b>COMBINED TOTAL DEBT</b>		<b>\$37,709,791</b>	(2)

(1) Excludes Mello-Roos Act bonds to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2023-24 Assessed Valuation:

<b>Direct Debt (\$24,990,000)</b> .....	<b>14.51%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	15.93%
Combined Total Debt.....	21.90%

*Source: California Municipal Statistics.*

## SPECIAL RISK FACTORS

*The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2023A Bonds. This discussion does not purport to be comprehensive or definitive, and other risk factors could arise in the future that could have a bearing on the 2023A Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 2 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the 2023A Bonds, or could otherwise affect the market price and liquidity of the 2023A Bonds in the secondary market. In addition, the occurrence of one or more of the*

*events discussed herein could adversely affect the value of the property in Improvement Area No. 2 or the City's ability to recover delinquent Special Taxes in foreclosure proceedings.*

### **Real Estate Investment Risks**

*Generally.* The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the District (including impacts on market value caused by less-favorable mortgage interest rates and other terms), the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates, interest rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies (iii) natural disasters (including, without limitation, earthquakes, subsidence, floods and fires), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction, and (iv) the impacts of a public health emergency, such as the COVID-19 pandemic, on construction and sales activity, the national and regional economy and financial circumstances of property owners in the District. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in Improvement Area No. 2 to pay their Special Taxes when due, and could induce or exacerbate the risks described in “SPECIAL RISK FACTORS – Property Values; Value-to-Lien Ratios; Future Indebtedness; Parity Liens,” “– Maximum Special Tax Rates,” “– Collection of Special Taxes; Tax Delinquencies,” and “– Bankruptcy and Foreclosure.”

*Concentration of Property Ownership.* Improvement Area No. 2 has a significant concentration of ownership. Currently, all five of the Sub-Blocks in Improvement Area No. 2 that are subject to the Special Tax are owned by the Merchant Builders who are all affiliated entities to TICD. Failure of any significant owner of Taxable Parcels in Improvement Area No. 2 to pay the annual Special Taxes when due could result in the rapid, total depletion of the Additional Special Tax Reserve Fund and the 2022 Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2023A Bonds and Parity Bonds. See “IMPROVEMENT AREA NO. 2” for information regarding property ownership and the status of development in Improvement Area No. 2.

The Special Taxes are not a personal obligation of the owners of the Taxable Parcels on which such Special Taxes are levied, and no assurances can be given that the owners of the Taxable Parcels will be financially able to pay the Special Taxes levied on such Taxable Parcels or that they will choose to pay even if financially able to do so. Such risk is greater and its consequence more severe when ownership of Taxable Parcels is concentrated. Property ownership is expected to remain concentrated even if all of the planned developments are completed since three of the planned buildings responsible for nearly 45% of the Maximum Annual Special Taxes are planned for rental residential uses.

*Failure to Develop Properties.* Construction is currently underway on the three buildings planned for Sub-Blocks C2.2., C2.4 and C. 3.4, but the planned buildings on Sub-Blocks B1 and C2.3 are not yet under construction and their development plans are currently on hold. Further development of property in Improvement Area No. 2 may not occur as currently proposed or at all. Development plans and expectations have been modified in the past for numerous reasons, including the COVID-19 pandemic, supply chain issues, inflationary increases in costs, and various delays caused by the foregoing. Previously projected revenues for the Treasure Island Project have been pushed out and reduced such that the projected values of, and expected returns on, developer interests are projected to be lower today than they were projected to be a few years ago. See “THE TREASURE ISLAND PROJECT - KSWM Litigation” herein. There can

be no assurance that the means and incentive to conduct land development operations as currently planned within Improvement Area No. 2 will not be adversely affected by a deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the KSWM Litigation or other disputes among investors, the income tax treatment of real property ownership, the national economy, global market instability or natural disasters that impact the development parcels and/or the ferry or automobile access to Improvement Area No. 2. The Merchant Builder for Sub-Blocks B1 and C2.3 is currently assessing its plans for those Sub-Blocks and has currently put those projects on hold. See “IMPROVEMENT AREA NO. 2” herein. Current plans could change as a result of such assessments or otherwise.

Unimproved or partially improved land is inherently less valuable than land with improvements on it, especially if there are restrictions on development, and provides less security to the Owners should it be necessary for the City to foreclose on the property due to the nonpayment of Special Taxes. Any delays in developing unimproved property, or the decision not to construct improvements on such property, may affect the willingness and ability of the owners of property within Improvement Area No. 2 to pay the Special Taxes when due.

Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained or, if obtained, will not be obtained on a timely basis. Failure to obtain any such agency approval or to satisfy such governmental requirements could adversely affect planned land development. In addition, there is a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development within Improvement Area No. 2, will be enacted, and a risk that future voter approved land use initiatives could add more restrictions and requirements on development within Improvement Area No. 2.

The Project Agreements afford TICD effectively the right but not the obligation to develop the balance of the Treasure Island Project beyond Improvement Area No. 2. Horizontal infrastructure, including geotechnical improvement of soil conditions, needed to secure temporary certificates of occupancy are complete in Improvement Area No. 2. Also, TICD and TI Series 1 have confirmed that, as of the date of this Official Statement, they are actively proceeding with development of the Treasure Island Project in accordance with the terms and requirements of the DDA, and, at this time, have no plans to cease such development. However, neither TIDA, the City nor the Underwriter make any assurance that development of the Treasure Island Project will be completed.

*Failure to Secure Sufficient Funding, Financing and Refinancing.* Continued funding will be needed to complete the development of the property within Improvement Area No. 2, and cost overruns may increase the amount of funding needed beyond the amount currently projected. Public bond financing, in addition to the 2023A Bonds and IRFD bonds expected to be issued on or about the same time as the 2023A Bonds, is expected to reimburse for infrastructure, which reimbursements may be applied by TI Series 1 and TICD subsidiaries to fund any aspect of the overall Treasure Island Project, including on-going spend on later stages. Issuance of future bonds for the District or IRFD will depend upon future development, property values, interest rates and market access and other factors; any delays may affect timing and pace of planned development. Not all construction loans have been acquired and not all equity commitments have been fully drawn for vertical development. The TI Series 1 EB-5 Loan, used to pay for a portion of the costs of horizontal development associated with Sub-Phases 1YA, 1YB, 1B, 1C and 1E, matures in March 2024 unless TICD can satisfy the conditions for a one year extension or the EB-5 Lender agrees to extend. See “IMPROVEMENT AREA NO. 2 – Infrastructure Development and Financing Plan – Public Improvements Financing Plan” herein. Sub-Blocks C2.4 and C3.4 were financed, at least in part,

with construction loans. Such loans mature on August 2025 and September 2025 respectively. The TI Series 1 EB-5 Loan and such construction loans will need permanent refinancing or repayment when due.

Development plans for the buildings contemplated for Sub-Blocks B1 and C2.3 within Improvement Area No. 2 are currently on hold pending satisfaction of certain internal credit requirements of the Poly Rental Merchant Builder and the Poly Condo Merchant Builder, respectively. See “IMPROVEMENT AREA NO. 2 – Merchant Builder Development and Financing Plans – Sub-Block B1 and Sub-Block C2.3” herein. Construction contracts for vertical development in those Sub-Blocks have not been executed and the Poly Merchant Builders can make no assurance when construction or such projects might commence.

No assurance can be given that any needed sources of public or private funding, financing and refinancing will be available or that the planned vertical development will be completed. It is possible that cost overruns will be incurred that will require additional funding beyond what is currently projected, which may or may not be available, or that development may not proceed as planned. See the caption “IMPROVEMENT AREA NO. 2 – Infrastructure Development and Financing Plan” and “– Merchant Builder Development and Financing” for a discussion of estimated costs and sources of funding for the completion of the construction of horizontal infrastructure and certain of the projects in Improvement Area No. 2.

### **Public Health Emergencies**

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

While COVID-19 case rates have significantly declined, vaccination rates have increased, certain emergency orders have been lifted, and the national and local economy has been improving, the economic effects of the COVID-19 pandemic are uncertain in many respects. The ultimate impact of COVID-19 on the operations and finances of the City, the District, TICD or the Merchant Builders and the real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City, the District, TICD, TI Series 1 or the Merchant Builders. Adverse impacts to the development within the District as a whole could include, without limitation, one or more of the following: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction; (iv) extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) permissive remote work policies reducing demand for commercial office spaces; (vii) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession, (viii) reduced demand for development projects; (ix) delinquencies in payment of Special Taxes and (x) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus sufficient to counteract economic impacts of the public health emergency.

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

Neither the City, the Underwriter, TI Series 1 nor the Merchant Builders can predict the ultimate effects of the COVID-19 outbreak or other public health emergencies or whether any such effects will not have material adverse effect on the ability to develop the Treasure Island Project, including Improvement Area No. 2, as planned and described herein, or the availability of Special Taxes from Improvement Area No. 2 in an amount sufficient to pay debt service on the Bonds.

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

Property values and value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the "collateral" supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well) and the adequacy of potential foreclosure sales proceeds to cure any delinquencies.

The City commissioned an appraisal of the Taxable Parcels to provide an estimate of the market value of that property. The appraised values in the Appraisal Report and satisfaction of the conditions to issuance of additional Parity Bonds under the Fiscal Agent Agreement are highly dependent upon assumptions in the Appraisal Report, particularly for the parcels without construction underway. Changing conditions for condominium prices and sales, rental rates, construction cost or minimum investment returns could differ from the Appraisal Report's assumptions. There can be no assurances that the Taxable Parcels would receive bids at foreclosure sale equal to the appraised value of such parcels. Property values are sensitive to economic cycles. Economic and market forces, such as a downturn in the Bay Area's economy generally, can depress property values and lower the value-to-lien ratios, particularly as these forces might reverberate in the residential housing and commercial property markets. See "THE CITY" and "IMPROVEMENT AREA NO. 2 – Property Values" herein.

Assessed or appraised values may not reflect the current market value of property. Further, property values and value-to-lien ratios may vary widely from parcel to parcel. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold, any bid would be received for such property or, if a bid were received, that such bid would be sufficient to pay all delinquent Special Taxes.

Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances. The City has no control over the ability of other agencies to issue indebtedness secured by other special taxes or assessments payable from all or a portion of the property within the District.

Additional debt issued for Improvement Area No. 2 and debt issuance by another entity could dilute value-to-lien ratios and reduce the ability or willingness of property owners in Improvement Area No. 2 to pay their Special Taxes when due. The cost of any additional improvements may well increase the public and private debt for which the land in Improvement Area No. 2 provides security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the property in Improvement Area No. 2. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any

taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Special Taxes.

The City is authorized to issue on behalf of the District for the benefit of Improvement Area No. 2 bonded indebtedness, including the 2022A Bonds and the 2023A Bonds, in an aggregate amount not to exceed \$278.2 million. See “IMPROVEMENT AREA NO. 2 – Infrastructure Development and Financing Plan.”

### **Billing of Special Taxes**

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

Under provisions of the Act, the Special Taxes are levied on Taxable Parcels within Improvement Area No. 2 that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make installment payments of Special Taxes in the future. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

### **Maximum Special Tax Rates**

Within the limits of the Rate and Method, in the event of Special Tax delinquencies by one or more Taxable Parcels, the City may adjust the Special Taxes levied on all non-delinquent Taxable Parcels within Improvement Area No. 2 to provide the amount required each year to pay annual debt service on the Bonds and to replenish the 2022 Reserve Fund to an amount equal to the 2022 Reserve Requirement, the reserve accounts for any Parity Bonds that are not 2022A Related Parity Bonds, and, prior to the Additional Special Tax Reserve Release Date, the Additional Special Tax Reserve Fund to an amount equal to the Additional Special Tax Reserve Requirement. However, (1) any such increase on Taxable Parcels used for private residential purposes is limited to 10% above the amount that would have been levied in that Fiscal Year had there never been any delinquencies or defaults and (2) the amount of Special Taxes that may be levied against particular categories of property is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for non-delinquent Taxable Parcels in Improvement Area No. 2 would be sufficient to meet debt service obligations on the Bonds. See “SECURITY FOR THE BONDS –Special Tax Fund” and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.

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

Under the Rate and Method, the annual amount of Special Tax to be levied on each Taxable Parcel in Improvement Area No. 2 will be based primarily on the property use category or categories and corresponding square footages. See APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto and “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes” herein. The Act provides that, if any property within Improvement Area

No. 2 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. In particular, insofar as the Act requires payment of the Special Taxes by a federal entity acquiring property within the Improvement Area No. 2, it may be unconstitutional.

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

*If a substantial portion of land within Improvement Area No. 2 became exempt from the Special Tax, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2023A Bonds when due and a default could occur with respect to the payment of such principal and interest.*

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

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2023A Bonds are derived, will be billed to the properties within Improvement Area No. 2 on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable consistent with, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – 2022 Reserve Fund” and “ – Additional Special Tax Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein, for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

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

Because the Teeter Plan is not available to special taxes levied in Improvement Area No. 2, collections of Special Taxes will reflect actual delinquencies.



## **Disclosure to Future Property Owners**

Pursuant to Section 53328.3 of the Act, the City has recorded a Notice of Special Tax Lien. The sellers of real property subject to the Special Tax within Improvement Area No. 2 are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller's notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property or the lending of money thereon. Failure to disclose the existence of the Special Taxes could affect the willingness and ability of future owners of land within Improvement Area No. 2 to pay the Special Taxes when due.

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

Public agency property owners within Improvement Area No. 2 are permitted to prepay their Special Taxes at any time. Such payments would result in a mandatory redemption of 2023A Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Fiscal Agent Agreement following the receipt of such Special Tax prepayment. The resulting redemption of 2023A Bonds purchased at a price greater than par could reduce the otherwise expected yield on such 2023A Bonds. See "THE 2023A BONDS – Redemption –*Redemption from Special Tax Prepayments*" herein.

## **Seismic Risks**

**General.** The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Seismic events may cause damage, or temporary or permanent loss of occupancy to buildings in Improvement Area No. 2, as well as to transportation infrastructure that serves Improvement Area No. 2. These faults include the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City and the only automobile access to Improvement Area No. 2, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

**California Earthquake Probabilities Study.** In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to buildings subject to the Special Tax, due to the importance of San Francisco as a tourist destination and

regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City’s economy, tax receipts, infrastructure and residential and business real property values, including in Improvement Area No. 2.

A separate City report dated March 2020 cited to liquefaction maps by the United States Geological Survey for large past earthquakes. These maps show that Treasure Island and small portions of Yerba Buena Island had very high liquefaction susceptibility in connection with those earthquakes.

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

***Tall Buildings Safety Strategy Report and Executive Directive.*** The City commissioned a first in the nation “Tall Buildings Study” by the Applied Technology Council to consider the impact of earthquakes on buildings taller than 240 feet. The Treasure Island development program has only 4 parcels zoned at higher than 240 feet, none of which are in Improvement Area No. 2. The final report following the study, released in January 2019, evaluates best practices for geotechnical engineering, seismic risks, standards for post-earthquake structural evaluations, barriers to re-occupancy, and costs and benefits of higher performance goals for new construction. The study estimates that for a tall building designed to current seismic standards, it might take two to six months to mobilize for and repair damage from a major earthquake, depending on the building location, geologic conditions, and the structural and foundation systems. The report identifies and summarizes sixteen recommendations for reducing seismic risk prior to earthquakes for new and existing buildings, reducing seismic risk following earthquakes, and improving the City’s understanding of its tall building seismic risk. See “THE TREASURE ISLAND PROJECT – Infrastructure” herein.

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year. All of these tasks are currently underway. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this statewide program. The City’s Disaster Recovery Taskforce had its kick-off meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. In consultation with the Structural Engineers Association of Northern California (“SEAONC”), Administrative Bulletin AB-111 – “Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings” was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

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

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

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

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

Adapting to sea level rise is a key component of the City’s policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled “Sea Level Rise Action Plan,” identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor’s Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resources Agency, the Governor’s Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled “Rising Seas in California: An Update on Sea Level Rise Science” (the “Sea Level Rise Report”) to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated

tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over \$5 million consider mitigation and/or adaptation measures.

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

Portions of the San Francisco Bay Area, including Improvement Area No. 2, are built on fill that was placed over saturated silty clay known as “Bay Mud.” This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

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

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

Treasure Island and Yerba Buena Island may be particularly susceptible to the impacts of sea level rise or other impacts of climate change or flooding because of their location and topography. An assessment and strategy report related to sea-level rise was issued in connection with the current permit issued by the San Francisco Bay Conservation and Development Commission (BCDC) for the Treasure Island Project. The BCDC permit, issued in 2016, requires an update on sea level rise every five years. The first such update was prepared for TIDG by an outside consultant and issued in October 2021. The update looked at changes in sea-level-rise policy and projections since the commencement of the Treasure Island Project and evaluated if the adopted sea-level-rise policy projections and adaptation measures remain applicable or need revision. The update also looked at (i) the amount of sea level rise that has occurred since the start of the project and (ii) whether the amount of sea level rise would draw into consideration any documented impacts to public access areas in the form of flooding and settlement. The update concluded that the 2016 assessment and strategy report remains consistent with the most recent sea-level rise projections. The update did not call for a change to the adopted approach to sea-level rise adaptation.

With respect to the Treasure Island Project, the Rate and Method requires the establishment of reserves for the Treasure Island Project as a whole for public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island. However, the City can provide no assurances that the Special Taxes levied in Improvement Area No. 2 and in other improvement areas (if any) in the District will be available to fund such reserves or whether such reserves would be sufficient to protect the Islands from sea level rise. For additional information regarding the establishment of the capital reserves for the Treasure Island Project, see “RATE AND METHOD” herein and APPENDIX B – “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

The City is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City, the local economy or, in particular, the Taxable Parcels in Improvement Area No. 2 that are subject to the Special Tax and the ability of a property owner in Improvement Area No. 2 to pay the Special Tax levy.

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

In addition to earthquake and sea-level rise (discussed above), other natural or man-made disasters or events, such as flood, wildfire, tsunamis, toxic dumping, civil unrest or acts of terrorism, could also adversely impact persons or property within the City generally and/or specifically in Improvement Area No. 2, damage City and District infrastructure and adversely impact the City’s ability to provide municipal services.

In September 2010, a Pacific Gas & Electric (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the “Rim Fire”), which area included portions of the City’s Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O’Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco’s drinking water), hydroelectric generation and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. Certain portions of the

Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

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

In recent years, California experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted, and future wildfires may impact, the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

The California Geological Survey ("CGS"), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern California, produced new statewide tsunami hazard zone maps in July 2021. CGS has identified much of the District and all of Treasure Island as being located in the San Francisco tsunami hazard zone.

As a result of the occurrence of events like those described above, a substantial portion of the property owners in Improvement Area No. 2 may be unable or unwilling to pay the Special Taxes when due, and the 2022 Reserve Fund for the 2023A Bonds or any 2022A Related Parity Bonds and the Additional Special Tax Reserve Fund for the Bonds may become depleted.

### **Hazardous Substances**

A serious risk in terms of the potential reduction in the value of a parcel within Improvement Area No. 2 would be the discovery of a hazardous substance that was not discovered prior to the transfer of the parcels forming Improvement Area No. 2. See "THE TREASURE ISLAND PROJECT – History – *Navy Remediation and Transfer*". In general, the owners and operators of a parcel within Improvement Area No. 2 may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within Improvement Area No. 2 be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not

been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a parcel within Improvement Area No. 2 that is realizable upon a delinquency.

A January 23, 2020 complaint relating to environmental conditions with respect to the Treasure Island Project has been dismissed, and the time for appeal has lapsed.

### **Bankruptcy and Foreclosure**

The payment of property owners' taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2023A Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of a property owner (or a property owner's partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2023A Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy.*

### **Property Controlled by FDIC and Other Federal Agencies**

The City's ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held

that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Improvement Area No. 2, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2023A Bonds are outstanding.

On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC’s federal immunity.

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not *ad valorem* taxes and therefore not payable by the FDIC, and the FDIC is seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC’s positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Act that the federal government is exempt from special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2023A Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the 2022 Reserve Fund and the Additional Special Tax Reserve Fund and perhaps, ultimately, a default in payment of the 2023A Bonds or any 2022A Related Parity Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is



likely to acquire, any interest in any of the parcels that are subject to the Special Tax, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2023A Bonds are outstanding.

### **California Constitution Article XIIC and Article XIID**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the City to levy and collect within the District both existing and future taxes, assessments, fees and charges. According to the “Official Title and Summary” of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the “authority of local governments to impose taxes and property-related assessments, fees and charges.” On July 1, 1997 California State Senate Bill 919 (“SB 919”) was signed into law. SB 919 enacted the “Proposition 218 Omnibus Implementation Act,” which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the City under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The City has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIII A. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2023A Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2023A Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2023A Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218’s balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be

determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

### **Validity of Landowner Elections**

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

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

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

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego’s argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State’s constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego). In the case of Improvement Area No. 2, there were no registered voters within Improvement Area No. 2 at the time of the election to authorize the Special Tax within Improvement Area No. 2.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is

approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax.

The qualified elector in Improvement Area No. 2 approved the special tax and the issuance of bonds for Improvement Area No. 2 pursuant to the requirements of the Act when it submitted a unanimous approval on April 13, 2020. In Section 53329.6 of the Act, the California Legislature declared that any unanimous approval submitted by a property owner constitutes the vote of the qualified elector in favor of the matters addressed in the unanimous approval for purposes of the California Constitution, including, but not limited to, Articles XIII A and XIII C. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

### **Ballot Initiatives and Legislative Measures**

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

### **No Acceleration**

The 2023A Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2023A Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2023A Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within Improvement Area No. 2. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” attached hereto.

### **Limitations on Remedies**

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2023A Bonds. Bond Counsel has limited its opinion as to the enforceability of the 2023A Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2023A Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the City on behalf of the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers

delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the applicable limitations on remedies against public agencies in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” herein.

### **Limited Secondary Market**

As stated herein, investment in the 2023A Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand and appreciate the risk of such investments should consider investment in the 2023A Bonds. The 2023A Bonds have not been rated by any national rating agency, and the City has not undertaken to obtain a rating. See “NO RATING” herein. There can be no guarantee that there will be a secondary market for purchase or sale of the 2023A Bonds or, if a secondary market exists, that the 2023A Bonds can or could be sold for any particular price.

### **Cybersecurity**

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City’s Systems Technology and required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Municipal Transportation Agency (“SFMTA”) was subject to a ransomware attack which disrupted some of the SFMTA’s internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy (“Cyber Policy”) to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City’s Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City’s Cyber Policy is reviewed periodically.

The City has also appointed a City Chief Information Security Officer (“CCISO”), who is directly responsible for understanding the business and related cybersecurity needs of the City’s 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City’s Systems Technology and cause material disruption to the

City's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

## **CONTINUING DISCLOSURE**

### **City**

Pursuant to a Continuing Disclosure Certificate, dated the date of issuance of the 2023A Bonds (the "City Disclosure Certificate"), the City has covenanted for the benefit of owners of the 2023A Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. Each Annual Report is to be filed not later than nine months after the end of the City's fiscal year (which date shall be June 30 of each year), commencing with the report for the 2023-24 Fiscal Year (which is due not later than March 31, 2025). The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E-1 – "FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made by the City, on behalf of the District, in order to assist the Underwriter in complying with the Rule.

The City has conducted a review of the compliance of the City, with their respective previous continuing disclosure undertakings pursuant to Rule 15c2-12. On March 6, 2018, Moody's Investors Service, Inc. ("Moody's") upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to "Aa1" from "Aa2." The City timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

The Annual Report for fiscal year 2016-17, which was timely prepared, provided investors a link to the City's 2016-17 audited financial statements ("2016-17 Audited Financial Statements") on the City's website. However, the 2016-17 Audited Financial Statements were not posted on EMMA. The City subsequently filed the 2016-17 Audited Financial Statements and a notice of such late filing on EMMA.

As of May 6, 2021, the City was a party to certain continuing disclosure undertakings relating to municipal securities which require the City to file notice filings on EMMA within ten days in the event of the incurrence of financial obligations and certain other events, if material. On May 6, 2021, the City extended for two years certain liquidity facilities relating to series 1 and 1-T and series 2 and 2-T of its commercial paper program. On July 1, 2021, the City filed on EMMA an event notice relating to these extensions.

For fiscal year 2021-22, although the City's Annual Comprehensive Financial Report was posted on EMMA, it was not linked to all of the CUSIP numbers for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2022A and 2022B. The City has taken action to link such Annual Comprehensive Financial Report to the applicable CUSIP numbers.

### **Merchant Builders**

The Merchant Builders are not obligated parties under Rule 15c2-12. However, pursuant to their respective continuing disclosure certificates, dated the date of issuance of the 2023A Bonds (the "Merchant Builder Disclosure Certificates"), each Merchant Builder (or a related company on the Merchant Builder's

behalf) has voluntarily agreed to provide, or cause to be provided, to the EMMA system: (a) certain information concerning the Merchant Builder and the parcels that they own within Improvement Area No. 2 (each a “Merchant Builder Semiannual Report”); and (b) notice of certain enumerated events. Each Merchant Builder Semiannual Report is to be filed not later than November 1 and May 1 of each year, beginning May 1, 2024.

The respective obligations under the Merchant Builder Disclosure Certificates will continue, while the 2023A Bonds remain outstanding, until the Merchant Builder has completed construction of all buildings to be constructed on its property in Improvement Area No. 2 and either: (1) 70% of the market-rate residential apartments in such buildings have been initially rented to individual renters or (2) 50% of the market rate condominium units in such buildings intended for sale have been sold and conveyed to individual condominium owners.

The proposed form of the Merchant Builder Disclosure Certificates is set forth in Appendix E-2.

This is the second continuing disclosure undertaking by each Merchant Builder.

Lennar’s national finance office will be responsible for filings by the Lennar Merchant Builder under its Merchant Builder Disclosure Certificate. The following is noted with respect to compliance by Lennar Homes of California, LLC, a California limited liability company (formerly known as Lennar Homes of California, Inc.) (“Lennar Homes”), an indirect wholly-owned subsidiary of Lennar, with undertakings by it to provide periodic continuing disclosure reports or notices of material events during the previous five years with respect to community facilities district and assessment district financings in California. Identification of the below described events does not constitute a representation that any such events were material.

In connection with the \$16,780,000 California Municipal Finance Authority Special Tax Revenue Bonds BOLD Program Series 2020B, Lennar Homes inadvertently failed to file the initial semi-annual report by the due date of May 1, 2021, but filed a curative report on May 21, 2021; and in connection with the \$5,795,000 City of Rancho Cordova Grantline 208 Community Facilities District No. 2018-1 Special Tax Bonds, Series 2021B, Lennar Homes inadvertently failed to file the initial annual report by the due date of April 1, 2022, but filed a curative report on September 21, 2022.

Wilson Meany and/or Stockbridge will be responsible for filings by the Stockbridge/Wilson Meany Merchant Builder and the Stockbridge/Wilson Meany/Lennar Merchant Builder under their respective Merchant Builder Disclosure Certificates. Wilson Meany and/or Stockbridge is also responsible for filings by Stockbridge / Wilson Meany YBI Investors, LLC (the “YBI Phase 1 Parent Company”) under merchant builder continuing disclosures certificates for bonds relating to Improvement Area No. 1, for which filings due thus far were timely filed.

The continuing disclosure undertakings by TI Series 1 and each Merchant Builder are independent of the City’s continuing disclosure obligation, and the City shall have no authority to compel TI Series 1 and the Merchant Builders to provide the information as and when promised thereunder, respectively.

## TAX MATTERS

***Federal Tax Status.*** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2023A Bonds is excluded from gross income for federal income tax purposes and such

interest is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Bonds may be subject to the corporate alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Tax Code”) that must be satisfied subsequent to the issuance of the 2023A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the 2023A Bonds.

***Tax Treatment of Original Issue Discount and Premium.*** If the initial offering price to the public at which a 2023A Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a 2023A Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2023A 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 2023A Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2023A Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2023A Bonds who purchase the 2023A Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2023A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2023A Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such 2023A Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the 2023A Bond (said term being the shorter of the 2023A Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the 2023A Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a 2023A 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 2023A Bond premium is not deductible for federal income tax purposes. Owners of premium 2023A 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 2023A Bonds.

***California Tax Status.*** In the further opinion of Bond Counsel, interest on the 2023A Bonds is exempt from California personal income taxes.

***Other Tax Considerations.*** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2023A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation,

or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2023A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the 2023A Bonds, or as to the consequences of owning or receiving interest on the 2023A Bonds, as of any future date. Prospective purchasers of the 2023A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2023A Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2023A Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2023A Bonds, the ownership, sale or disposition of the 2023A Bonds, or the amount, accrual or receipt of interest on the 2023A Bonds.

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

## UNDERWRITING

Stifel, Nicolaus & Co. Incorporated (the “Underwriter”) purchased the 2023A Bonds at a purchase price of \$\_\_\_\_\_, representing the principal amount of the 2023A Bonds less an Underwriter’s discount of \$\_\_\_\_\_ and plus [net] original issue premium of \$\_\_\_\_\_. The Underwriter intends to offer the 2023A Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the 2023A Bonds to the public. The Underwriter may offer and sell the 2023A Bonds to certain dealers (including dealers depositing 2023A Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City and/or the City of behalf of the District. The Underwriter and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City and/or the City of behalf of the District.



## **LEGAL OPINION AND OTHER LEGAL MATTERS**

The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel, approving the validity of the 2023A Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2023A Bonds at the time of original delivery. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the 2023A Bonds to review the Official Statement and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2023A Bonds.

Compensation paid to Jones Hall, A Professional Law Corporation, as Bond Counsel, and Norton Rose Fulbright US LLP, as Disclosure Counsel, is contingent on the issuance of the 2023A Bonds.

Norton Rose Fulbright (US) LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2023A Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriter to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein (including without limitation exclusion of any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included herein, and information in Appendices B and F hereof, as to all of which Disclosure Counsel will express no view), no facts have come to the attention of the personnel with Norton Rose Fulbright (US) LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2023A Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addressee of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel.

## **TRANSFER RESTRICTIONS**

The Fiscal Agent Agreement provides that the 2023A Bonds are only to be sold (including in secondary market transactions) to “Qualified Purchasers,” which is defined in the Fiscal Agent Agreement to include Qualified Institutional Buyers as defined in Rule 144A promulgated under the Securities Act of 1933 and institutional Accredited Investors (which consists of Accredited Investors within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933).

Neither the Underwriter nor any Holder or Beneficial Owner of the 2023A Bonds shall deposit the 2023A Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Underwriter nor any Holder or Beneficial Owner shall deposit the 2023A Bonds in any trust or account under its control the majority of the assets of which constitute the 2023A Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers; provided that none of the Underwriter, Holders or Beneficial Owners shall

have an obligation to independently establish or confirm that any transferee of a 2023A Bond is Qualified Purchaser, however any actual transfer of a 2023A Bond to any entity that is not a Qualified Purchaser shall be deemed null and void as provided in the Fiscal Agent Agreement.

Under the Fiscal Agent Agreement, no transfer, sale or other disposition of any 2023A Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2023A Bond for its own account for investment purposes and not with a view to distributing such 2023A Bond. Each purchaser of any 2023A Bond or ownership interest therein will be deemed to have acknowledged, represented, warranted, and agreed with and to the City, the Underwriter and the Fiscal Agent as follows:

1. That the 2023A Bonds are payable solely from Special Tax Revenues, and from certain funds and accounts established and maintained pursuant to the Fiscal Agent Agreement;
2. That it is a Qualified Purchaser and that it is purchasing the 2023A Bonds for its own account and not with a view to, or for offer or sale in connection with any distribution thereof in violation of the Securities Act of 1933 or other applicable securities laws;
3. That such purchaser acknowledges that the 2023A Bonds and beneficial ownership interests therein may only be transferred to Qualified Purchasers;
4. That the City, the Fiscal Agent, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements; and

If a holder of the 2023A Bonds makes an assignment of its beneficial ownership interest in the 2023A Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein.

#### **NO LITIGATION REGARDING THE SPECIAL TAXES OR 2023A BONDS**

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2023A Bonds will be furnished to the Underwriter at the time of the original delivery of the 2023A Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Special Taxes or to issue the 2023A Bonds.

*Ongoing Investigations.* In January 2020, the City’s former Director of Public Works, Mohammad Nuru, was criminally charged with public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation (“FBI”) agents. In February 2020, then-City Attorney Dennis Herrera and Controller Ben Rosenfield announced the initiation of a joint investigation stemming from the federal criminal charges against Mr. Nuru. The City Attorney’s Office focused on holding public officials and City vendors accountable. The Controller undertook a public integrity review of contracts, purchase orders, and grants to the City.

Mr. Nuru resigned from employment with the City in February 2020. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

Mr. Wong was criminally charged in June 2020 with conspiring with City officials and laundering money. As part of the criminal investigation into Mr. Nuru and Mr. Wong, the SFPUC received a federal, criminal, grand jury subpoena in June 2020 to produce documents, communications, contracts and records, including the complete personnel file of the SFPUC's former General Manager, Harlan L. Kelly, Jr.

In November 2020, Mr. Kelly was charged in a criminal complaint with one count of honest services wire fraud. The complaint alleged that Mr. Kelly also engaged in a long-running bribery scheme and corrupt partnership with Mr. Wong. The complaint further alleged that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. According to the criminal complaint against Mr. Kelly, Mr. Wong bribed Mr. Kelly with thousands of dollars in airfare, meals, jewelry, and travel expenses, as well as by making improvements to Mr. Kelly's home.

Mr. Wong pled guilty in July 2020 and continues to cooperate with the ongoing federal criminal investigation. Mr. Wong has not been sentenced.

Mr. Wong settled civilly with the City in May 2021. As part of his civil settlement, he and his companies agreed to pay the City more than \$300,000 in ethics fines and more than \$1 million in restitution. The total restitution amount to the City includes \$73,000 that he received through the SFPUC when Mr. Kelly was General Manager.

Mr. Kelly resigned from employment with the City, effective November 30, 2020. Michael Carlin, former-Deputy General Manager of the SFPUC, then served as the Acting General Manager of the SFPUC through October 31, 2021. Mr. Herrera began serving as General Manager of the SFPUC on November 1, 2021.

Since Mr. Nuru's arrest in January 2020, the Controller's Office, in consultation with the City Attorney, has issued 11 public integrity reviews. Ten of the 11 reports focus primarily on City departments other than the SFPUC. The Controller's Office's December 9, 2021 Public Integrity Audit looked specifically at SFPUC's Social Impact Partnership Program and made seven recommendations to strengthen internal controls and oversight. The SFPUC concurred with all seven of those recommendations, and as of September 2023, five of the seven recommendations had been implemented and two were in progress.

In October 2021, a criminal grand jury returned an indictment against Mr. Kelly and Victor Makras, a San Francisco real estate broker and property developer. Mr. Makras formerly served on several City boards and commissions, including the Port Commission, Police Commission, Public Utilities Commission, and Retirement Board. In addition to the original charges against Mr. Kelly of conspiracy with Mr. Wong, the indictment added charges of bank fraud and bank fraud conspiracy related to a \$1.3 million loan Mr. Kelly obtained from Quicken Loans.

Mr. Makras' case was severed from Mr. Kelly's, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to the bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined \$15,200.

On July 14, 2023, Mr. Kelly was convicted of one count of conspiracy to commit honest services wire fraud, one count of honest services wire fraud, and four counts related to charges stemming from a bank fraud scheme. The jury found Mr. Kelly not guilty of two honest services wire fraud counts. Mr. Kelly has not been sentenced.

On August 29, 2023, the San Francisco District Attorney charged Lanita Henriquez, who served as the director of the San Francisco Community Challenge Grant Program under the Office of the San Francisco City Administrator, and Rudolph Dwayne Jones, a former City official who occasionally served as a prime contractor and a subcontractor to the SFPUC, with counts of misappropriation of public monies, bribery, and financial conflict of interest in a government contract. It is alleged that Ms. Henriquez and Mr. Jones misappropriated public money between 2016 and 2020, that Mr. Jones wrote Ms. Henriquez multiple checks in 2017 and 2018 totaling \$25,000, while Ms. Henriquez directed government grant contracts exceeding \$1.4 million to entities controlled by Mr. Jones, in which entities Ms. Henriquez also had a financial stake, between 2016 and 2020.

The San Francisco District Attorney has not alleged any impropriety in connection with the sole grant program administered by Ms. Henriquez. At the direction of the City Administrator, City departments have undertaken a review of contracts between the City and contracts retaining Mr. Jones and/or RDJ Enterprises, LLC, an entity affiliated with Mr. Jones (collectively, “RDJ”) in order to terminate or cancel any subcontract, service order, or other contractual arrangement with RDJ.

The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation. The San Francisco District Attorney’s Office Public Integrity Task Force has also independently investigated certain of the matters described here, and the City can give no assurance when this task force will complete its investigation.

#### **NO RATING**

The City has not made, and does not intend to make, any application to any rating agency for the assignment of a rating on the 2023A Bonds. Ratings are obtained as a matter of convenience for prospective investors, and the assignment of a rating is based upon the independent investigations, studies, and assumptions of rating agencies. The determination by the City not to obtain a rating does not, directly or indirectly, express any view by the City of the credit quality of the 2023A Bonds. The lack of a bond rating could impact the market price or liquidity for the 2023A Bonds in the secondary market. See “SPECIAL RISK FACTORS - Limited Secondary Market.”

#### **MUNICIPAL ADVISOR**

The City has retained CSG Advisors Incorporated, as Municipal Advisor in connection with the issuance of the 2023A Bonds. The Municipal Advisor has assisted in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2023A Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing the 2023A Bonds.

Compensation paid to the Municipal Advisor is contingent upon the successful issuance of the 2023A Bonds.

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**MISCELLANEOUS**

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

This Official Statement does not constitute a contract with the purchasers of the 2023A Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_  
Director of the Office of Public Finance

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## APPENDIX A

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

*The information contained in this Appendix A is provided for informational purposes only. No representation is made that any of the information contained in this Appendix A is material to the holders from time to time of the 2023A Bonds, and the City has not undertaken in its Continuing Disclosure Certificate to update this information. The 2023A Bonds are limited obligations of the City, secured by and payable solely from the Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2023A Bonds are not payable from any other source of funds other than Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2023A Bonds, and neither the faith and credit of the City, the State of California or any political subdivision thereof, nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement), the State of California or any political subdivision thereof is pledged to the payment of the 2023A Bonds.*

#### **General**

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

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

#### **COVID 19 Pandemic**

The economic and demographic data contained in this appendix are the latest available, but include data as of dates and for periods before the economic impact of the COVID 19 pandemic and measures instituted to slow it. Accordingly, the data for such dates and periods are not indicative of the current financial condition or future prospects of the District, the City, and the region or of expected Pledged Facilities Increment or Pledged Housing Increment. See "SPECIAL RISK FACTORS – Public Health Emergencies" in the forepart of this Official Statement.

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## Population

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

**POPULATION**  
**City and County of San Francisco**  
**2014 through 2023<sup>(1)</sup>**

Fiscal Year	Population
2014	852,948
2015	863,450
2016	871,613
2017	878,697
2018	885,716
2019	886,885
2020	873,965
2021	853,414
2022	837,036
2023	831,703

<sup>(1)</sup> For 2014-2019 and 2021-2023, population statistics are as of January 1. For 2020, population statistics are as of April 1.

*Source:* California Department of Finance.

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## Employment

The following table summarizes employment in the City and County of San Francisco from 2018 through 2022. Trade, transportation and utilities, professional and business services, education/health services and leisure/hospitality are the largest employment sectors in the City.

### EMPLOYMENT BY INDUSTRY City and County of San Francisco 2018 through 2022

Industry	Employment <sup>(1)</sup>				
	2018	2019	2020	2021	2022
All Farm	200	400	200	300	300
Mining, Logging and Construction	23,200	24,100	23,200	22,100	23,200
Manufacturing	13,200	13,800	13,400	11,700	13,400
Trade, Transportation & Utilities	82,600	84,300	73,200	70,100	72,700
Information	46,100	52,500	54,600	58,200	64,300
Financial Activities	59,900	62,000	60,300	61,000	64,200
Professional and Business Services	195,400	203,100	200,900	200,600	219,100
Education and Health Services	90,300	94,100	91,500	93,900	95,800
Leisure and Hospitality	98,500	101,800	59,100	57,000	75,900
Other Services	27,700	28,000	21,800	22,800	25,700
Government	98,200	98,800	98,200	101,300	105,900
Total Civilian Labor Force	735,100	762,900	696,500	699,000	760,400

<sup>(1)</sup> Employment is reported by place of work: it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not sum to totals due to rounding.

Source: California State Employment Development Department, Labor Market Information Division.

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The following tables summarize the civilian labor force, employment and unemployment in the City and County of San Francisco from 2013 to 2022.

**CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**City and County of San Francisco**  
**Annual Averages, 2013 through 2022**  
**(not seasonally adjusted)**

Year	Civilian Labor Force	Employed Labor Force <sup>(1)</sup>	Unemployed Labor Force <sup>(2)</sup>	Unemployment Rate <sup>(3)</sup>
2013	514,200	485,800	28,400	5.5
2014	527,300	504,000	23,300	4.4
2015	541,400	521,600	19,800	3.7
2016	555,300	537,000	18,300	3.3
2017	563,000	546,400	16,600	2.9
2018	568,700	555,100	13,600	2.4
2019	580,900	568,000	12,900	2.2
2020	560,100	515,600	44,500	7.9
2021	548,600	520,800	27,800	5.1
2022	572,600	558,000	14,600	2.5

<sup>(1)</sup> Includes persons involved in labor-management trade disputes.

<sup>(2)</sup> Includes all persons without jobs who are actively seeking work.

<sup>(3)</sup> Calculated using unrounded data.

*Source:* California State Employment Development Department, Labor Market Information Division.

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## Major Private Employers

The following table shows the largest private employers located in the City and County of San Francisco as of January 2023.

### LARGEST PRIVATE EMPLOYERS City and County of San Francisco

<u>Employer</u>	<u>Number of Employees</u>	<u>Rank</u>
Salesforce Inc.	11,953	1
United Airlines	10,000	2
Sutter Health	6,134	3
Wells Fargo & Co.	5,886	4
Kaiser Permanente	4,676	5
Allied Universal	3,827	6
Uber Technologies Inc.	3,413	7
First Republic Bank	3,296	8
Accenture	2,353	9
Cisco Systems Inc.	<u>1,863</u>	10
Total	53,401	

*Source:* San Francisco Business Times, “Largest Employers in San Francisco” (published January 6, 2023).

Note: Since the publication date of the rankings above, JPMorgan Chase & Co. acquired the substantial majority of assets and assumed the deposits and certain other liabilities of First Republic Bank from the Federal Deposit Insurance Corporation.

## Construction Activity

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

### BUILDING PERMITS City and County of San Francisco 2018 through 2022<sup>(1)</sup>

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation (\$000)					
Residential	\$2,231,737	\$1,730,003	\$1,555,933	\$1,948,973	\$2,735,548
Non-Residential	2,293,555	1,461,943	1,253,946	1,013,680	1,594,894
TOTAL	<u>\$4,525,292</u>	<u>\$3,191,946</u>	<u>\$2,809,881</u>	<u>\$2,962,653</u>	<u>\$4,330,442</u>
Dwelling Units					
Single Family	95	135	65	135	272
Multiple family	5,098	3,208	2,127	2,816	6,174
TOTAL	<u>5,184</u>	<u>3,343</u>	<u>2,192</u>	<u>2,951</u>	<u>6,446</u>

*Source:* Construction Industry Research Board/CIRB.

<sup>(1)</sup> Totals may not add due to rounding.

## Taxable Sales

Taxable sales in the City and County of San Francisco from 2018 through 2022 are shown in the following table.

	<b>TAXABLE SALES</b>				
	<b>2018 through 2022</b>				
	<b>(\$ in Thousands)</b>				
	2018	2019	2020	2021	2022
Clothing and Clothing					
Accessories Stores	\$2,046,414	\$2,029,312	\$1,163,031	\$1,587,968	\$1,746,756
General Merchandise	790,845	755,350	560,059	667,930	691,405
Food and Beverage Stores	856,217	861,757	746,455	722,410	768,428
Food Services and Drinking Places	4,844,464	5,046,263	2,081,728	2,953,373	4,266,095
Home Furnishings & Appliances	1,018,006	1,034,213	768,022	919,239	940,945
Building Material and Garden					
Equipment and Supplies Dealers	681,369	718,692	642,104	685,895	691,182
Motor Vehicle and Parts Dealers	674,008	601,929	593,476	625,719	575,323
Gasoline Stations	583,480	548,509	304,977	432,768	612,261
Other Retail Stores	<u>2,535,667</u>	<u>2,671,219</u>	<u>2,690,590</u>	<u>2,508,494</u>	<u>2,633,438</u>
Total Retail and Food Services	\$14,030,469	\$14,267,242	\$9,550,442	\$11,103,794	\$12,925,834
All Other Outlets	<u>6,312,251</u>	<u>6,689,891</u>	<u>4,839,280</u>	<u>5,503,320</u>	<u>6,685,572</u>
Total All Outlets <sup>(1)</sup>	\$20,342,721	\$20,957,132	\$14,389,723	\$16,607,114	\$19,611,406

<sup>(1)</sup> Columns may not sum to totals due to rounding.

Source: California State Board of Equalization; and California Department of Tax and Fee Administration.

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## Assessed Valuation of Taxable Property

Assessed valuations of taxable property in the City and County of San Francisco for fiscal years 2008-09 through 2023-24 are shown in the following table:

### ASSESSED VALUATION OF TAXABLE PROPERTY Fiscal Years 2008-09 through 2023-24 (\$ in Thousands)

Fiscal Year	Net Assessed Valuation (NAV) <sup>(1)</sup>	% Change from Prior Year	Total Tax Rate per \$100 <sup>(2)</sup>	Total Tax Levy <sup>(3)</sup>	Total Tax Collected <sup>(3)</sup>	% Collected June 30
2008-09	\$141,274,628	8.7%	1.163	\$1,702,533	\$1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	299,686,811	6.6%	1.198	3,823,246	3,785,038	99.0%
2021-22	307,712,666	2.7%	1.182	3,864,100	3,832,546	99.2%
2022-23	331,431,694	7.7%	1.180	4,067,270	4,032,813	99.2%
2023-24	343,913,585	3.8%	N/A	N/A	N/A	N/A

<sup>(1)</sup> Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

<sup>(2)</sup> Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

<sup>(3)</sup> The Total Tax Levy and Total Tax Collected through fiscal year 2022-23 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector, City and County of San Francisco.

Source: Office of the Controller, City and County of San Francisco.

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## Income

The following tables provide a summary of per capita personal income for the City and County of San Francisco, the State of California and the United States, and personal income and annual percent change for the City and County of San Francisco, for 2012 through 2021.

### PER CAPITA PERSONAL INCOME 2012 through 2021

<u>Year</u>	<u>San Francisco</u>	<u>California</u>	<u>United States</u>
2012	\$87,665	\$48,121	\$44,548
2013	88,675	48,502	44,798
2014	97,887	51,266	46,887
2015	105,711	54,546	48,725
2016	112,804	56,560	49,613
2017	119,208	58,804	51,550
2018	128,812	61,508	53,786
2019	130,464	64,919	56,250
2020	141,134	70,647	59,765
2021	160,749	76,614	64,143

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

## Transportation

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

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

Bay Area Rapid Transit (“BART”), a regional Rapid Transit system, connects San Francisco with the East Bay through the underwater Transbay Tube. The line runs under Market Street to Civic Center where it turns south to the Mission District, the southern part of the city, and through northern San Mateo County, to the San Francisco International Airport, and Millbrae. Another commuter rail system, Caltrain, runs from San Francisco along the San Francisco Peninsula to San Jose and Gilroy. Amtrak California

Thruway Motorcoach runs a shuttle bus from three locations in San Francisco to its station across the bay in Emeryville. Additionally, BART offers connections to San Francisco from Amtrak's station in Richmond.

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

See “SPECIAL RISK FACTORS – Public Health Emergencies” in the forepart of this Official Statement.

### **Public Education**

San Francisco Unified School District (“SFUSD”) established in 1851, is the only public school district within the City and is among the largest school district in California. SFUSD administers both the school district and the San Francisco County Office of Education, making it a “single district county.”

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

The University of California, Hastings College of the Law, founded in Civic Center in 1878, is the oldest law school in California. San Francisco's two University of California institutions have formed an official affiliation in the UCSF/UC Hastings Consortium on Law, Science & Health Policy.

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

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

See “SPECIAL RISK FACTORS – Public Health Emergencies” in the forepart of this Official Statement.

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**APPENDIX B**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

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## EXHIBIT B

### IMPROVEMENT AREA NO. 2 OF THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2016-1 (TREASURE ISLAND)

#### RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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A Special Tax applicable to each Taxable Parcel in Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Taxable Parcels, as described below. All Taxable Parcels in Improvement Area No. 2 shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 2.

This RMA provides for the levy of Special Taxes on leasehold interests in property owned by TIDA that is subject to an LDDA. In the event that any such leasehold interest is terminated, the Special Taxes shall be levied on any successor leasehold interest that is subject to an LDDA. If a leasehold interest terminates while a Special Tax that was previously levied remains unpaid, the owner of the successor leasehold interest will take the interest subject to the obligation to pay the unpaid Special Tax along with any applicable penalties and interest.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

**“Accessory Square Footage”** means, within a non-residential building on a Taxable Parcel, any square footage within the building that is not used directly as part of the business or hotel operations, including, but not limited to, walkways, elevator shafts, mezzanines, corridors, and stairwells.

**“Act”** means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the California Government Code.

**“Administrative Expenses”** means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City and TIDA carrying out duties with respect to the CFD and the Bonds, including, but not limited to, levying and collecting the Special Tax, the fees and expenses of legal counsel, charges levied by the City Controller’s Office and/or the City Treasurer and Tax Collector’s Office, costs related to property owner inquiries regarding the Special Tax, costs associated with appeals or requests for interpretation associated with the Special Tax and this RMA, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the City and any major property owner, costs associated with foreclosure and collection of delinquent Special Taxes, and all other costs and expenses of the City and TIDA in any way related to the establishment or administration of the CFD.

**“Administrator”** means the Director of the Office of Public Finance or his/her designee who shall be responsible for administering the Special Tax according to this RMA.

**“Airspace Parcel”** means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land parcel.

**“Assessor’s Parcel”** or **“Parcel”** means a lot or parcel, including an Airspace Parcel, shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

**“Assessor’s Parcel Map”** means an official map of the County Assessor designating Parcels by Assessor’s Parcel number.

**“Association Property”** means any property within the boundaries of Improvement Area No. 2 that is owned in fee or by easement by a homeowners association or property owners association and does not fall within a Land Use Category, not including any such property that is located directly under a residential structure.

**“Authority Housing Lot”** means the lots identified as owned or expected to be owned by TIDA, as originally shown in the Housing Plan, and as may be amended in the Development Approval Documents. Authority Housing Lots expected within Improvement Area No. 2 at the time of CFD Formation are identified in Attachment 3 hereto.

**“Authority Housing Unit”** means a For-Sale Unit or Rental Unit developed on an Authority Housing Lot.

**“Authorized Expenditures”** means those public facilities and public services authorized to be funded by the CFD as set forth in the documents adopted by the Board at CFD Formation, as may be amended from time to time.

**“Base Facilities Special Tax”** means, for any Land Use Category, the per-square foot Facilities Special Tax for square footage within such Land Use Category, as identified in Section C.2a below.

**“Base Services Special Tax”** means, for any Land Use Category, the per-square foot Services Special Tax for square footage within such Land Use Category, as identified in Section C.2b below.

**“Base Special Tax”** means, collectively, the Base Facilities Special Tax and Base Services Special Tax.

**“Board”** means the Board of Supervisors of the City, acting as the legislative body of CFD No. 2016-1.

**“Bonds”** means bonds or other debt (as defined in the Act), whether in one or more series, that are issued or assumed by or for Improvement Area No. 2 to finance Authorized Expenditures and are secured by the Facilities Special Tax.

**“Building Height”** means the proposed height, as defined in the D4D, of a residential, non-residential, or mixed-use structure, as set forth on the Building Permit issued for the building, or if the height is not clearly indicated on the Building Permit, the height determined by reference to the Sub-Phase Application, Vertical DDA, condominium plan, or architectural drawings for the building. If there is any question as to the Building Height of any building in the CFD, the Administrator shall coordinate with the Review Authority to make the determination, and such determination shall be conclusive and binding.

**“Building Permit”** means the first permit, whether a site permit or building permit, issued by the City that, immediately upon issuance or ultimately after addenda to the permit, allows for vertical construction of a building or buildings.

**“Capital Reserve Requirement”** means, for the Project as a whole, the target amount of capital reserves to be established for Sea Level Rise Improvements, which shall be \$250 million in Fiscal Year 2016-17 dollars, escalating, on July 1, 2017 and on each July 1 thereafter, by the Escalator.

**“Capitalized Interest”** means funds in any capitalized interest account available to pay debt service on Bonds.

**“CFD”** or **“CFD No. 2016-1”** means the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

**“CFD Formation”** means the date on which the Board approved documents to form the CFD.

**“City”** means the City and County of San Francisco, California.

**“Commercial/Retail Square Footage”** means the net saleable or net leasable square footage within a building that is or is expected to be square footage of a commercial establishment that sells general merchandise, hard goods, food and beverage, personal services, and other items directly to consumers, including but not limited to, museums, restaurants, bars, entertainment venues, health clubs, spas, laundromats, dry cleaners, repair shops, storage facilities, and parcel delivery shops. In addition, any other square footage in a building that is used for commercial, office, or industrial business operations and is not Accessory Square Footage or Association Property shall be taxed as Commercial/Retail Square Footage. Commercial/Retail Square Footage shall be determined based on reference to the condominium plan, site plan, Building Permit, or Development Approval Documents, or as provided by the Developer or the City. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Commercial/Retail Square Footage on any Parcel within Improvement Area No. 2, and such determination shall be conclusive and binding. Commercial/Retail Square Foot means a single square-foot unit of Commercial/Retail Square Footage. Incidental retail or commercial uses in an otherwise exempt building (e.g., a snack bar in a recreation center on Association Property) shall not constitute Commercial/Retail Square Footage.

**“Converted Rental Residential Building”** means, in any Fiscal Year, a building: (i) that had, in the prior Fiscal Year, been a Rental Residential Building, and (ii) within which one or more Residential Units have been sold to individual homeowners or investors, which investors shall not include parties involved in the sale of the building to a subsequent landlord that intends to

operate the building as a Rental Residential Building. In the first Fiscal Year in which the Administrator identifies a building as a Converted Rental Residential Building, the Administrator shall determine if the building is part of a Low-Rise Project, Mid-Rise Project, Tower Project, or Townhome Project and, based on such determination, assign the Converted For-Sale Units in the building to the appropriate Residential Product Type. Rental Units in the Converted Rental Residential Building shall continue to be taxed as Rental Units unless and until such units become Converted For-Sale Units.

**“Converted For-Sale Unit”** means, in any Fiscal Year, an individual Residential Unit within a Converted Rental Residential Building for which an escrow has closed, on or prior to June 30 of the preceding Fiscal Year, in a sale to an individual homeowner or investor, as determined by the Administrator. Once identified, the Administrator shall categorize Converted For-Sale Units to the appropriate Residential Product Type for purposes of taxing the unit pursuant to this RMA.

**“County”** means the City and County of San Francisco, California.

**“D4D”** means the Treasure Island and Yerba Buena Island Design for Development, approved by the Planning Commission and TIDA, and dated June 28, 2011, and as amended from time to time.

**“DA”** means the Development Agreement Relative to Treasure Island/Yerba Buena Island, including all exhibits and attachments, executed by the City and TICD, dated June 28, 2011, and as amended from time to time.

**“DDA”** means the Disposition and Development Agreement (Treasure Island/Yerba Buena Island), including all exhibits and attachments, executed by TIDA and TICD, dated June 28, 2011, and as amended from time to time.

**“Developed Property”** means, in any Fiscal Year, all Taxable Parcels for which a Building Permit was issued prior to June 30 of the preceding Fiscal Year, but not prior to January 1, 2015.

**“Developer”** means the developer of a Major Phase or Sub-Phase located in Improvement Area No. 2, which shall not include a Vertical Developer that has entered into a Vertical DDA.

**“Developer Maintenance Payment”** means a payment that TIDA requires to be made by the Developer to pay for Ongoing Park Maintenance as described in and pursuant to Section 2.7 of the Financing Plan.

**“Development Approval Documents”** means, collectively, any Major Phase Application, Sub-Phase Application, Vertical DDA, tentative subdivision map, Final Map, Review Authority approval, or other such approved or recorded document or plan that identifies the type of structure(s), acreage, square footage, and/or number of Residential Units approved for development on Taxable Parcels.

**“Development Project”** means a residential, non-residential, or mixed-use development that includes one or more buildings that are planned and entitled in a single Building Permit.

**“Escalator”** means the lesser of the following: (i) the increase, if any, in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose region (base years 1982-1984=100) published by the Bureau of Labor Statistics of the United States Department of Labor, or, if such index is no longer published, a similar escalator that is determined by TIDA and the City to be appropriate, and (ii) five percent (5%).

**“Estimated Base Facilities Special Tax Revenues”** means, at any point in time, the amount calculated by the Administrator by multiplying the Base Facilities Special Tax by square footage within each Land Use Category proposed for development on a Parcel or within a Sub-Block.

**“Expected Land Uses”** means the total square footage in each Land Use Category expected within each Sub-Block in Improvement Area No. 2. The Expected Land Uses at the time of CFD Formation are identified in Attachment 2 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Maximum Facilities Special Tax Revenues”** means the aggregate Facilities Special Tax that can be levied based on application of the Base Facilities Special Tax to the Expected Land Uses. The Expected Maximum Facilities Special Tax Revenues for each Sub-Block at the time of CFD Formation are shown in Attachment 2 and may be revised pursuant to Sections B, C, D, and E below.

**“Expected Taxable Property”** means any Parcel within Improvement Area No. 2 that: (i) pursuant to the Development Approval Documents, was expected to be a Taxable Parcel, (ii) based on the Expected Land Uses and as determined by the Administrator, was assigned Expected Maximum Facilities Special Tax Revenues, and (iii) subsequently falls within one or more of the categories that would otherwise be exempt from the Special Tax as set forth in Section H below. Notwithstanding the foregoing, any Parcels owned by TIDA within the Tidelands Trust Overlay Zone will not be Expected Taxable Property, and such Parcels shall only be taxed as Expected Taxable Property if an LDDA or other leasehold interest with a term of twenty (20) years or more is in place on the Parcel.

**“Facilities Special Tax”** means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

**“Facilities Special Tax Requirement”** means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that are due in the calendar year that begins in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds, (iii) replenish reserve funds created for the Bonds under the Indenture to the extent such replenishment has not been included in the computation of the Facilities Special Tax Requirement in a previous Fiscal Year; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses; and (vi) pay directly for Authorized Expenditures, including park maintenance, Sea Level Rise Improvements, and capital reserves, in the priority set forth in the Financing Plan, so long as such levy under this clause (vi) does not increase the Facilities Special Tax levied on Undeveloped Property. Notwithstanding the foregoing, in any Fiscal Year in which any portion of a Developer Maintenance Payment is delinquent, the Maximum Facilities Special Tax shall be levied on Undeveloped Property until the amount collected from Undeveloped Property that is used to pay for park maintenance is equal to the

aggregate amount of delinquent Developer Maintenance Payments. The amounts referred to in clauses (i) and (ii) of the definition of Facilities Special Tax Requirement may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against such costs pursuant to the Indenture; (b) in the sole and absolute discretion of the City, proceeds received by the CFD from the collection of penalties associated with delinquent Facilities Special Taxes; and (c) any other revenues available to pay such costs, each as determined in the sole discretion of the Administrator.

**“Final Map”** means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots on which Building Permits for new construction may be issued without further subdivision.

**“Financing Plan”** means the Financing Plan attached as Exhibit D to the DA and Exhibit EE to the DDA, as such plan may be amended or supplemented from time to time in accordance with the terms of the DA and DDA.

**“Fiscal Year”** means the period starting July 1 and ending on the following June 30.

**“For-Sale Units”** means: (i) Residential Units that are available or, upon completion, will be available for sale to individual homeowners or investors, (ii) Converted For-Sale Units, and (iii) all Residential Units in a building within which one or more Residential Units are available for sale to individual homeowners or investors, unless such building is a Converted Rental Residential Building. The Administrator shall make the final determination as to whether a Residential Unit is a For-Sale Unit or a Rental Unit. After the first series of Bonds has been issued for Improvement Area No. 2, a For-Sale Unit shall never be re-categorized as a Rental Unit, regardless of changes of use in the building or a decision to permanently or temporarily rent the For-Sale Unit.

**“Future Annexation Area”** means that geographic area that, at the time of CFD Formation, was considered potential annexation area for the CFD and which was, therefore, identified as “future annexation area” on the recorded CFD boundary map. Such designation does not mean that any or all of the Future Annexation Area will annex into Improvement Area No. 2, but should property designated as Future Annexation Area choose to annex, the annexation may be processed pursuant to the annexation procedures in the Act for territory included in a future annexation area, as well as the procedures established by the Board.

**“Hotel”** means a structure or portion of a structure that constitutes a place of lodging, providing temporary sleeping accommodations for travelers, which structure may include one or more of the following: spa services, restaurants, gift shops, meeting and convention facilities. Residential Units that are offered for rent to travelers (e.g., units offered through Airbnb) shall not be categorized as Hotel.

**“Hotel Condominium”** means a Residential Unit within a Hotel Project.

**“Hotel Project”** means a Development Project within which a building proposed to be constructed is either a Hotel or a residential or mixed-use building being developed in



conjunction with a Hotel that will share common area and amenities with the Hotel. Notwithstanding the foregoing, if a Development Project includes multiple buildings, one of which is a Hotel, and one or more other buildings in the Development Project do not share common area or amenities with the Hotel and are not otherwise affiliated with the Hotel, such other building(s) shall be considered a separate Development Project for purposes of this RMA and shall be categorized as a Low-Rise Project, Mid-Rise Project, Tower Project, or Townhome Project based on the definitions set forth herein. If a Hotel Project is constructed on a Parcel that is owned by TIDA, such Parcel shall be treated as a Hotel Project, not Public Property, for purposes of this RMA.

**“Hotel Square Footage”** means the usable square footage within a building that is, or is expected to be, a Hotel, as reflected on a condominium plan, site plan, or Building Permit, as provided by the Developer or the City, or as expected pursuant to Development Approval Documents. All square footage that is not Residential Square Footage or Accessory Square Footage and shares an Assessor’s Parcel number within such a structure, including square footage of restaurants, meeting and convention facilities, gift shops, spas, offices, and other related uses, shall be categorized as Hotel Square Footage. Upon assignment of Assessor’s Parcel numbers to the Airspace Parcels for any Hotel Condominiums, the Hotel Condominiums shall be assigned a Maximum Special Tax based on application of the appropriate Base Special Tax for Hotel Condominiums, as set forth in Section C below. If there are separate Assessor’s Parcel numbers for the retail uses associated with the Hotel, the Base Special Tax for Commercial/Retail Square Footage shall be used to determine the Maximum Special Tax for such Parcels, and the Base Special Tax for Hotel Square Footage shall be used to determine the Maximum Special Tax for Parcels on which uses in the building other than Hotel Condominiums and retail uses are located, including office space associated with Hotel operations. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Hotel Square Footage within a building, and such determination shall be conclusive and binding. Hotel Square Foot means a single square-foot unit of Hotel Square Footage.

**“Housing Plan”** means Exhibit E to the DDA, which sets forth the plan for development of Market Rate Units, Inclusionary Units, and Authority Housing Units on Treasure Island and Yerba Buena Island.

**“Improvement Area No. 2”** means Improvement Area No. 2 of the CFD, as it exists at CFD Formation and as expanded with future annexations to Improvement Area No. 2 (if any).

**“Inclusionary Unit”** means a Residential Unit that is, pursuant to the Housing Plan, subject to restrictions related to the affordability of the Residential Unit or income restrictions for its occupants, and is not an Authority Housing Unit.

**“Indenture”** means any indenture, fiscal agent agreement, resolution, or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

**“Land Use Category”** means, individually, Low-Rise Units, Mid-Rise Units, Tower Units, Treasure Island Townhome Units, Yerba Buena Island Townhome Units, Rental Units, Hotel Condominiums, Hotel Square Footage, or Commercial/Retail Square Footage.

**“Land Use Change”** means a change to the Expected Land Uses within Improvement Area No. 2 after CFD Formation.

**“LDDA”** means a Disposition and Development Agreement between TIDA and a Vertical Developer that has a leasehold interest in property that is subject to the Public Trust, as defined in the DDA.

**“Low-Rise Project”** means a Development Project that meets either of the following criteria: (i) the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings has or, based on the Building Permit, will have a Building Height that is greater than 50 feet and less than or equal to 70 feet, or (ii) the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is less than or equal to 50 feet and one or more of the ground floor Residential Units within such building do not have a main entry door that is directly accessible from a public street, private street, or courtyard instead of from a common corridor.

All For-Sale Units within a Low-Rise Project, regardless of the height of each individual building within the Development Project, shall be categorized as Low-Rise Units for purposes of this RMA. For example, if a Development Project includes three separate buildings, the highest building is proposed to be 50 feet tall, and one or more of the ground floor Residential Units within the 50-foot tall building will not have a main entry door that is directly accessible from a street or courtyard, then the For-Sale Units in all three buildings in the Development Project will be taxed as Low-Rise Units. If a Development Project includes two buildings that have the same proposed Building Height, both buildings are less than 50 feet tall, and only one of the two buildings has ground floor Residential Units, all of which have main entry doors that will be directly accessible from a street or courtyard, the For-Sale Units within the Development Project will be categorized as Low-Rise Units and not Treasure Island Townhome Units or Yerba Buena Townhome Units.

**“Low-Rise Unit”** means a For-Sale Unit in a Low-Rise Project.

**“Major Phase”** is defined in the DDA.

**“Major Phase Application”** means the application and associated documents required to be submitted for each Major Phase Approval, as defined in the DDA.

**“Market Rate Unit”** means a Residential Unit that is not an Authority Housing Unit or Inclusionary Unit.

**“Maximum Facilities Special Tax”** means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum IA2 Revenues”** means, at any point in time, the aggregate Maximum Facilities Special Tax that can be levied on all Taxable Parcels.

**“Maximum Services Special Tax”** means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C, D, and E below.

**“Maximum Special Tax”** means, prior to the Transition Year, the Maximum Facilities Special Tax and, in the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel and shall, in addition to the Services Special Tax, be part of the Maximum Special Tax for the Parcel until paid.

**“Mid-Rise Project”** means a Development Project within which the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is greater than 70 feet but less than or equal to 125 feet. All For-Sale Units within a Mid-Rise Project, regardless of the height of each individual building within the Development Project, shall be categorized as Mid-Rise Units for purposes of this RMA. For example, if a Development Project proposes three buildings that are 90 feet, 60 feet, and 40 feet, respectively, all For-Sale Units within all three buildings will be categorized as Mid-Rise Units.

**“Mid-Rise Unit”** means a For-Sale Residential Unit within a Mid-Rise Project.

**“Planning Code”** means the Planning Code of the City and County of San Francisco, as it may be amended from time to time.

**“Project”** is defined in the DDA.

**“Proportionately”** means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Parcels of Developed Property. For Vertical DDA Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Parcels of Vertical DDA Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Parcels of Undeveloped Property. For Expected Taxable Property, “Proportionately” means that the ratio of the actual Special Tax levied to the Maximum Special Tax is equal for all Parcels of Expected Taxable Property.

**“Public Property”** means any property within the boundaries of Improvement Area No. 2 that is owned by the federal government, the State of California, TIDA, the City, or other public agency. Notwithstanding the foregoing, any property subject to an LDDA with a term of twenty (20) years or more shall not, during the lease term, be considered Public Property and shall be taxed and classified according to the use on the Parcel(s) unless such Parcel is an Authority Housing Lot. However, any Special Taxes levied on property owned by TIDA and subject to an LDDA shall be levied on the leasehold interest in such property pursuant to Section 53340.1 of the Act.

**“Qualified Project Costs”** has the meaning set forth in the Financing Plan and refers to the Project as a whole.

**“Remainder Special Taxes”** means, as calculated between September 1<sup>st</sup> and December 31<sup>st</sup> of any Fiscal Year, any Facilities Special Tax revenues that were collected in the prior Fiscal Year and were not needed to: (i) pay debt service on the Bonds that was due in the calendar year in which the Remainder Special Taxes are being calculated; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement, liquidity support and rebate payments on the Bonds; (iii) replenish reserve funds created for the Bonds under the Indenture; (iv) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year; (v) pay Administrative Expenses that have been incurred, or are expected to be incurred, by the City prior to the receipt of additional Facilities Special Tax proceeds, or (vi) apply towards park maintenance costs that are not fully funded because of delinquent Developer Maintenance Payments.

**“Rental Residential Building”** means a building within Improvement Area No. 2 for which a building permit or use permit has been issued or is expected to be issued for construction of a residential structure within which all Residential Units are offered for rent to the general public, and cannot be purchased by individual homeowners or investors.

**“Rental Unit”** means (i) Residential Units within a Rental Residential Building, and (ii) all Rental Units within a Converted Rental Residential Building that have yet to be sold to an individual homeowner or investor. “Rental Unit” shall not include: (i) any Residential Unit which has been purchased by a homeowner or investor and subsequently offered for rent to the general public, or (ii) any Residential Units within a building that includes one or more For-Sale Units unless such building is a Converted Rental Residential Building. The Administrator shall make the final determination as to whether a Residential Unit is a For-Sale Unit or a Rental Unit.

**“Required Coverage”** means the amount by which the Maximum IA2 Revenues must exceed the Bond debt service and priority Administrative Expenses (if any), as set forth in the Indenture, Certificate of Special Tax Consultant, or other formation or bond document that sets forth the minimum required debt service coverage.

**“Residential Product Type”** means a Low-Rise Unit, Mid-Rise Unit, Tower Unit, Treasure Island Townhome Unit, Yerba Buena Townhome Unit, or Hotel Condominium. If there is any confusion as to the Residential Product Type that applies to Residential Units within a Development Project, the Administrator shall coordinate with the Review Authority to make the determination, which shall be conclusive and binding.

**“Residential Property”** means, in any Fiscal Year, all Taxable Parcels for which Building Permits have been issued, or based on Development Approval Documents, are expected to be issued for construction of a structure that includes one or more Residential Units.

**“Residential Square Footage”** means the square footage of a Residential Unit or residential structure reflected on a condominium plan, site plan, or Building Permit, provided by the Developer or the City, or expected pursuant to Development Approval Documents. The Administrator, in conjunction with the Review Authority, shall make the final determination as to the amount of Residential Square Footage on a Taxable Parcel, and such determination shall be conclusive and binding. Residential Square Foot means a single square-foot unit of Residential Square Footage.

**“Residential Unit”** means a room or suite of two or more rooms that is designed for residential occupancy for 32 consecutive days or more, including provisions for sleeping, eating and sanitation. “Residential Unit” will include, but not be limited to, an individual townhome, condominium, flat, apartment, or loft unit, and individual units within a senior or assisted living facility.

**“Review Authority”** means, for Parcels within the Tidelands Trust Overlay Zone, the Executive Director of TIDA, and for Parcels outside the Tidelands Trust Overlay Zone, the City Planning Director, or an alternate designee from TIDA or the City who is responsible for approvals and entitlements of a Development Project.

**“RMA”** means this Rate and Method of Apportionment of Special Tax.

**“Sea Level Rise Improvements”** means public improvements necessary to ensure that shoreline, public facilities, and public access improvements will be protected due to sea level rise at the perimeters of Treasure Island and Yerba Buena Island.

**“Services Special Tax”** means a special tax levied in any Fiscal Year to pay the Services Special Tax Requirement.

**“Services Special Tax Requirement”** means the amount necessary in any Fiscal Year to: (i) pay the costs of operations and maintenance or other public services that are included as Authorized Expenditures; (ii) cure delinquencies in the payment of Services Special Taxes in the prior Fiscal Year; and (iii) pay Administrative Expenses.

**“Special Tax”** means, prior to the Transition Year, the Facilities Special Tax and, in and after the Transition Year, the Services Special Tax.

**“Special Tax Requirement”** means, prior to the Transition Year, the Facilities Special Tax Requirement and, in and after the Transition Year, the Services Special Tax Requirement. Notwithstanding the foregoing, if there are any delinquent Facilities Special Taxes to be collected from a Parcel in or after the Transition Year, such delinquent Facilities Special Taxes shall continue to be levied against the Parcel in addition to the Services Special Tax Requirement for that Fiscal Year.

**“Special Use District”** means the Treasure Island/Yerba Buena Island Special Use District, included as Section 249.52 of the Planning Code.

**“Sub-Block”** means a specific geographic area within Improvement Area No. 2 for which Expected Land Uses have been identified. Sub-Blocks and Expected Land Uses within Improvement Area No. 2 at the time of CFD Formation are identified in Attachments 1 and 2 of this RMA and may be revised pursuant to Sections B, C, D, and E below.

**“Sub-Phase”** is defined in the DDA.

**“Sub-Phase Application”** means the application and associated documents required to be submitted for each Sub-Phase Approval, as defined and set forth in the DDA.

**“Taxable Parcel”** means any Parcel within Improvement Area No. 2 that is not exempt from the Special Tax pursuant to law or Section H below.

**“TICD”** means Treasure Island Community Development, LLC, a California limited liability company, and its successors and permitted assigns under the DDA.

**“TIDA”** means the Treasure Island Development Authority, a California non-profit public benefit corporation, or any successor public agency designated by or under law, which may include the City or the San Francisco Port Commission.

**“Tidelands Trust Overlay Zone”** means the areas on Treasure Island and Yerba Buena Island that are subject to the Tidelands Trust after completion of all Tidelands Trust exchanges, as identified in figures set forth in the Special Use District.

**“Tower Project”** means a Development Project within which the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is greater than 125 feet. All For-Sale Units within a Tower Project, regardless of the height of each individual building within the Development Project, will be categorized as Tower Units for purposes of this RMA. For example, if a Development Project proposes three buildings that are 140 feet, 90 feet, and 40 feet, respectively, all For-Sale Units within all three buildings will be categorized as Tower Units.

**“Tower Unit”** means a Residential Unit within a Tower Project.

**“Townhome Project”** means a Development Project that meets both of the following criteria: (i) the highest residential or mixed-use building with Residential Units, not including Rental Residential Buildings, has or, based on the Building Permit, will have a Building Height that is less than or equal to 50 feet, and (ii) the main entry doors for all ground floor Residential Units within such building will be directly accessible from a public street, private street, or courtyard instead of from a common corridor. All For-Sale Units within a Townhome Project will be categorized as Treasure Island Townhome Units or Yerba Buena Townhome Units for purposes of this RMA.

**“Transition Event”** shall be deemed to have occurred when the Administrator determines that either of the following events have occurred: (i) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Capital Reserve Requirement has been fully funded, or (ii) all Bonds secured by the levy and collection of Facilities Special Taxes in the CFD have been fully repaid, all Administrative Expenses from prior Fiscal Years have been paid or reimbursed to the City, and the Facilities Special Tax has been levied within Improvement Area No. 2 for one hundred (100) Fiscal Years.

**“Transition Year”** means the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year.

**“Treasure Island Townhome Unit”** means a Residential Unit within a Townhome Project proposed for development on Treasure Island.

**“Undeveloped Property”** means, in any Fiscal Year, all Taxable Parcels that are not Developed Property, Vertical DDA Property, or Expected Taxable Property.

**“Vertical DDA”** means a Vertical DDA or a Vertical LDDA, as defined in the DDA, for a Taxable Parcel.

**“Vertical DDA Property”** means, in any Fiscal Year, any Parcel that is not yet Developed Property against which a Vertical DDA has been recorded, and for which the Developer or the Vertical Developer has, by June 30 of the prior Fiscal Year, notified the Administrator of such recording.

**“Vertical Developer”** means a developer that has entered into a Vertical DDA for construction of vertical improvements on a Taxable Parcel.

**“Yerba Buena Townhome Unit”** means a Residential Unit within a Townhome Project proposed for development on Yerba Buena Island.

## **B. DATA FOR CFD ADMINISTRATION**

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for all Taxable Parcels. The Administrator shall also determine: (i) whether each Taxable Parcel is Developed Property, Vertical DDA Property, Undeveloped Property, or Expected Taxable Property, (ii) within which Sub-Block each Assessor’s Parcel is located, (iii) for Developed Property, the Residential Square Footage, Commercial/Retail Square Footage, and/or Hotel Square Footage on each Parcel, (iv) for Residential Property, the Residential Product Type, number of Market Rate Units, Inclusionary Units, For-Sale Units, Rental Units, and Converted For-Sale Units, (v) whether there are any delinquent Developer Maintenance Payments, and (vi) the Special Tax Requirement for the Fiscal Year.

The Administrator shall review Development Approval Documents and coordinate with TIDA, the Developer, and Vertical Developers to identify the number of Inclusionary Units within each building. If there are transfers of Inclusionary Units and Market Rate Units, the Administrator shall refer to Section D.2 to determine the Maximum Special Tax for each Parcel after such transfer. If, at any time after issuance of the first series of Bonds, it is determined that an increase in the number of Inclusionary Units will decrease Maximum IA2 Revenues to a point at which Required Coverage cannot be maintained, then some or all of the Inclusionary Units that were not originally part of the Expected Land Uses shall be designated as Expected Taxable Property and shall be subject to the levy of the Facilities Special Tax pursuant to Step 4 in Section F below. In such a case, the Administrator shall determine how many Inclusionary Units must be subject to the Facilities Special Tax in order to maintain Required Coverage, and TIDA and the City shall determine which Inclusionary Units will be Expected Taxable Property, and the Administrator shall update Attachment 2 accordingly.

If TIDA notifies the Administrator of a change in the number or location of Authority Housing Lots, then at the request of TIDA and the owner of any private Parcel(s) affected by the change, the Administrator shall (i) amend and replace Attachment 3 to reflect the then-current location and designation of Authority Housing Lots, and (ii) amend and replace Attachment 2 to reflect the then-current Expected Land Uses on, and the Expected Maximum Facilities Special Tax Revenues for, the Parcel(s) that are affected by the change. If, at any time after issuance of the first series of Bonds, it is determined that an increase in the number of Authority Housing Units will decrease Maximum IA2 Revenues to a point at which Required Coverage cannot be maintained, then some or all of the Authority Housing Lots that were not originally part of the Expected Land Uses shall be designated as Expected Taxable Property and shall be subject to the levy of the Special Tax pursuant to Step 4 in Section F below. In such a case, the Administrator shall determine how many Authority Housing Units must be subject to the Special Tax in order to maintain Required Coverage, and TIDA shall determine which Authority Housing Lots will be Expected Taxable Property, and the Administrator shall update Attachment 2 accordingly.

If a Building Permit has been issued for development of a structure, and additional structures are anticipated to be built within the Sub-Block as shown in the Development Approval Documents, the Administrator shall, regardless of the definitions set forth herein, categorize the building(s) for which the Building Permit was issued as Developed Property and any remaining buildings for which Building Permits have not yet been issued as Vertical DDA Property for purposes of levying the Special Tax. If the buildings share an Assessor's Parcel, the Administrator shall take the sum of the Special Taxes determined for each building after application of the steps in Section F to determine the Special Tax levy for the Parcel.

In any Fiscal Year, if it is determined that (i) a parcel map or condominium plan was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the map or plan was recorded, the Assessor does not yet recognize the newly-created parcels, and (iii) one or more of the newly-created parcels meets the definition of Developed Property or Vertical DDA Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the map or plan by determining the Special Tax that applies separately to each newly-created parcel, then applying the sum of the individual Special Taxes to the Assessor's Parcel that was subdivided by recordation of the parcel map or condominium plan.

In addition to the tasks set forth above, on an ongoing basis, the Administrator will review the Development Approval Documents for property in Improvement Area No. 2 and communicate with the Developer regarding proposed Land Use Changes. The Administrator will, upon receipt of each recorded Vertical DDA, and upon any proposed Land Use Change that is made known to the Administrator, update Attachment 2 to reflect the then-current Expected Land Uses on, and Expected Maximum Facilities Special Tax Revenues for, each Sub-Block.



## C. MAXIMUM SPECIAL TAX

### 1. *Undeveloped Property*

#### 1a. **Facilities Special Tax**

Prior to the Transition Year, the Maximum Facilities Special Tax for Undeveloped Property in Improvement Area No. 2 shall be the Expected Maximum Facilities Special Tax Revenues shown in Attachment 2 of this RMA, as it may be amended as set forth herein. If, in any Fiscal Year, separate Assessor's Parcels have not yet been created for property within each Sub-Block, the Administrator shall sum the Expected Maximum Facilities Special Tax Revenues for all Sub-Blocks within an Assessor's Parcel to determine the Maximum Facilities Special Tax that shall apply to the Parcel in such Fiscal Year.

If an Assessor's Parcel contains a portion of one or more Sub-Blocks, the Maximum Facilities Special Tax shall be determined by allocating the Expected Maximum Facilities Special Tax Revenues for each Sub-Block proportionately among such Assessor's Parcels based on the Expected Land Uses on each Parcel, as determined by the Administrator. The Maximum IA2 Revenues after such allocation shall not be less than the Maximum IA2 Revenues prior to this allocation.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Undeveloped Property in Improvement Area No. 2, unless there are delinquent Facilities Special Taxes on a Parcel of Undeveloped Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

#### 1b. **Services Special Tax**

Prior to the Transition Year, there shall be no Services Special Tax levied on Undeveloped Property in Improvement Area No. 2. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax for Undeveloped Property in Improvement Area No. 2 shall be \$171,595 per acre, which amount shall be escalated as set forth in Section D.2 below.

### 2. *Vertical DDA Property*

#### 2a. **Facilities Special Tax**

Prior to the Transition Year, when a Parcel becomes Vertical DDA Property, the Administrator shall review the recorded Vertical DDA and coordinate with the Developer and/or the Vertical Developer to confirm the Expected Land Uses on the Sub-Block(s) covered by the Vertical DDA. Using the Base Facilities Special Taxes shown in Table 1 below, the Administrator shall calculate the Estimated Base Facilities Special Tax Revenues based on the Expected Land Uses reflected in the Vertical DDA and the square footage estimated by the Vertical Developer. Prior to issuance of the first series of

Bonds, the Maximum Special Tax for each Parcel shall be the Estimated Base Facilities Special Tax Revenues for the Parcel.

<b>Table 1 Base Facilities Special Tax</b>		
<b>Land Use Category</b>	<b>Base Facilities Special Tax Before the Transition Year (in Fiscal Year 2019-20 dollars) *</b>	<b>Base Facilities Special Tax In and After the Transition Year (in Fiscal Year 2019-20 dollars) *</b>
Low-Rise Units	\$6.51 per square foot	\$0.00 per square foot
Mid-Rise Units	\$7.54 per square foot	\$0.00 per square foot
Tower Units	\$8.64 per square foot	\$0.00 per square foot
Treasure Island Townhome Units	\$5.72 per square foot	\$0.00 per square foot
Yerba Buena Townhome Units	\$6.18 per square foot	\$0.00 per square foot
Rental Units	\$2.97 per square foot	\$0.00 per square foot
Hotel Condominiums	\$6.30 per square foot	\$0.00 per square foot
Commercial/Retail Square Footage	\$1.60 per square foot	\$0.00 per square foot
Hotel Square Footage	\$3.19 per square foot	\$0.00 per square foot

**\* The Base Facilities Special Taxes shown above shall be escalated as set forth in Section D.1.**

After issuance of the first series of Bonds, for the Sub-Block(s) included in the Vertical DDA, the Administrator shall compare the Estimated Base Facilities Special Tax Revenues to the Expected Maximum Facilities Special Tax Revenues for the Sub-Block as reflected in Attachment 2, and:

- *If the Estimated Base Facilities Special Tax Revenues are greater than or equal to the Expected Maximum Facilities Special Tax Revenues, then the Maximum Facilities Special Tax for the Vertical DDA Property shall be the Estimated Base Facilities Special Tax Revenues. The Administrator shall update Attachment 2 to reflect this amount as the Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) in the Vertical DDA.*
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, but the Maximum IA2 Revenues are still sufficient to provide Required Coverage, then the Maximum Facilities Special Tax for the Vertical DDA Property shall be the Estimated Base Facilities Special Tax Revenues. The Administrator shall revise Attachment 2 to reflect the decreased Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) within the Vertical DDA and the decreased Maximum IA2 Revenues.*
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, and such reduction causes the Maximum IA2 Revenues to be insufficient to provide Required Coverage, then the Base Facilities Special Taxes applied to each Land Use*

Category in the Vertical DDA shall be increased proportionately until the amount that can be levied on Expected Land Uses in the Vertical DDA, combined with the Expected Maximum Facilities Special Tax Revenues from other Sub-Blocks in Improvement Area No. 2, is sufficient to maintain Required Coverage. The Administrator shall revise Attachment 2 to reflect the new Expected Facilities Maximum Special Tax Revenues for the Sub-Block(s) within the Vertical DDA.

If it is determined that only a portion of a Sub-Block is included within a Vertical DDA, the Administrator shall refer to Attachments 1 and 2 to estimate the Expected Land Uses that should be assigned to the portion of the Sub-Block that is included within the Vertical DDA. The Administrator shall confirm this determination with the Review Authority, the Developer, and the Vertical Developer.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Vertical DDA Property in Improvement Area No. 2, unless there are delinquent Facilities Special Taxes on a Parcel of Vertical DDA Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

**2b. Services Special Tax**

Prior to the Transition Year, there shall be no Services Special Tax levied on Vertical DDA Property in Improvement Area No. 2. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax for a Parcel of Vertical DDA Property shall be determined by applying the Base Services Special Taxes identified in Table 2 below by the Expected Land Uses for the Parcel, as determined by the Administrator.

<b>Table 2 Base Services Special Tax</b>		
<b>Land Use Category</b>	<b>Base Services Special Tax Before the Transition Year (in Fiscal Year 2019-20 dollars) *</b>	<b>Base Services Special Tax In and After the Transition Year (in Fiscal Year 2019-20 dollars) *</b>
Low-Rise Units	\$0.00 per square foot	\$1.96 per square foot
Mid-Rise Units	\$0.00 per square foot	\$2.27 per square foot
Tower Units	\$0.00 per square foot	\$2.60 per square foot
Treasure Island Townhome Units	\$0.00 per square foot	\$1.73 per square foot
Yerba Buena Townhome Units	\$0.00 per square foot	\$1.86 per square foot
Rental Units	\$0.00 per square foot	\$0.90 per square foot
Hotel Condominiums	\$0.00 per square foot	\$1.91 per square foot
Commercial/Retail Square Footage	\$0.00 per square foot	\$0.49 per square foot
Hotel Square Footage	\$0.00 per square foot	\$0.97 per square foot

**\* The Base Services Special Taxes shown above shall be escalated as set forth in Section D.2.**

### 3. *Developed Property*

#### 3a. **Facilities Special Tax**

Prior to the Transition Year, when a Building Permit is issued, the Administrator shall apply the following steps to determine the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created for land uses within the building:

- Step 1.* Review the Building Permit, condominium plan, architectural drawings, information provided by the Developer and/or Vertical Developer, and any other documents that identify the Building Height, number of Residential Units, square footage within each Land Use Category, and expected layout of Airspace Parcels within the building(s) that will be constructed pursuant to the Building Permit. If additional Building Permits will be issued for other buildings that are within the same Development Project, coordinate with the Review Authority, the Developer, and the Vertical Developer to determine the Building Height for buildings that remain to be developed within the Development Project in order to determine the appropriate Residential Product Type for all Residential Units within the Development Project.
- Step 2.* Determine the Residential Square Footage of each Residential Unit that will be constructed pursuant to the Building Permit, as well as the Commercial/Retail Square Footage and Hotel Square Footage within the building(s).
- Step 3.* Identify the number of Inclusionary Units within the building, as well as the Residential Square Footage of each Inclusionary Unit.
- Step 4.* Using the information from the first three steps, the Administrator shall separately calculate the following:
  - For Market Rate Units in the building, multiply the applicable Base Facilities Special Tax from Table 1 for the Residential Product Type that applies to the Development Project by the total aggregate Residential Square Footage of all Market Rate Units expected within the building.
  - Multiply the Base Facilities Special Tax from Table 1 for Commercial/Retail Square Footage by the total Commercial/Retail Square Footage expected in the building.
  - Multiply the Base Facilities Special Tax from Table 1 for Hotel Square Footage by the total Hotel Square Footage expected in the building.
  - If, based on the Expected Land Uses, the Administrator determines that there is Expected Taxable Property within the building, multiply the applicable Base Facilities Special Tax from Table 1 based on what had been anticipated on the Expected Taxable Property by the square footage of the Expected Land Uses for that property.

Prior to issuance of the first series of Bonds, the Maximum Facilities Special Tax for each Taxable Parcel in the building shall be determined by adding all of the amounts calculated above. Steps 5 and 6 below shall not apply.

After issuance of the first series of Bonds, the Administrator shall apply Steps 5 and 6 to determine the Maximum Facilities Special Tax for each Taxable Parcel.

*Step 5.* Sum the amounts calculated in Step 4 to determine the Estimated Base Facilities Special Tax Revenues for the building(s) for which a Building Permit was issued.

*Step 6.* Compare the Estimated Base Facilities Special Tax Revenues from Step 5 to the Expected Maximum Facilities Special Tax Revenues for the property, and apply one of the following, as applicable:

- *If the Estimated Base Facilities Special Tax Revenues are greater than or equal to the Expected Maximum Facilities Special Tax Revenues, then the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created shall be determined by multiplying the applicable Base Facilities Special Tax by the square footage of each Land Use Category expected on each Taxable Parcel within the building(s) for which the Building Permit has been issued. The Administrator shall update Attachment 2 to reflect the adjusted Expected Maximum Facilities Special Tax Revenues for the Sub-Block and the increased Maximum IA2 Revenues.*
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, but the Maximum IA2 Revenues are still sufficient to provide Required Coverage, then the Maximum Facilities Special Tax for each Taxable Parcel that has been or will be created shall be determined by multiplying the applicable Base Facilities Special Tax by the square footage of each Land Use Category expected on each Taxable Parcel within the building(s) for which the Building Permit has been issued. The Administrator shall revise Attachment 2 to reflect the decreased Expected Maximum Facilities Special Tax Revenues for the Sub-Block(s) and the decreased Maximum IA2 Revenues.*
- *If the Estimated Base Facilities Special Tax Revenues are less than the Expected Maximum Facilities Special Tax Revenues, and such reduction causes the Maximum IA2 Revenues to be insufficient to provide Required Coverage, then the Base Facilities Special Taxes that were applied in Step 4 shall be increased proportionately until the amount that can be levied on Taxable Parcels within the building for which the Building Permit was issued, combined with the Expected Maximum Facilities*

Special Tax Revenues from other Sub-Blocks in Improvement Area No. 2, is sufficient to maintain Required Coverage.

After proportionately increasing the Base Facilities Special Taxes to an amount that will maintain Required Coverage, the Administrator shall use these adjusted per-square foot rates to calculate the Maximum Facilities Special Tax for each Taxable Parcel that has been, or is expected to be, created within the building(s) for which the Building Permit has been issued. The Administrator shall also revise Attachment 2 to reflect the new Expected Maximum Facilities Special Tax Revenues.

Until individual Assessor's Parcels are created for each Residential Unit and for any Commercial/Retail Square Footage, and/or Hotel Square Footage, within a building, the Administrator shall sum the Facilities Special Tax that, pursuant to Section F below, would be levied on all land uses on a Parcel and levy this aggregate Facilities Special Tax amount on the Parcel.

In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Developed Property in Improvement Area No. 2, unless there are delinquent Facilities Special Taxes on a Parcel of Developed Property, in which case such delinquent Facilities Special Taxes can continue to be levied against the Parcel until they are collected.

### **3b. Services Special Tax**

Prior to the Transition Year, there shall be no Services Special Tax levied on Developed Property in Improvement Area No. 2. In the Transition Year, the Maximum Services Special Tax for a Parcel of Developed Property shall be determined by the Administrator as follows:

*If the Parcel had been taxed as Developed Property in the Fiscal Year prior to the Transition Year and the Administrator is not aware of any changes to land uses on the Parcel since the Facilities Special Tax was levied, the Administrator shall, based on the information that was used to prepare the prior year's Facilities Special Tax levy, apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel, which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.*

*If the Parcel had been taxed as Developed Property in the Fiscal Year prior to the Transition Year and the Administrator is aware of changes to the Land Use Categories or square footage on the Parcel since the Facilities Special Tax was levied, the Administrator shall update the land use information and apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.*

*If the Parcel becomes Developed Property after the Transition Year, the Administrator shall update the land use information and apply the Base Services Special Taxes from Table 2 to the square footage within each Land Use Category on each Parcel to calculate the Maximum Services Special Tax for each Parcel, which amount shall be escalated in future Fiscal Years as set forth in Section D.2 below.*

**4. *Expected Taxable Property***

**4a. *Facilities Special Tax***

Prior to the Transition Year, the Maximum Facilities Special Tax assigned to any Parcel of Expected Taxable Property shall be the Expected Maximum Facilities Special Tax Revenues that were assigned to the Parcel (as determined by the Administrator) based on the Expected Land Uses prior to the Administrator determining that such Parcel had become Expected Taxable Property. In the Transition Year and each Fiscal Year thereafter, no Facilities Special Tax shall be levied on Expected Taxable Property.

**4b. *Services Special Tax***

Prior to the Transition Year, there shall be no Services Special Tax levied on Expected Taxable Property. In the Transition Year and each Fiscal Year thereafter, the Maximum Services Special Tax assigned to any Parcel of Expected Taxable Property shall be determined by the Administrator by applying the Base Services Special Tax to each Land Use Category that is built on each Parcel of Expected Taxable Property, and such determination shall be conclusive and binding.

**D. CHANGES TO THE MAXIMUM SPECIAL TAX**

**1. *Annual Escalation of Facilities Special Tax***

Beginning July 1, 2020 and each July 1 thereafter, the Base Facilities Special Taxes in Table 1, the Expected Maximum Facilities Special Tax Revenues in Attachment 2, and the Maximum Facilities Special Tax assigned to each Parcel in Improvement Area No. 2 shall be increased by 2% of the amount in effect in the prior Fiscal Year.

**2. *Annual Escalation of Services Special Tax***

Beginning July 1, 2020 and each July 1 thereafter until the Transition Year, the Base Services Special Taxes in Table 2 shall be increased by 3.4% of the amount in effect in the prior Fiscal Year. On July 1 of the Transition Year and each July 1 thereafter, the Base Services Special Taxes and the Maximum Services Special Tax assigned to each Parcel in Improvement Area No. 2 shall be escalated by the Escalator.

**3. *Inclusionary Unit and Market Rate Unit Transfers***

If, in any Fiscal Year after issuance of the first series of Bonds, the Administrator determines that a Residential Unit that had previously been designated as an Inclusionary Unit no longer

qualifies as such, the Maximum Facilities Special Tax on the Residential Unit shall be increased to the Maximum Facilities Special Tax that would be levied on a Market Rate Unit of the same square footage. If, after issuance of the first series of Bonds, a Market Rate Unit becomes an Inclusionary Unit after it has been taxed in prior Fiscal Years as a Market Rate Unit and, by exempting the Inclusionary Unit, the Administrator determines that Maximum IA2 Revenues will be reduced to a point at which Required Coverage cannot be maintained, then the Inclusionary Unit shall be designated as Expected Taxable Property and shall be subject to the levy of the Facilities Special Tax pursuant to Step 4 in Section F below.

#### **4. *Changes in Land Use Category on a Parcel of Developed Property***

If the square footage on any Parcel that had been taxed as Developed Property in a prior Fiscal Year is rezoned or otherwise changes Land Use Category, the Administrator shall multiply the applicable Base Special Taxes by the square footage within each of the new Land Use Category(ies); if the first series of Bonds has not yet been issued, this amount shall be the Maximum Special Tax for the Parcel. If the first series of Bonds has been issued, the Administrator shall apply the remainder of this Section D.4.

If the amount determined is greater than the Maximum Facilities Special Tax that applied to the Parcel prior to the Land Use Change, the Administrator shall increase the Maximum Facilities Special Tax for the Parcel to the amount calculated for the new Land Use Category(ies). If the amount determined is less than the Maximum Facilities Special Tax that applied prior to the Land Use Change, there will be no change to the Maximum Facilities Special Tax for the Parcel. Under no circumstances shall the Maximum Facilities Special Tax on any Parcel of Developed Property be reduced, regardless of changes in Land Use Category or square footage on the Parcel, including reductions in square footage that may occur due to demolition, fire, water damage, or acts of God.

#### **5. *Reduction in Maximum Facilities Special Taxes Prior to First Bond Sale***

As set forth in, and subject to the requirements of, Section 2.3(n) of the Financing Plan, the Maximum Facilities Special Taxes assigned to Taxable Parcels in Improvement Area No. 2 may be proportionately or disproportionately reduced once prior to issuance of the first series of Bonds. Such reduction shall be made without a vote of the qualified CFD electors following: (i) initiation upon written request of TICD, and (ii) consultation with the City and TIDA regarding such request. The reduction shall be codified by recordation of an amended Notice of Special Tax Lien against all Taxable Parcels within Improvement Area No. 2.

#### **6. *Converted Rental Residential Building***

If a Rental Residential Building in the CFD becomes a Converted Rental Residential Building, the Administrator shall rely on information from the County Assessor, site visits to the sales office, data provided by the entity that is selling Residential Units within the building, and any other available source of information to track sales of Residential Units. In the first Fiscal Year in which there is a Converted For-Sale Unit within the building, the Administrator shall determine the applicable Base Special Tax based on the appropriate Residential Product Type for For-Sale Units in the Development Project. Such Base Special Tax shall be used to calculate the Maximum Special Tax for all Converted For-Sale Units in the building in that Fiscal Year. In addition, this Base Special Tax, escalated as set forth in Section D.1 or, as applicable, D.2 above,



shall be used to calculate the Maximum Special Tax for all future Converted For-Sale Units within the building. Rental Units within the Converted Rental Residential Building shall continue to be subject to the Maximum Special Tax for Rental Units until such time as the units become Converted For-Sale Units. The Maximum Special Tax for all Residential Units within the building shall escalate each Fiscal Year as set forth in Section D.1 or, as applicable, D.2 above.

#### **E. ANNEXATIONS**

If, in any Fiscal Year, a property owner within the Future Annexation Area wants to annex property into Improvement Area No. 2, the Administrator shall apply the following steps as part of the annexation proceedings:

- Step 1.** Working with City staff and the landowner, the Administrator shall determine the Expected Land Uses for the area to be annexed.
- Step 2.** The Administrator shall prepare and keep on file updated Attachments 1, 2, and 3 to reflect the annexed property and identify the revised Expected Land Uses and Maximum IA2 Revenues. After the annexation is complete, the application of Sections C and F of this RMA shall be based on the adjusted Expected Land Uses and Maximum IA2 Revenues including the newly annexed property.
- Step 3.** The Administrator shall ensure that a Notice of Special Tax Lien is recorded against all Parcels that are annexed to the CFD.

#### **F. METHOD OF LEVY OF THE SPECIAL TAX**

Each Fiscal Year, the Special Tax shall be levied according to the steps outlined below:

- Step 1.* In all Fiscal Years prior to and including the earlier of (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan, or (ii) 42 years after the first series of Bonds was issued for Improvement Area No. 2, the Maximum Special Tax shall be levied on all Parcels of Developed Property regardless of debt service on Bonds (if any), and any Remainder Special Taxes collected shall be applied as set forth in the Financing Plan.

In all Fiscal Years after the earlier of: (i) the Fiscal Year in which the City or TIDA makes a finding that all Qualified Project Costs have been funded pursuant to the Financing Plan, or (ii) 42 years after the first series of Bonds was issued for Improvement Area No. 2, the Special Tax shall be levied Proportionately on each Parcel of Developed Property, up to 100% of the Maximum Special Tax for each Parcel of Developed Property until the amount levied is equal to the Special Tax Requirement.

- Step 2.* If additional revenue is needed after Step 1 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Vertical DDA Property, up to 100% of the Maximum Special Tax for each Parcel of Vertical DDA Property for such Fiscal Year.
- Step 3.* If additional revenue is needed after Step 2 in order to meet the Special Tax Requirement after Capitalized Interest has been applied to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for each Parcel of Undeveloped Property for such Fiscal Year.
- Step 4:* If additional revenue is needed after Step 3 in order to meet the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Expected Taxable Property, up to 100% of the Maximum Special Tax for each Parcel of Expected Taxable Property.

#### **G. COLLECTION OF SPECIAL TAX**

Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods. The Special Tax bill for any Parcel subject to a leasehold interest will be sent to the same party that receives the possessory interest tax bill associated with the leasehold.

The Facilities Special Tax shall be levied and collected until the earlier of: (i) the Fiscal Year in which the City determines that all Qualified Project Costs have been funded pursuant to the Financing Plan and all other Authorized Expenditures that will be funded by the CFD have been funded, and (ii) the Transition Year. The Services Special Tax shall be levied and collected in perpetuity beginning in the Transition Year. Pursuant to Section 53321(d) of the Act, the Facilities Special Tax levied against a Parcel used for private residential purposes shall under no circumstances increase more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel or Parcels and shall, in no event, exceed the Maximum Special Tax in effect for the Fiscal Year in which the Special Tax is being levied.

#### **H. EXEMPTIONS**

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on: (i) Public Property or Association Property, except Public Property or Association Property that is determined to be Expected Taxable Property or a Hotel Project, (ii) Authority Housing Lots or Inclusionary Units unless any such lots or units have been determined to be Expected Taxable Property, (iii) Parcels that are or are intended to be used as streets, walkways, alleys, rights of way, parks, or open space, and (iv) the Yerba Buena Officers Quarters.

## **I. INTERPRETATION OF SPECIAL TAX FORMULA**

The City may interpret, clarify, and revise this RMA to correct any inconsistency, vagueness, or ambiguity, by resolution and/or ordinance, as long as such interpretation, clarification, or revision does not materially affect the levy and collection of the Special Tax and any security for any Bonds.

## **J. SPECIAL TAX APPEALS**

Any taxpayer who wishes to challenge the accuracy of computation of the Special Tax in any Fiscal Year may file an application with the Administrator. The Administrator, in consultation with the City Attorney, shall promptly review the taxpayer's application. If the Administrator concludes that the computation of the Special Tax was not correct, the Administrator shall correct the Special Tax levy and, if applicable in any case, a refund shall be granted. If the Administrator concludes that the computation of the Special Tax was correct, then such determination shall be final and conclusive, and the taxpayer shall have no appeal to the Board from the decision of the Administrator.

The filing of an application or an appeal shall not relieve the taxpayer of the obligation to pay the Special Tax when due.

Nothing in this Section J shall be interpreted to allow a taxpayer to bring a claim that would otherwise be barred by applicable statutes of limitation set forth in the Act or elsewhere in applicable law.

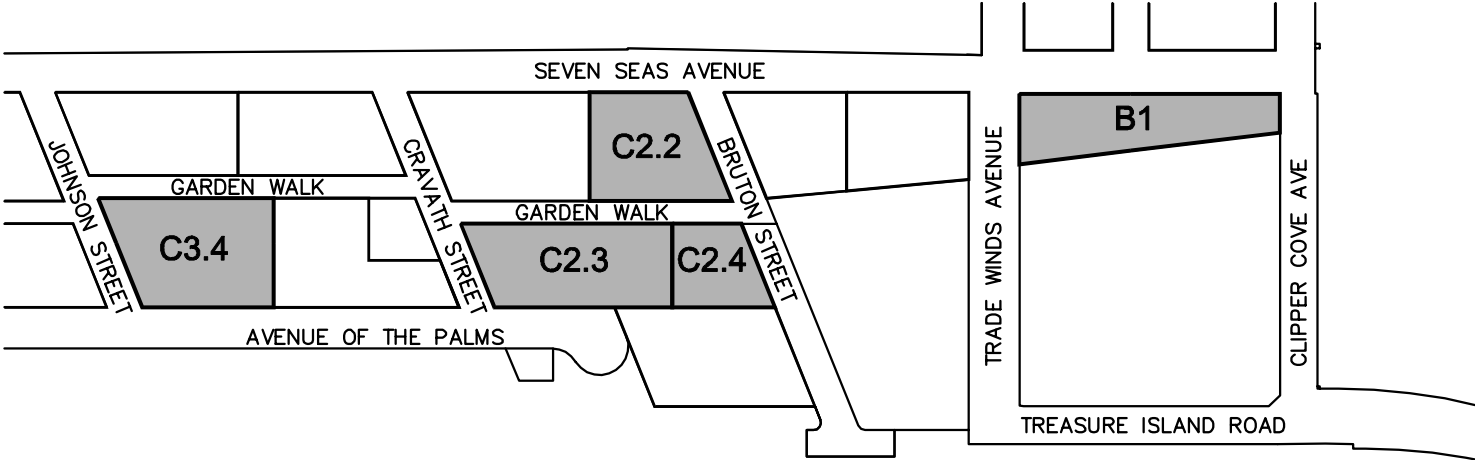
**ATTACHMENT 1**

**Improvement Area No. 2 of the  
City and County of San Francisco  
Community Facilities District No. 2016-1  
(Treasure Island)**

**Identification of Sub-Blocks in  
Improvement Area No. 2**


ATTACHMENT 1  
Improvement Area No. 2 of the  
City and County of San Francisco  
Community Facilities District No. 2016-1  
(Treasure Island)

Identification of Sub-Blocks



NOT TO SCALE

**Legend**

 Improvement Area No. 2 Sub-blocks

**ATTACHMENT 2**

**Improvement Area No. 2 of the  
City and County of San Francisco  
Community Facilities District No. 2016-1  
(Treasure Island)**

**Expected Land Uses and Expected Maximum Facilities Special Tax Revenues by Sub-Block**

<b>Sub-Block /1</b>	<b>Expected Land Use</b>	<b>Expected Number of Residential Units</b>	<b>Expected Square Footage</b>	<b>Base Facilities Special Tax (FY 2019-20) /1</b>	<b>Expected Maximum Facilities Special Tax Revenues (FY 2019-20) /1</b>
C2.2	<u>Rental Residential</u> Market Rate Units	166	132,050	\$2.97 per square foot	\$392,189
	Inclusionary Units	9	6,935	\$0.00 per square foot	\$0
C2.4	<u>Rental Residential</u> Market Rate Units	223	189,780	\$2.97 per square foot	\$563,647
	Inclusionary Units	24	19,464	\$0.00 per square foot	\$0
B1	<u>Rental Residential</u> Market Rate Units	114	78,150	\$2.97 per square foot	\$232,106
	Inclusionary Units	6	4,160	\$0.00 per square foot	\$0
C2.3	Low-Rise Units	108	93,161	\$6.51 per square foot	\$606,478
	Inclusionary Units	6	5,401	\$0.00 per square foot	\$0
C3.4	Low-Rise Units	152	134,200	\$6.51 per square foot	\$873,642
	Inclusionary Units	8	6,425	\$0.00 per square foot	\$0
Total Expected Units/Square Feet		816	669,726	N/A	N/A
<b>Maximum IA2 Revenues (Fiscal Year 2019-20 \$)</b>					<b>\$2,668,062</b>

1. See Attachment 1 for the geographic area associated with each Sub-Block.
2. Beginning July 1, 2020 and each July 1 thereafter, the dollar amounts shown above shall be escalated as set forth in Section D.1.

**ATTACHMENT 3**

**Improvement Area No. 2 of the  
City and County of San Francisco  
Community Facilities District No. 2016-1  
(Treasure Island)**

**Identification of Authority Housing Lots  
in Improvement Area No. 2**

*[No Authority Housing Lots are expected within Improvement Area No. 2.]*

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## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

*The following is a summary of certain provisions of the Fiscal Agent Agreement. This summary does not purport to be comprehensive or definitive and is subject to all of the complete terms and provisions of the Fiscal Agent Agreement, to which reference is hereby made.*

#### **Certain Definitions**

“Acquisition Agreement” means that certain Acquisition and Reimbursement Agreement (Treasure Island/Yerba Buena Island), dated March 8, 2016, by and among the City, Treasure Island Development Authority and the Developer, as it may be amended from time to time in accordance with the terms thereof.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 *et seq.* of the California Government Code.

“Additional Special Tax Reserve Release Date” means the date on which the City has delivered to the Fiscal Agent an Officer’s Certificate signed by the Director of the Office of Public Finance and the Treasure Island Director certifying that the Developer has submitted evidence reasonably satisfactory to the Director of the Office of Public Finance and the Treasure Island Director that the developer of Sub-Block B1 has spent more than \$250,000 on the onsite cost of labor and materials directly related to the construction of the vertical improvements for Sub-Block B1 that are authorized by the Building Permit (as defined in the Rate and Method) for Sub-Block B-1.

“Additional Special Tax Reserve Fund” means the account by that name established pursuant to the Fiscal Agent Agreement.

“Additional Special Tax Reserve Requirement” means (i) as of the Closing Date and continuing to September 1, 2024, an amount equal to \$652,770, provided, however, that the initial deposit on the Closing Date shall be [\$ \_\_\_\_], and (ii) on September 1, 2024 and each September 1 thereafter prior to the Additional Special Tax Reserve Release Date, an amount equal to the Additional Special Tax Reserve Requirement as of the preceding September 1 increased by two percent (2%).

“Administrative Expenses” means costs directly related to the administration of the CFD consisting of: the actual costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the actual costs of collecting the Special Taxes (whether by the City or otherwise); the actual costs of remitting the Special Taxes to the Fiscal Agent; actual costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under the Fiscal Agent Agreement; the actual costs of the City or its designee of complying with the disclosure provisions of the Act and the Fiscal Agent Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; costs of the dissemination agent, whether for the City or another party that has undertaken to provide continuing disclosure; the actual costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure

of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure.

“Administrative Expense Fund” means the fund designated the “Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Administrative Expense Fund” established and administered under the Fiscal Agent Agreement.

“Agreement” or “Fiscal Agent Agreement” means the Fiscal Agent Agreement by and between the City and County of San Francisco and Zions Bancorporation, National Association, as Fiscal Agent, dated as of October 1, 2020, as supplemented from time to time.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“Auditor” means the tax collector of the City, or such other official at the City who is responsible for preparing property tax bills.

“Authorized Officer” means the Mayor, the Controller, the Director of the Office of Public Finance, the Clerk of the Board of Supervisors, or any other officer or employee authorized by the Board of Supervisors of the City or by an Authorized Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

“Beneficial Owners” means any person for which a DTC Participant acquires an interest in the Bonds.

“Board of Supervisors” means the Board of Supervisors of the City, in its capacity as the legislative body of the CFD.

“Bond” or “Bonds” means the 2022A Bonds, the 2023A Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund designated the “Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Bond Fund” established and administered under the Fiscal Agent Agreement.

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

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“CFD” means the “City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)” formed under the Resolution of Formation.

“City” means the City and County of San Francisco, California and any successor thereto.

“City Attorney” means any attorney or firm of attorneys employed by the City in the capacity of general counsel.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel, and counsel to any financial consultant, financial consultant’s fees, charges for execution, authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Dated Date” means the dated date of the Bonds.

“DDA” means the Disposition and Development Agreement (Treasure Island/Yerba Buena Island), dated June 28, 2011, including a Financing Plan (Treasure Island/Yerba Buena Island), between TIDA and the Developer, as amended from time to time.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2022A Bonds, the 2023A Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Developer” means Treasure Island Community Development, LLC, and its successors and assigns.

“Development Agreement” means the Development Agreement, dated June 28, 2011, between the City and the Developer, as it may be amended from time to time.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” means with respect to Bonds registered in the Bond register in the name of Cede & Co., as nominee of DTC, neither the City nor the Fiscal Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time.

“Fair Market Value” means with respect to the Bonds the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States

Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the Director of the Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

“Fiscal Agent” means Zions Bancorporation, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers provided in the Fiscal Agent Agreement, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Fiscal Agent Agreement.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Area No. 2” means “Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)” formed under the Resolution of Formation.

“Improvement Area No. 2 Value” means the estimated market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all Taxable Parcels in Improvement Area No. 2 and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent Taxable Parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal with a date of value within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent Taxable Parcels as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the Improvement Area No. 2 Value, the City may rely on an appraisal to determine the value of some or all of the Taxable Parcels in Improvement Area No. 2 and/or the most recent City real property tax roll as to the value of some or all of the Taxable Parcels in Improvement Area No. 2. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“Improvement Fund” means the fund designated “Improvement Area No. 2 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Bonds, Improvement Fund,” established under the Fiscal Agent Agreement.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Treasurer, and who, or each of whom: (i) is judged by the Treasurer to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or

in the City, or any owner of real property in the Improvement Area No. 2, or any real property in the Improvement Area No. 2; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Interest Payment Date” means each March 1 and September 1 of every calendar year.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Maximum Special Taxes” has the meaning given that term in the Rate and Method.

“Moody’s” means Moody’s Investors Service, Inc., and its successors.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the Board of Supervisors of the City levying the Special Taxes, including but not limited to Ordinance No. 22-17 introduced by the Board of Supervisors on January 24, 2017, and adopted by the Board of Supervisors on January 31, 2017, and signed by Mayor Edwin Lee on February 9, 2017.

“Original Purchaser” means Stifel, Nicolaus & Company, Inc., the first purchasers of the 2023A Bonds from the City.

“Other District Bonds” has the meaning given that term in the Fiscal Agent Agreement.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Fiscal Agent Agreement) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of the provisions of the Fiscal Agent Agreement relating to discharge of the Bonds; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under the Fiscal Agent Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means additional bonds issued and payable on a parity with the Bonds under the Fiscal Agent Agreement.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project

notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit), including those placed by a third party pursuant to a separate agreement between the City and the Fiscal Agent, banking deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by any Rating Agency;

(h) money market mutual funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory, transfer agency, custodial or other management services for which it receives and retains a fee for such services to the fund) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency including those funds for which the Fiscal Agent or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; and

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A;

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal

Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of the Fiscal Agent Agreement.

(k) the California Asset Management Program.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, or such other office designated by the Fiscal Agent from time to time.

“Proceeds” when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter’s discount.

“Project” means those items described as the “Facilities” in the Resolution of Formation.

“Qualified Purchaser” means (a) a qualified institutional buyer, as that term is defined in Securities and Exchange Commission Rule 144A promulgated under the Securities Act of 1933, as amended and (b) an “institutional accredited investor,” which consists of accredited investors as defined in subsections (a)(1), (2), (3) and (7) of Securities and Exchange Commission Rule 501 promulgated under the Securities Act of 1933, as amended.

“Qualified Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P, or "A" from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P or "A" from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the 2022 Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to the 2022A Bonds and any 2022A Related Parity Bonds.

“Rate and Method” means the Rate and Method of Apportionment of Special Tax for Improvement Area No. 2 set forth in the Resolution of Formation.

“Record Date” means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

“Refunding Bonds” means bonds issued by the City for the CFD with respect to Improvement Area No. 2, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that the principal and interest on the Refunding Bonds to their final maturity date is less than the principal and interest on the Bonds being refunded to their final maturity date, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Remainder Taxes” means the Special Taxes available for disbursement pursuant to the Fiscal Agent Agreement.

“Resolution” has the meaning given that term in the recitals of the Fiscal Agent Agreement.

“Resolution of Formation” means, together, Resolution No. 8-17, adopted by the Board of Supervisors on January 24, 2017, and signed by Mayor Edwin Lee on February 3, 2017, forming the CFD, and Resolution 410-20, adopted by the Board of Supervisors on September 22, 2020, and signed by Mayor London Breed on September 25, 2020, confirming the annexation of property to the CFD as Improvement Area No. 2.

“Resolution of Necessity” means Resolution No. 9-17 adopted by the Board of Supervisors on January 24, 2017, and signed by Mayor Edwin Lee on February 3, 2017.

“S&P” means S&P Global, a division of McGraw-Hill, and its successors and assigns.

“Special Tax Fund” means the special fund designated “Improvement Area No. 2 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Fund” established and administered under the Fiscal Agent Agreement.

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

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund under the Fiscal Agent Agreement.

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

“Special Taxes” means the Facilities Special Tax levied by the Board of Supervisors within Improvement Area No. 2 under the Act, the Rate and Method, the Ordinance and the Fiscal Agent Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to the Fiscal Agent Agreement, but only if and to the extent that such agreement is specifically authorized under the Fiscal Agent Agreement.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced in the Fiscal Agent Agreement) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Tax Consultant” means an independent financial or tax consultant retained by the City for the purpose of computing the Special Taxes.



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

“Taxable Parcels” has the meaning given that term in the Rate and Method.

“TIDA” means the Treasure Island Development Authority, a California nonprofit public benefit corporation.

“2022 Reserve Fund” means the fund designated the “Improvement Area No. 2 of the City and County of San Francisco, Community Facilities District No. 2016-1 (Treasure Island), Special Tax Bonds, Reserve Fund” established and administered under the Fiscal Agent Agreement.

“2022 Reserve Requirement” means the amount as of any date of calculation equal to the least of (a) Maximum Annual Debt Service on the 2022A Bonds and 2022A Related Parity Bonds, if any, (b) 125% of average Annual Debt Service on the 2022A Bonds and 2022A Related Parity Bonds, if any and (c) 10% of the outstanding principal of the 2022A Bonds and 2022A Related Parity Bonds, if any; provided, however:

(A) that with respect to the calculation of clause (c), the issue price of the 2022A Bonds or any 2022A Related Parity Bonds excluding accrued interest shall be used rather than the outstanding principal amount, if (i) the net original issue discount or premium of the 2022A Bonds or any 2022A Related Parity Bonds was less than 98% or more than 102% of the original principal amount of the 2022A Bonds or any 2022A Related Parity Bonds and (ii) using the issue price would produce a lower result than using the outstanding principal amount;

(B) that in no event shall the amount calculated hereunder exceed the amount on deposit in the 2022 Reserve Fund on the date of issuance of the 2022A Bonds (if they are the only Bonds covered by the 2022 Reserve Fund) or the most recently issued series of 2022A Related Parity Bonds except in connection with any increase associated with the issuance of 2022A Related Parity Bonds; and

(C) that in no event shall the amount required to be deposited into the 2022 Reserve Fund in connection with the issuance of a series of 2022A Related Parity Bonds exceed the maximum amount under the Tax Code that can be financed with tax-exempt bonds and invested an unrestricted yield.

“2022A Bonds” means \$25,130,000 Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2022A.

“2022A Related Parity Bonds” means the 2023A Bonds and any series of Parity Bonds for which (i) the Proceeds are deposited into the 2022 Reserve Fund so that the balance therein is equal to the 2022 Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the 2022 Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

### **Certain Provisions Relating to the Bonds**

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

**Method of Payment.** Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

### **Transfer or Exchange of Bonds.**

(A) **General.** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of the Fiscal Agent Agreement by the person in whose name it is registered, in person or by such person’s duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

(B) Additional Transfer Restrictions Applicable to the 2023A Bonds. No transfer, sale or other disposition of any 2023A Bond, or any beneficial interest therein, may be made except to an entity that is a Qualified Purchaser that is purchasing such 2023A Bond for its own account for investment purposes and not with a view to distributing such 2023A Bond. Each transferee of a 2023A Bond, or any beneficial interest therein, shall be deemed to have acknowledged, represented, warranted and agreed with and to the City, the Participating Underwriter and the Fiscal Agent that (i) such transferee is a Qualified Purchaser that is purchasing such 2023A Bond for its own account for investment purposes and not with a view to distributing such 2023A Bond in violation of the Securities Act of 1933 or other applicable securities laws, (ii) the 2023A Bonds are payable from Special Tax Revenues and such other funds described in the Fiscal Agent Agreement, (iii) the 2023A Bonds, or any beneficial interest therein, may only be transferred to a Qualified Purchaser and (iv) the City, the Participating Underwriter and the Fiscal Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements. Each 2023A Bond shall bear a legend describing or referencing the foregoing restrictions on transferability.

Neither the Participating Underwriter nor any Owner or Beneficial Owner of the 2023A Bonds shall deposit the 2023A Bonds in any trust or account under its control and sell any shares, participatory interest or certificates in such trust and account, and neither the Participating Underwriter nor any Owner or Beneficial Owner shall deposit the 2023A Bonds in any trust or account under its control the majority of the assets of which constitute the 2023A Bonds, and sell shares, participatory interest or certificates in such trust or account except to Qualified Purchasers.

Each entity that is or that becomes a Beneficial Owner of a 2023A Bond shall be deemed by the acceptance or acquisition of such beneficial ownership interest to have agreed to be bound by the provisions of the Fiscal Agent Agreement. In the event that a holder of the 2023A Bonds makes an assignment of its beneficial ownership interest in the 2023A Bonds, the assignor will notify the assignee of the restrictions on purchase and transfer described herein. Any transfer of a 2023A Bond to any entity that is not a Qualified Purchaser shall be deemed null and void.

**Bond Register.** The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as provided in the Fiscal Agent Agreement. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

### **Certain Provisions Relating to Security for the Bonds**

**Pledge of Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent in the Fiscal Agent Agreement) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account), and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are by the Fiscal Agent Agreement dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the

Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the provisions of the Fiscal Agent Agreement relating to discharge of the Bonds.

The 2022A Bonds and all 2022A Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2022 Reserve Fund. The moneys in the 2022 Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2022A Bonds and all 2022A Related Parity Bonds as provided herein and in the Act until all of the 2022A Bonds and all 2022A Related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03 of the Fiscal Agent Agreement.

Amounts in the Improvement Fund (and the accounts therein), the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

**Limited Obligation.** All obligations of the City under the Fiscal Agent Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Special Tax Revenues and the funds pledged therefore under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

**No Acceleration.** The principal of the Bonds is not subject to acceleration.

**Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Project or upon the performance by any person of his obligation with respect to the Project.

**Parity Bonds.** In addition to the 2022A Bonds and the 2023A Bonds, the City may issue Bonds as Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds under the Fiscal Agent Agreement, and, to the extent provided therein, shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The City may only issue such Parity Bonds subject to the following specific conditions precedent:

(A) **Compliance.** Following issuance of the Parity Bonds, the City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the indebtedness limit of Improvement Area No. 2.

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

(C) **Debt Service Reserve Fund.** The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the 2022 Reserve Fund in an amount necessary such that the amount deposited therein shall equal the 2022 Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental

Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2022 Reserve Fund and that the Owners of the Bonds covered by the 2022 Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the 2022 Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the 2022 Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

**(D)** Value. The Improvement Area No. 2 Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the Taxable Parcels in Improvement Area No. 2, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on Taxable Parcels within Improvement Area No. 2 (the “Other District Bonds”) equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on Taxable Parcels within Improvement Area No. 2, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds, based upon information from the most recent available Fiscal Year.

**(E)** Coverage. An Independent Financial Consultant shall certify:

(i) For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied on the Qualifying Taxable Parcels for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year, will be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For purposes of this subsection (E)(i), “Qualifying Taxable Parcel” means, as of the date of the Officer’s Certificate required by subsection (F), a Taxable Parcel that (i) is not delinquent in the payment of Special Taxes and (ii) has a Taxable Parcel Value that is at least two (2) times the sum of: (w) the portion of the aggregate principal amount of all Bonds then Outstanding that is allocable to such Taxable Parcel, plus (x) the portion of the aggregate principal amount of the series of Parity Bonds proposed to be issued that is allocable to such Taxable Parcel, plus (y) the aggregate principal amount of any fixed assessment liens on such Taxable Parcel, plus (z) the portion of the applicable principal amount of any and all Other District Bonds that is allocable to such Taxable Parcel. For purposes of the definition of Qualifying Taxable Parcel, the portion of the aggregate principal amount of any Bonds, Parity Bonds or Other District Bonds allocable to each Qualifying Taxable Parcel shall be an amount equal to the aggregate principal amount of such Bonds, proposed Parity Bonds or Other District Bonds multiplied by a fraction, the numerator of which is the maximum amount of special taxes that could be levied on such Taxable Parcel to pay for the Bonds, proposed Parity Bonds or Other District Bonds in the next Fiscal Year that begins after issuance of the proposed Parity Bonds and based on the assumptions that (A) the proposed Parity Bonds have been issued, (B) the special taxes will be levied to pay debt service on the proposed Parity Bonds, (C) the special taxes will be

levied in the next Fiscal Year based on Expected Land Uses (as defined in the Rate and Method) on the date that the City Council approves the issuance of the proposed Parity Bonds or such other date prior to the issuance of the Parity Bonds selected by the Finance Director and the assumption that the property constitutes Developed Property (as defined in the Rate and Method) and (D) there is no capitalized interest, and the denominator of which is the total of the maximum amount of special taxes that could be levied on all Taxable Parcels in Improvement Area No. 2 or other district to pay for the Bonds, Parity Bonds or Other District Bonds in such fiscal year and based on such assumptions.

(ii) In the event Special Taxes are prepaid under the Rate and Method and applied in accordance with the Rate and Method and the Agreement, the Special Taxes that may be levied for each Fiscal Year after the prepayment under the Ordinance, the Agreement and any Supplemental Agreement less estimated Administrative Expenses for each respective Fiscal Year will be at least 110% of the Annual Debt Service payable with respect to the remaining Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year.

For the purpose of calculating the Special Taxes that may be levied for each Fiscal Year after issuance of the Parity Bonds under this subsection (E)(ii), the City shall not include the Special Taxes that may be levied on any parcel of Taxable Property that is delinquent in the payment of Special Taxes on the date of the Officer's Certificate required by subsection (F).

(F) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in paragraphs (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of subsections (D) or (E) above, and, in connection therewith, the Officer's Certificate in subsection (F) above need not make reference to said subsections (D) and (E).

Nothing in the Fiscal Agent Agreement shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under the Fiscal Agent Agreement.

### **Certain Funds and Accounts**

#### **2022 Reserve Fund.**

Establishment of 2022 Reserve Fund. The 2022 Reserve Fund is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required thereunder, which deposit, as of the Closing Date, is equal to the initial 2022 Reserve Requirement with respect to the 2022A Bonds and the 2023A Bonds, and deposits shall be made as described in paragraph (C) of the section entitled "Parity Bonds" above and in the section entitled "Special Tax Fund." Moneys in the 2022 Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2022A Bonds and any 2022A Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2022A Bonds and any 2022 Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2022A Bonds and any 2022A Related Parity Bonds.

Use of 2022 Reserve Fund. Except as otherwise provided in the provisions of the Fiscal Agent Agreement relating to the 2022 Reserve Fund, all amounts deposited in the 2022 Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2022A Bonds and any 2022A Related Parity Bonds or, in accordance with the provisions of the Fiscal Agent Agreement relating to the 2022 Reserve Fund, for the purpose of redeeming 2022A Bonds and any 2022A Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the 2022 Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund and the Additional Special Tax Reserve Fund for payment of the principal of, and interest and any premium on, the 2022A Bonds and any 2022A Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the 2022 Reserve Fund exceeds the 2022 Reserve Requirement, the Fiscal Agent shall provide written notice to the Finance Director of the amount of the excess and shall transfer an amount equal to the excess from the 2022 Reserve Fund to (i) on a pro rata basis (based on the outstanding principal amount of the Bonds secured by the 2022 Reserve Fund) to the related accounts in the Improvement Fund, to be used to pay for Project costs, and (ii) after the Improvement Fund is no longer open, the Bond Fund, to be used to pay interest on the 2022A Bonds and any 2022A Related Parity Bonds on the next Interest Payment Date.

Transfer for Rebate Purposes. Amounts in the 2022 Reserve Fund shall be withdrawn for purposes of making rebate payments to the federal government, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the 2022 Reserve Fund shall be used for rebate unless the amount in the 2022 Reserve Fund following such withdrawal equals the 2022 Reserve Requirement.

Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the 2022 Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2022A Bonds and any 2022A Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the 2022 Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with the Fiscal Agent Agreement and the provisions of the Supplemental Agreement related to the 2022A Related Parity Bonds, as applicable, of all of the Outstanding 2022A Bonds and Outstanding 2022A Related Parity Bonds. In the event that the amount so transferred from the 2022 Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2022A Bonds and Outstanding 2022A Related Parity Bonds, the balance in the 2022 Reserve Fund shall be transferred to the Finance Director to be used by the City for any lawful purpose.

No amounts shall be transferred from the 2022 Reserve Fund until after: (i) the calculation of any rebate amounts due to the federal government and withdrawal of any such amount for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2022A Bonds and 2022A Related Parity Bonds are to be redeemed with the proceeds of such prepayment, pursuant to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2022A Related Parity Bonds, any resulting reduction in the 2022 Reserve Requirement shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2022A Bonds pursuant to the Fiscal Agent Agreement or a Supplemental Agreement related to any 2022A Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

Investment. Moneys in the 2022 Reserve Fund shall be invested by Fiscal Agent under the Fiscal Agent Agreement.

Qualified Reserve Account Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the 2022 Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2022A Bonds or any 2022A Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of a written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the 2022 Reserve Fund to the Improvement Fund to be used for the purposes thereof. Upon the scheduled expiration of any Qualified Reserve Account Credit Instrument, the City shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Fiscal Agent an amount of funds equal to the 2022 Reserve Requirement, to be derived from the first available Special Tax Revenues. If the 2022 Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2022A Bonds and any 2022A Related Parity Bonds. If the 2022 Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2022A Bonds and any 2022A Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the 2022 Reserve Fund may be established for such series, and the calculation of the 2022 Reserve Requirement with respect to any 2022A Related Parity Bonds shall exclude the debt service on such issue of 2022A Related Parity Bonds.

The City will have no obligation to replace a Qualified Reserve Account Credit Instrument or to fund the 2022 Reserve Fund with cash if, at any time that the 2022A Bonds are Outstanding, the Qualified Reserve Account Credit Instrument (or its provider) is downgraded or the provider becomes insolvent, if there is an unscheduled termination of the Qualified Reserve Account or if for any reason insufficient amounts are available to be drawn on under the Qualified Reserve Account Credit Instrument; provided, however, that the City shall reimburse the provider, in accordance with the terms of the Qualified Reserve Account Credit Instrument, for any draws made thereon. The City and the Fiscal Agent shall comply with the terms of the Qualified Reserve Account Credit Instrument as shall be required to receive payments thereunder in the event and to the extent required under the Fiscal Agent Agreement.

#### **Additional Special Tax Reserve Fund.**

Establishment of Additional Special Tax Reserve Fund. The Additional Special Tax Reserve Fund is established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by the Fiscal Agent Agreement, which deposit, as of the Series 2023A Closing Date, is not equal to the initial Additional Special Tax Reserve Requirement.

Application of Amounts in the Additional Special Tax Reserve Fund. Except as provided in the Fiscal Agent Agreement, moneys in the Additional Special Tax Reserve Fund shall be used solely for the purpose of paying the principal of, and interest and any premium on the Bonds when due in the event that the amounts on deposit in the Bond Fund or the Special Tax Fund are insufficient for such purpose. In such



event, the Fiscal Agent shall withdraw from the Additional Special Tax Reserve Fund the moneys necessary for the purpose of paying the principal of, and interest and any premium on the Bonds when due. Whenever a transfer is made from the Additional Special Tax Reserve Fund to the Bond Fund for payment of the principal of, and interest and any premium on, the Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

Replenishment of the Additional Special Tax Reserve Requirement. If the balance in the Additional Special Tax Reserve Fund is less than the Additional Special Tax Reserve Requirement, the Fiscal Agent shall, as set forth in the Fiscal Agent Agreement, transfer to the Additional Special Tax Reserve Fund from available moneys in the Special Tax Fund the amount needed to restore the amount of the Additional Special Tax Reserve Fund to the Additional Special Tax Reserve Requirement. If such available amounts in the Special Tax Fund are inadequate to restore the Additional Special Tax Reserve Fund to the Additional Special Tax Reserve Requirement, then the City shall include the amount necessary to fully restore the Additional Special Tax Reserve Fund to the Additional Special Tax Reserve Requirement in the next annual Special Tax levy, subject to the Maximum Special Tax.

Transfer of Excess of Additional Special Tax Reserve Requirement. On each September 1, after making any transfers required by the two preceding paragraphs, the Fiscal Agent shall transfer the amount in the Additional Special Tax Reserve Fund that exceeds the Additional Special Tax Reserve Requirement to the Bond Fund for the purpose of paying Debt Service on the Bonds.

Investment. Moneys in the Additional Special Tax Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits from such investment shall be retained in the Additional Special Tax Reserve Fund to be used for the purpose of such fund.

Transfer for Rebate Purposes. Amounts in the Additional Special Tax Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with the Fiscal Agent Agreement, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; provided, however, that no amounts in the Additional Special Tax Reserve Fund shall be used for rebate unless the amount in the Additional Special Tax Reserve Fund following such withdrawal equals the Additional Special Tax Reserve Requirement.

Additional Special Tax Reserve Release Date and Closing of Fund. On the Additional Special Tax Reserve Release Date, the Fiscal Agent shall transfer all amounts in the Additional Special Tax Reserve Fund to the Finance Director for deposit and application in accordance with the Fiscal Agent Agreement and the Additional Special Tax Reserve Fund shall be closed.

### **Bond Fund.**

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

The Fiscal Agent may establish a "Special Tax Prepayments Account" in the circumstances described in the Fiscal Agent Agreement.

Disbursements. At least 10 Business Days before each Interest Payment Date or redemption date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and

interest due on the Bonds on the next Interest Payment Date or redemption date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date or redemption date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date or redemption date on the Bonds.

At least 5 Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the Debt Service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the Additional Special Tax Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency.

(ii) Withdraw from the 2022 Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds (including the process of any Qualified Reserve Account Credit Instrument held therein) or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2022A Bonds and any 2022A Related Parity Bonds. Amounts so withdrawn from the 2022 Reserve Fund shall be deposited in the Bond Fund.

(iii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not 2022A Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from any such reserve fund shall be deposited in the Bond Fund.

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

Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given, under the Fiscal Agent Agreement, and notice to the Fiscal Agent can timely be given under the Fiscal Agent Agreement and shall be used (together with any amounts transferred from the 2022 Reserve Fund and any reserve account for Parity Bonds that are not 2022A Related Parity Bonds to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement. Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

Excess. Any excess moneys remaining in the Bond Fund, following the payment of Debt Service on the Bonds on any September 1 (not including a capitalized interest account established for a series of Parity Bonds), shall be transferred to the Special Tax Fund.

### **Special Tax Fund**

Establishment of Special Tax Fund. The Special Tax Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

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

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due Debt Service on the Bonds; second, without preference or priority, for transfer to the 2022 Reserve Fund to the extent needed to increase the amount then on deposit in the 2022 Reserve Fund up to the then 2022 Reserve Requirement and for transfer to the reserve account for any Parity Bonds that are not 2022A Related Parity Bonds to the extent needed to increase the amount then on deposit therein to the required level; third, to the Additional Special Tax Reserve Fund to the extent needed to increase the amount then on deposit in the Additional Special Tax Reserve Fund up to the then Additional Special Tax Reserve Requirement; and fourth, to be held in the Special Tax Fund for use as described in the Fiscal Agent Agreement; and

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

Disbursements. At least 7 Business Days prior to each Interest Payment Date or redemption date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Additional Special Tax Reserve Fund the 2022 Reserve Fund, any reserve account for Parity Bonds that are not 2022A Related Parity Bonds, a capitalized interest account established for any series of Parity Bonds and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date and any past due principal or interest on the Bonds not theretofore paid from a transfer described in the Fiscal Agent Agreement,

(ii) without preference or priority (a) to the 2022 Reserve Fund an amount, taking into account amounts then on deposit in the 2022 Reserve Fund, such that the amount in the 2022 Reserve Fund is equal

to the 2022 Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not 2022A Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the 2022 Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds), and

(iii) to the Additional Special Tax Reserve Fund, an amount, taking into account amounts then on deposit in the Additional Special Tax Reserve Fund, such that the amount in the Additional Special Tax Reserve Fund is equal to the Additional Special Tax Reserve Requirement, and

(iv) on each October 1, beginning on October 1, 2023, all of the moneys remaining in the Special Tax Fund, to the extent that they are not needed to pay for Administrative Expenses, shall be transferred to the Finance Director for deposit in accordance with the DDA and the Development Agreement.

### **Administrative Expense Fund.**

Establishment of Administrative Expense Fund. The Administrative Expense Fund is established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance.

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw from the Administrative Expense Fund and transfer to the Special Tax Fund any amount in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, as identified by the Finance Director in an Officer's Certificate.

### **Improvement Fund.**

Establishment of Improvement Fund. The Improvement Fund is established as a separate fund to be held by the Fiscal Agent, and within the Improvement Fund is hereby established a separate account to be designated the "2023A Improvement Account". Moneys shall be credited to the 2023A Improvement Account as required by the Fiscal Agent Agreement.

The City may direct the Fiscal Agent to establish additional accounts within the Improvement Fund pursuant to a Supplemental Agreement.

Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in the following subsections of this section, for the payment or reimbursement of costs of the Project.

Procedure for Disbursement. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form attached to the Fiscal Agent Agreement which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), the account from which the disbursement shall be made, and the person to which the disbursement is to be paid; and

(ii) certify that the disbursements described in the certificate are properly chargeable to the Improvement Fund; and

(iii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

Closing of Fund. When the City believes that the Project has been completed, it shall provide a written notice to the Developer that the City believes the Project has been completed and that the Improvement Fund should be closed. The Developer shall have 30 days after receipt of such notice to dispute the City's finding or to concur that the Project is complete. If the Developer concurs that the Project is complete, or fails to respond to the notice by the end of the 30-day period, the City may file an Officer's Certificate directing the Fiscal Agent to close the Improvement Fund.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to Debt Service payments due on the next succeeding Interest Payment Date and the Improvement Fund shall be closed. Moneys transferred from the Improvement Fund to the Bond Fund shall be used to pay Debt Service on the Bonds in the manner specified by the City in an Officer's Certificate.

### **Certain Covenants**

**Collection of Special Tax Revenues.** The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

Processing. On or within 5 Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund (the capitalized interest account for any Parity Bonds), the Additional Special Tax Reserve Fund, the 2022 Reserve Fund and any reserve account for Parity Bonds that are not 2022A Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the Additional Special Tax Reserve Fund is less than the Additional Special Tax Reserve Requirement, the amount in the 2022 Reserve Fund is less than the 2022 Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the 2022 Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

Levy. The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the

computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the Improvement Area No. 2 for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

Computation. The Finance Director shall fix and levy the amount of Special Taxes within the Improvement Area No. 2 required to pay the following amounts, taking into account the balances in the applicable funds established under the Fiscal Agent Agreement: (i) the principal of and interest on any outstanding Bonds of the CFD with respect to Improvement Area No. 2 becoming due and payable during the ensuing calendar year, (ii) any necessary replenishment of the Additional Special Tax Reserve Fund to the extent replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year, (iii) any necessary replenishment or expenditure of the 2022 Reserve Fund and any other reserve account for Parity Bonds that are not 2022A Related Parity Bonds to the extent such replenishment has not been included in the computation of the Special Taxes in a previous Fiscal Year, (iv) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, (v) an amount to cure delinquencies in the payment of principal or interest on Bonds that occurred in the previous Fiscal Year, and (vi) any Project costs to be paid from Special Taxes. Nothing in this Section is intended to limit the amount of Special Taxes to be levied by the City to the extent that a higher amount is required to be levied by the DDA and the Development Agreement.

Collection. Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

**Covenant to Foreclose.** Under the Act, the City covenants under the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 30 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in Improvement Area No. 2 to the amount of Special Tax Revenues theretofore received by the City, and:

(A) Individual Delinquencies. If the Finance Director determines that any single parcel subject to the Special Tax in Improvement Area No. 2 is delinquent in the payment of two installments of Special Taxes for Developed Property consisting of a Residential Unit and one installment for all other Taxable Parcels, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination. Notwithstanding the foregoing, the Finance Director may defer any such actions with respect to a delinquent parcel if (1) Improvement Area No. 2 is then participating in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue & Taxation Code Section 4701 et seq., or an equivalent procedure, (2) the amount in the 2022 Reserve Fund is at least equal to the 2022 Reserve Requirement,

(3) the amount in the reserve account for any Parity Bonds that are not 2022A Related Parity Bonds is at least equal to the required amount and (4) prior to the Additional Special Tax Reserve Release Date, the amount in the Additional Special Tax Reserve Fund is at least equal to the Additional Special Tax Reserve Requirement.

(B) Aggregate Delinquencies. If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire Improvement Area No. 2, (including the total of delinquencies under paragraph (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year determined by reference to the latest available secured property tax roll of the City, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in Improvement Area No. 2 with a Special Tax delinquency.

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

#### **Books and Records.**

(A) City. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent (who shall have no duty to inspect) and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

(B) Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the funds, and, if any, accounts in such funds held by the Fiscal Agent hereunder. Such books of record and accounts shall at all times during business hours be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing upon reasonable prior notice.

**Private Activity Bond Limitations.** The City shall assure that the proceeds of the 2023A Bonds are not so used as to cause the 2023A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

**Federal Guarantee Prohibition.** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2023A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

**Rebate Requirement.** The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2023A Bonds. The Finance Director shall take note of any investment of monies under the Fiscal Agent Agreement in excess of the yield on the 2023A Bonds, and shall take such actions as are necessary to ensure compliance with this covenant, such

as increasing the portion of the Special Tax levy for Administrative Expenses as appropriate to have funds available in the Administrative Expense Fund to satisfy any rebate liability under this covenant. If necessary to satisfy its obligations under this covenant, the City may use:

- (A) Amounts in the 2022 Reserve Fund if the amount on deposit in the 2022 Reserve Fund, following the proposed transfer, is at least equal to the 2022 Reserve Requirement, and amounts in any other reserve account for Parity Bonds that are not 2023A Related Parity Bonds to the extent permitted by the Supplemental Agreement;
- (B) Amounts in the Additional Special Tax Reserve Fund if the amount on deposit in the Additional Special Tax Reserve Fund, following the proposed transfer, is at least equal to the Additional Special Tax Reserve Requirement;
- (C) Amounts on deposit in the Administrative Expense Fund; and
- (D) Any other funds available to the City, including amounts advanced by the City, in its sole discretion, to be repaid as soon as practicable from amounts described in the preceding clauses (A) and (B).

**No Arbitrage.** The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2023A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2023A Bonds would have caused the 2023A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

**Yield of the 2023A Bonds.** In determining the yield of the 2023A Bonds to comply with its federal tax law-related covenants under the Fiscal Agent Agreement, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2023A Bonds, without regard to whether or not prepayments are received or 2023A Bonds redeemed.

**Maintenance of Tax-Exemption; Record Retention; Compliance with Tax Certificates.** The City shall take all actions necessary to assure the exclusion of interest on the 2023A Bonds from the gross income of the Owners of the 2023A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the 2023A Bonds.

The City will retain its records of all accounting and monitoring it carries out with respect to the 2023A Bonds for at least 3 years after the 2023A Bonds mature or are redeemed (whichever is earlier); however, if the 2023A Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the 2023A Bonds.

The City will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the 2023A Bonds, which are incorporated herein as if fully set forth herein. The covenants of this paragraph will survive payment in full or defeasance of the 2023A Bonds.

**Limits on Special Tax Waivers and Bond Tenders.** The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare a Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the Owners of the Bonds and further covenants not to permit the tender of Bonds in payment of any Special



Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

**City Bid at Foreclosure Sale.** The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the City and that the Special Taxes levied on the property are payable while the City owns the property.

**Amendment of Rate and Method.** The City will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Notwithstanding the above provision, the City may initiate proceedings to reduce the maximum Special Tax rates under the Rate and Method, if, in connection therewith: (i) the City receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the Taxable Parcels in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then-existing Taxable Parcels in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least the sum of the estimated Administrative Expenses and 110% of Debt Service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved; (ii) the reduction does not adversely affect the financing of the Project and (iii) the City is not delinquent in the payment of the principal of or interest on the Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants will compute the Administrative Expenses for the current Fiscal Year and escalate such amounts by 2% in each subsequent Fiscal Year.

**Limitation on Principal Amount of Parity Bonds.** Following issuance of the 2023A Bonds in the aggregate principal amount of \$ \_\_\_\_\_, the City will not issue more than \$ \_\_\_\_\_ initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

### **Investment of Moneys in Funds**

**General.** Moneys in any fund or account created or established by the Fiscal Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent will hold such funds uninvested.

**Moneys in Funds.** Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out under the Fiscal Agent Agreement. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in the Fiscal Agent Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

**Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to the Fiscal Agent Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by the Fiscal Agent Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the 2022 Reserve Fund shall be valued at their present value (within the meaning of Section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

**Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

**Sale of Investments.** The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

### **Liability of City**

**General.** The City shall not incur any responsibility or liability in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent in the Fiscal Agent Agreement or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

**No General Liability.** No provision of the Fiscal Agent Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

### **Certain Provisions Relating to the Fiscal Agent**

**Merger.** Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Fiscal Agent Agreement to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession under the Fiscal Agent Agreement.

**Removal.** Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this covenant, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

**Resignation.** The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

**No Successor.** If no appointment of a successor Fiscal Agent shall be made within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

**Court Order.** If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties under the Fiscal Agent Agreement, all such duties and all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent under the Fiscal Agent Agreement, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent under the Fiscal Agent Agreement, in trust for the benefit of the Owners of the Bonds.

#### **Liability of Fiscal Agent.**

**General.** The Fiscal Agent shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful misconduct.

**No Expenditures.** No provision of the Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Fiscal Agent Agreement, or in the exercise of any of its rights or powers.

No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Fiscal Agent Agreement at the request or direction of any of the Owners under the Fiscal Agent Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses (including attorney's fees) and liabilities which might be incurred by it in compliance with such request or direction.

### **Amendments Permitted**

**With Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Fiscal Agent Agreement), or reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement.

**Without Consent.** The Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City in the Fiscal Agent Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Fiscal Agent Agreement reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to the Fiscal Agent Agreement.

**Fiscal Agent's Consent.** Any amendment of the Fiscal Agent Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of the Fiscal Agent Agreement and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

**Procedure for Amendment with Written Consent of Owners.** The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of the Fiscal Agent Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Fiscal Agent Agreement, to take effect when and as provided in the Fiscal Agent Agreement. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City), to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as provided in the Fiscal Agent Agreement.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Fiscal Agent Agreement) and a notice shall have been mailed provided in the Fiscal Agent Agreement. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Fiscal Agent Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice provided for in the Fiscal Agent Agreement has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner provided in the Fiscal Agent Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in the Fiscal Agent Agreement (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by the Fiscal Agent Agreement to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise provided in the Fiscal Agent Agreement) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60 day period.

### **Discharge of Agreement**

The City may pay and discharge the entire indebtedness on all or a portion of the Bonds Outstanding in any one or more of the following ways:

- (A) by paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;
- (B) by depositing with the Fiscal Agent at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the 2022 Reserve Fund, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or
- (C) by irrevocably depositing with the Fiscal Agent cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent

certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund, the 2022 Reserve Fund or the reserve account for any Parity Bonds that are not 2023A Related Parity Bonds (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof and notice of such redemption shall have been given as in the Fiscal Agent Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in the Fiscal Agent Agreement and all other obligations of the City under the Fiscal Agent Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay amounts owing to the Fiscal Agent pursuant to the Fiscal Agent Agreement, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act and the Resolution of Formation.

**APPENDIX D**

**FORM OF BOND COUNSEL OPINION**

[Delivery Date]

Board of Supervisors  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**OPINION:**     \$ \_\_\_\_\_ Improvement Area No. 2 of the City and County of San Francisco  
Community Facilities District No. 2016-1 (Treasure Island)  
Special Tax Bonds, Series 2023A

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Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City of the special tax bonds captioned above, dated as of the date first written above (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, opinions, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “Act”), Resolution No. 550-23 adopted by the Board of Supervisors on November 28, 2023 and signed by the Mayor on November 30, 2023, (the “Resolution”), and a Fiscal Agent Agreement dated as of February 1, 2022 (the “Master Fiscal Agent Agreement”), between the City and Zions Bancorporation, National Association, as Fiscal Agent (the “Fiscal Agent”), as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of December 1, 2023 (as supplemented, the “Fiscal Agent Agreement”).

Under the Fiscal Agent Agreement, the City has pledged certain revenues (“Special Tax Revenues”) for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1.       The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2.       The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds issued or to be issued in accordance with the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It should be noted however that interest on the Bonds may be subject to the corporate alternative minimum tax. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Moreover, our opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or any court; rather, our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions, and any assumptions expressed herein, and in reliance upon the representations, and covenants referenced above. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,



**APPENDIX E-1**

**FORM OF CITY CONTINUING DISCLOSURE CERTIFICATE**

**CONTINUING DISCLOSURE CERTIFICATE**

**IMPROVEMENT AREA NO. 2 OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TREASURE ISLAND)  
SPECIAL TAX BONDS, SERIES 2023A**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “District”) in connection with the issuance of the above captioned Bonds (the “Bonds”). The Bonds are issued pursuant to Resolution No. 550-23 adopted by the Board of Supervisors on November 28, 2023 and signed by the Mayor London N. Breed on November 30, 2023 (the “Resolution”) and Fiscal Agent Agreement, dated as of February 1, 2022, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of December 1, 2023, each by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California). The City covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriter or purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

### **SECTION 3. Provision of Annual Reports.**

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which date shall be June 30 of each year), commencing with the report for the 2023-24 Fiscal Year (which is due not later than March 31, 2025), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided the Annual Report for the 2023-24 Fiscal Year shall consist solely of the financial statements of the City and the Official Statement dated \_\_\_\_\_, 2023 related to the Bonds (which may be incorporated by reference and need not be reposted to EMMA). If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

The City’s annual financial statement is provided solely to comply with the Securities Exchange Commission staff’s interpretation of rule 15c2-12. The bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and

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

(b) (1) the principal amount of the outstanding Parity Bonds as of September 2 preceding the date of the Annual Report and total debt service of the outstanding Parity Bonds that was due in the Bond Year preceding the date of the Annual Report, and (2) the debt service of the outstanding Parity Bonds by series and in total that was due or is scheduled to be due in the then-current Bond Year, and in each Bond Year thereafter through the final maturity date of the outstanding Parity Bonds.

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

(d) (1) the balance in the 2022 Reserve Fund and any reserve for any 2022A Related Parity Bonds and the then-current reserve requirement amount for the 2023A Bonds and any 2022A Related Parity Bonds as of June 30 preceding the date of the Annual Report; and (2) if the Additional Special Tax Reserve Fund has not been released under the Fiscal Agent Agreement, the balance in the Additional Special Tax Reserve Fund and the Additional Special Tax Reserve Requirement as of June 30 preceding the date of the Annual Report.

(e) a completed table for the then current fiscal year for each Sub-Block, categorized by development status, generally as follows:

<u>Development Status</u>	<u>Taxable Parcels</u>	<u>Expected Taxable Residential Units</u>	<u>Square Footage</u>	<u>Assessed Value</u>	<u>Current FY Maximum Special Tax Revenue</u>	<u>Current FY Special Tax Levy</u>	<u>Allocated Bond Debt</u>	<u>Average VTL</u>
Developed Property <sup>(1)</sup>								
Vertical DDA Property <sup>(1)</sup>								
Undeveloped Property <sup>(1)</sup>								

<sup>(1)</sup> As applicable.

(f) for any delinquent parcels in Improvement Area No. 2:

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

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

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

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

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

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

#### **SECTION 5. Reporting of Significant Events.**

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

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

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

authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

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

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

(f) If any parcel that is responsible for more than five percent (5%) of the Special Tax is delinquent in any installment of the Special Tax as of a December 10 or April 10 due date, the City shall provide notice identifying such parcel, the owner of the parcel and the amount of the delinquency within 90 days of the applicable payment due date (unless such delinquency is fully cured before such notice is due). Such notice shall be filed with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. The City's obligation to file any notice under this subsection (f) shall terminate on the Additional Special Tax Reserve Release Date.

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

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

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

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

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

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

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

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

**SECTION 10. Remedies.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under

this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

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**SECTION 11. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2023

CITY AND COUNTY OF SAN FRANCISCO

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Anna Van Degna  
Director of the Office of Public Finance

Approved as to form:

DAVID CHIU  
CITY ATTORNEY

By: \_\_\_\_\_  
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A**

**FORM OF NOTICE TO THE  
MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of City: CITY AND COUNTY OF SAN FRANCISCO

Name of Bond Issue: Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2023A

Date of Issuance: \_\_\_\_\_, 2023

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated \_\_\_\_\_, 2023. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, 20\_\_

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_ [to be signed only if filed]

Title: \_\_\_\_\_

stop

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APPENDIX E-2

FORM OF MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE

§ \_\_\_\_\_  
IMPROVEMENT AREA NO. 2 OF THE  
CITY AND COUNTY OF SAN FRANCISCO  
COMMUNITY FACILITIES DISTRICT NO. 2016-1  
(TREASURE ISLAND)  
SPECIAL TAX BONDS, SERIES 2023A

MERCHANT BUILDER CONTINUING DISCLOSURE CERTIFICATE  
([INSERT MERCHANT BUILDER NAME])

This Merchant Builder Continuing Disclosure Certificate (\_\_\_\_\_) (the “**Disclosure Certificate**”) dated as of \_\_\_\_\_, 2023, is executed and delivered by \_\_\_\_\_, a \_\_\_\_\_ limited liability company (the “**Company**”), in connection with the execution and delivery by the City and County of San Francisco, California (the “**City**”), for and on behalf of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “**District**”) with respect to Improvement Area No. 2 of the District (“**Improvement Area No. 2**”), of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2023A (the “**Bonds**”).

The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of February 1, 2022, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of December 1, 2023 (as so supplemented, the “**Fiscal Agent Agreement**”), each by and between the City, for and on behalf of the District, and Zions Bancorporation, National Association, as fiscal agent. The Bonds are payable from special taxes levied on property in Improvement Area No. 2.

The Company covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Company for the benefit of the owners and the beneficial owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings when used herein:

“**Affiliate**” of the Company means (a) a Person directly or indirectly owning, controlling or holding with power to vote, 5% or more of the outstanding voting securities of the Company; (b) any Person 5% or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the Company; and (c) any Person directly or indirectly controlling, controlled by, or under common control with the Company, and, in each such case, about whom information, including financial

information or operating data, concerning such Person could be material to potential investors in their investment decision regarding the Bonds (i.e. information regarding such Person's assets or funds that would materially affect the Company's ability to complete the development of the Property as described in the Official Statement or to pay the Special Taxes on the Property (to the extent the responsibility of the Company) prior to delinquency). For purposes hereof, the term "**control**" (including the terms "controlling," "controlled by" or "under common control with") means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person. Notwithstanding the foregoing, for purposes of this Disclosure Certificate, neither Treasure Island Series 1, LLC, Treasure Island Community Development, LLC, nor any of the other Merchant Builders (as defined in the Official Statement), [nor any shareholder of Poly Development and Holdings Group Co., Ltd.,] shall be considered an Affiliate of the Company.

"**Beneficial Owner**" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"**Bondowners**" shall mean the owner of any of the Bonds.

"**Dissemination Agent**" shall mean the Company or any successor Dissemination Agent designated in writing by the Company and which has filed with the Company and the City a written acceptance of such designation.

"**District**" shall mean the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island).

"**EMMA**" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

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

"**Improvement Area No. 2**" shall mean Improvement Area No. 2 of the District.

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

"**Merchant Builder Improvements**" shall mean the public or private improvements to be made by the Company on the Property.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Official Statement**" shall mean the Official Statement, dated \_\_\_\_\_, 2023, relating to the Bonds.

"**Participating Underwriter**" shall mean the original underwriter of the Bonds, being Stifel, Nicolaus & Company, Incorporated.

“**Person**” shall mean any natural person, corporation, partnership, firm, or association, whether acting in an individual fiduciary, or other capacity.

“**Property**” means the real property within the boundaries of Improvement Area No. 2 that is owned by the Company or any Affiliate.

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

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

“**State**” shall mean the State of California.

### SECTION 3. Provision of Semiannual Reports.

(a) Until the Company’s obligations under this Disclosure Certificate have been terminated pursuant to Section 6, the Company shall, or shall cause the Dissemination Agent to, not later than May 1 and November 1 of each year, commencing May 1, 2024, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If, in any year, May 1 or November 1 falls on a Saturday, Sunday or a national holiday, such deadline shall be extended to the next following day which is not a Saturday, Sunday, or national holiday. The Semiannual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the Dissemination Agent is other than the Company, not later than fifteen (15) calendar days prior to the date specified in subsection (a) for providing the Semiannual Report to the Repository, the Company shall provide the Semiannual Report to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Company is preparing, or causing to be prepared, the Semiannual Report and the date which the Semiannual Report is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Semiannual Report or notification as described in the preceding sentence, the Dissemination Agent shall notify the Company of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide a Semiannual Report to the Repository by the date required in subsection (a) or to verify that a Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice of such failure to the Repository in the form required by the Repository.

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

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

(ii) promptly following the provision of a Semiannual Report to the Repository, file a report with the Company (if the Dissemination is other than the Company), the City, and the Participating Underwriter certifying that the Semiannual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Certificate, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system.

#### SECTION 4. Content of the Semiannual Reports.

(a) Each Semiannual Report shall contain or include by reference the information which is available as of a date that is not earlier than sixty (60) days prior to the applicable May 1 or November 1 due date for the filing of the Semiannual Report, relating to the following:

1. An update to the development and financing plans with respect to the Company's development of the Property set forth under the captions of the Official Statement entitled: "IMPROVEMENT AREA NO. 2 – Ownership of Property in Improvement Area No. 2" and "IMPROVEMENT AREA NO. 2 – Merchant Builder Development and Financing Plans".

2. A summary of development activity with respect to the Property, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, with respect to buildings owned and intended for sale by the Company the number of parcels for which sales have closed, and with respect to buildings owned and intended for rent by the Company the occupancy percentage, all since the date of the information provided in the Official Statement or the most recent Semiannual Report and cumulatively with respect to development of the Property.

3. Any previously-unreported major legislative, administrative and judicial challenges known to the Company to or affecting the horizontal or vertical development of the Property or the time for construction of the Merchant Builder Improvements.

4. Any sale by the Company or any Affiliate of the Property or any portion thereof to another Person, other than to buyers of completed homes, including a description of the property sold (acreage, number of lots, etc.) and the identity of the Person that so purchased the Property.

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

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

SECTION 5. Reporting of Significant Events.

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

1. Failure to pay any Special Taxes levied on the Property on or prior to the delinquency date.

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

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

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

5. Payment default by the Company or any Affiliate on any loan of the Company or any such Affiliate (whether or not such loan is secured by the Property) which is beyond any applicable cure period in such loan that, in the reasonable judgment of the Company, would materially adversely affect the financial condition of the Company or the development of the Property.

6. The filing of any proceedings with respect to the Company or any Affiliate, in which the Company or any such Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts that, in the reasonable judgment of the Company, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

7. The filing of any lawsuit against the Company or any Affiliate that, in the reasonable judgment of the Company, would materially adversely affect the completion of the Merchant Builder Improvements, or litigation which if decided against the Company or any Affiliate that, in the reasonable judgment of the Company, would materially adversely affect their ability to pay Special Taxes for which they are responsible or to sell or develop the Property as described in the Official Statement or a more recently filed Semiannual Report.

(b) Whenever the Company obtains knowledge of the occurrence of a Listed Event, the Company shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent (if other than the Company) shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Company determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Company shall within 10 business days of obtaining knowledge of the occurrence of the respective event, (i) file a notice of such occurrence with the Dissemination Agent which shall then promptly distribute such notice to the Repository, with a copy to the City and the Participating Underwriter, or (ii) file a notice of such occurrence with the Repository, with a copy to the City, the Participating Underwriter, and the Dissemination Agent (if other than the Company).

SECTION 6. Termination of Reporting Obligation. The Company's obligations under this Disclosure Certificate shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) if, at any time, the Company has completed construction of all buildings to be constructed on the Property and (1) 70% of the market-rate residential apartments in such buildings have been initially rented to individual renters or (2) 50% of the market-rate condominium units in such buildings intended for sale have been sold and conveyed to individual condominium owners.

If such termination occurs prior to the final maturity of the Bonds, the Company shall give notice of such termination in the same manner as for a Semiannual Report hereunder.

SECTION 7. Dissemination. The Company may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Company, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Company pursuant to this Disclosure Certificate. The Dissemination Agent may resign (i) by providing thirty days written notice to the Company, the City and the Participating Underwriter, and (ii) upon appointment of a new Dissemination Agent hereunder. The Company is serving as the initial Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Company may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Company, or the type of business conducted;
- (b) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the City and the Participating Underwriter, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and



(c) The Company, or the Dissemination Agent, shall have delivered copies of the amendment and any opinion delivered under (b) above.

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

The Company acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Company, and that under some circumstances compliance with this Disclosure Certificate, without additional disclosures or other action, may not fully discharge all duties and obligations of the Company under such laws.

SECTION 10. Default. In the event of a failure of the Company to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may seek mandate or specific performance by court order, to cause the Company or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed a default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Company to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate and the Company agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, or its failure to perform its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Company, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Company or an opinion of nationally recognized bond counsel. The obligations of the Company under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of its obligations under this Disclosure Certificate. The Dissemination Agent may conclusively rely upon any Semiannual Report provided to it by the Company as constituting the Semiannual Report required of the Company in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Semiannual Report. The Dissemination Agent shall have no duty to prepare any Semiannual Report, nor shall the

Dissemination Agent be responsible for filing any Semiannual Report not provided to it by the Company in a timely manner in a form suitable for filing with the Repository. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Transferees. The Company shall, in connection with any sale or transfer of ownership of any Property (other than sale or transfer to an Affiliate or individual condominium or home owners), cause such transferee to enter into a disclosure certificate with terms substantially similar to the terms of this Disclosure Certificate, whereby such transferee agrees to provide the information of the type described in Section 4 and 5 of this Disclosure Certificate with respect to the property acquired; provided that such transferee's obligations under such disclosure certificate shall terminate upon the same conditions as set forth in Section 6 herein.

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

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

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

Company: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

Participating Underwriter: Stifel, Nicolaus & Company, Incorporated  
One Montgomery Street, 35<sup>th</sup> Floor  
San Francisco, CA 94104  
Attention: Municipal Bond Division  
Email: [egallagher@stifel.com](mailto:egallagher@stifel.com)

City or District: City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94201  
Attention: Public Finance Director  
Email: [anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)  
[Bridget.katz@sfgov.org](mailto:Bridget.katz@sfgov.org)  
[grant.carson@sfgov.org](mailto:grant.carson@sfgov.org)

Jamie.querubin@sfgov.org

SECTION 16. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Company, the City, the Dissemination Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Company shall not assign this Disclosure Certificate or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Company and the City, assign this Disclosure Certificate and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

\_\_\_\_\_,  
a \_\_\_\_\_ limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2023A Bonds. The 2023A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the each issue of the 2023A Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of 2023A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2023A 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 2023A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2023A Bonds, except in the event that use of the book-entry system for the 2023A Bonds is discontinued.

To facilitate subsequent transfers, all 2023A 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 2023A Bonds with DTC and their registration in

the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2023A Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023A 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 2023A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2023A Bond documents. For example, Beneficial Owners of 2023A Bonds may wish to ascertain that the nominee holding the 2023A 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 2023A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2023A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2023A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2023A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Fiscal Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2023A Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

**APPENDIX G**  
**APPRAISAL REPORT**

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**Integra Realty Resources**  
**San Francisco**

**Appraisal of Real Property**

**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)  
Improvement Area No. 2 Special Tax Bonds, Series 2023**

Residential Projects  
Avenue of the Palms  
San Francisco, San Francisco County, California 94130

**Prepared For:**

City and County of San Francisco

**Effective Date of the Appraisal:**

August 4, 2023

**Report Format:**

Appraisal Report – Standard Format

**IRR - San Francisco**

File Number: 192-2023-0173





**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)  
Improvement Area No. 2 Special Tax Bonds, Series 2023**  
Avenue of the Palms  
San Francisco, California



September 20, 2023

Ms. Anna Van Degna, Director  
Controller's Office of Public Finance  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Pl.  
San Francisco, CA 94102

**SUBJECT:** Market Value Appraisal  
City and County of San Francisco Community Facilities District No. 2016-1  
(Treasure Island) Improvement Area No. 2 Special Tax Bonds, Series 2023  
Avenue of the Palms  
San Francisco, San Francisco County, California 94130  
IRR - San Francisco File No. 192-2023-0173

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value by ownership, subject to a hypothetical condition, of the fee simple interest in the property. The client for the assignment is City and County of San Francisco, and the intended use is for bond underwriting purposes. The appraisers understand and agree this Appraisal Report is expected to be, and may be, utilized by the City and County of San Francisco and CFD No. 2016-1 in the marketing of the Special Tax Bonds of CFD No. 2016-1 (Treasure Island) Improvement Area No. 2 ("Bonds") and to satisfy certain legal requirements in connection with issuing the Bonds.

The subject property represents the taxable land areas within CFD No. 2016-1 (Treasure Island) Improvement Area No. 2 and includes five development parcels of land located on Treasure Island. In total, the five Parcels are entitled for the development of 233 for-sale condominiums and 545 for-rent apartment units; each of the multifamily sites will also include ground floor retail. Ownership of the Parcels is held by entities associated with Stockbridge Capital Group, LLC, Wilson Meany, LP, Lennar, and Poly (USA) Real Estate Development Corporation. As of the effective appraisal date, infrastructure development

Ms. Anna Van Degna, Director  
 City and County of San Francisco  
 September 20, 2023  
 Page 2

servicing the five Parcels is substantially complete and vertical construction has commenced on three of the Parcels (C2.2, C2.4, and C3.4).

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of City and County of San Francisco. The appraisal is also prepared in accordance with the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004).

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

We have been requested to provide the market value of the appraised properties as of the date of value (August 4, 2023). The market value of the appraised properties in CFD No. 2016-1 Improvement Area No. 2 account for the impact of the Lien of the Special Tax securing the repayment of the Bonds.

As a result of the analyses herein, the market value (fee simple interest) of the appraised properties by ownership, subject to a hypothetical condition, as of August 4, 2023, is presented in the following table:

<b>Value Conclusion</b>			
<b>Appraised Property</b>	<b>Ownership</b>	<b>Appraisal Premise</b>	<b>Value Conclusion</b>
Parcel C2.2 (178 multifamily units)	TI Lot 8, LLC	Market Value, subject to a Hypothetical Condition	\$37,300,000
Parcel C2.3 (85 condominium units)	Poly (USA) Real Estate Development Corp.	Market Value, subject to a Hypothetical Condition	\$25,300,000
Parcel B1 (117 multifamily units, retail)	Poly (USA) Real Estate Development Corp.	Market Value, subject to a Hypothetical Condition	\$10,500,000
Parcel C2.4 (250 multifamily units)	TI Lot 10, LLC	Market Value, subject to a Hypothetical Condition	\$99,900,000
Parcel C3.4 (148 condominium units)	TI Lots 3-4, LLC	Market Value, subject to a Hypothetical Condition	\$46,900,000
Total Aggregate, or Cumulative, Value, subject to a Hypothetical Condition, of CFD No. 2016-1, Improvement Area 2			\$219,900,000



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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The valuation analysis presented herein uses estimates of average rentable or developable square footage for each Parcel. Further, while below market rate (BMR) units (for sale and for rent) are not subject to the Lien of the Special Taxes securing the Bonds, the units and unit square footages are included in the estimation of residual land values, as they remain a cost obligation (either construction cost for the for-sale Parcels or an operating cost for the for-rent Parcels).

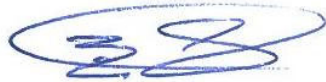
The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 4, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
- 

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

**INTEGRA REALTY RESOURCES - SAN FRANCISCO**



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## Executive Summary

Property Name	City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 2 Special Tax Bonds, Series 2023
Address	Avenue of the Palms San Francisco, San Francisco County, California 94130
Property Type	Residential Land - Other
Owner of Record	TI Lot 8, LLC / C23 Treasure Island 048 Holdings / TI Lot 10, LLC / TI Lots 3-4, LLC / B1 Treasure Island 048 Holdings
Tax ID	8903-004, 8904-004, 8904-005, 8906-009, 8901-003 and 8901-004
Land Area	5.22 acres; 227,230 SF
Zoning Designation	TI-R / TI-MU, Treasure Island - Residential / Treasure Island
Highest and Best Use	Single and multifamily residential use
Exposure Time; Marketing Period	9 - 12 months; 9 - 12 months
Effective Date of the Appraisal	August 4, 2023
Date of the Report	September 20, 2023
Property Interest Appraised	Fee Simple
Total Aggregate, or Cumulative, Value, subject to a Hypothetical Condition, of CFD No. 2016-1, Improvement Area 2	\$219,900,000

### Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The valuation analysis presented herein uses estimates of average rentable or developable square footage for each Parcel. Further, while below market rate (BMR) units (for sale and for rent) are not subject to the Lien of the Special Taxes securing the Bonds, the units and unit square footages are included in the estimation of residual land values, as they remain a cost obligation (either construction cost for the for-sale Parcels or an operating cost for the for-rent Parcels).

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 4, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

## General Information

### Identification of Subject

The subject property represents the taxable land areas within CFD No. 2016-1 (Treasure Island) Improvement Area No. 2 and includes five development parcels of land located on Treasure Island. In total, the five Parcels are entitled for the development of 233 for-sale condominiums and 545 for-rent apartment units; each of the multifamily sites will also include ground floor retail. Ownership of the Parcels is held by entities associated with Stockbridge Capital Group, LLC, Wilson Meany, LP, Lennar, and Poly (USA) Real Estate Development Corporation. As of the effective appraisal date, infrastructure development serving the five Parcels is substantially complete and vertical construction has commenced on three of the Parcels (C2.2, C2.4, and C3.4). A legal description of the property is in the addenda.

#### Property Identification

Property Name	City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 2 Special Tax Bonds, Series 2023
Address	Avenue of the Palms San Francisco, California 94130
Tax ID	8903-004, 8904-004, 8904-005, 8906-009, 8901-003 and 8901-004
Owner of Record	TI Lot 8, LLC / C23 Treasure Island 048 Holdings / TI Lot 10, LLC / TI Lots 3-4, LLC / B1 Treasure Island 048 Holdings

A summary of the five development parcels, which are comprised of six Assessor's tax identification numbers, is provided below. Please note, Parcels B1.1 and B1.2 will be developed as one site and is designated "B1" in this appraisal.

#### Land Area Summary

Tax ID	Parcel	SF	Acres
8903-004	Parcel C2.2	48,919	1.12
8904-004	Parcel C2.3	36,117	0.83
8904-005	Parcel C2.4	36,647	0.84
8906-009	Parcel C3.4	61,207	1.41
8901-003	Parcel B1.1	22,119	0.51
8901-004	Parcel B1.2	22,221	0.51
<b>Total</b>		<b>227,230</b>	<b>5.22</b>

Source: Public Records

A summary of land uses by Parcel is provided on the following page.



Land Use Overview										
Parcel	Name	Acreage	Use	For Sale/Rent	No. of Market Rate Units	No. of BMR Units	Total Units	Parking Spaces	Rentable Area - Residential	Rentable Area - Retail
Parcel C2.2	Hawkins	1.12	Multifamily/Retail	For Rent	169	9	178	92	141,422	1,555
Parcel C2.3	-	0.83	Condominium	For Sale	80	5	85	83	105,445	-
Parcel C2.4	Isle House	0.84	Multifamily/Retail	For Rent	226	24	250	124	207,530	1,250
Parcel C3.4	Portico	1.41	Condominium	For Sale	141	7	148	149	148,710	-
Parcel B1.1 & B1.2 ("B1")	-	1.02	Multifamily/Retail	For Rent	111	6	117	58	101,260	4,785

As will be discussed, vertical construction is well underway on Parcels C2.2 (Hawkins) and C2.4 (Isle House) and has also recently commenced on C3.4 (Portico).

The valuation analysis presented herein uses estimates of average rentable or developable square footage for each Parcel. Further, while below market rate (BMR) units (for sale and for rent) are not subject to the Lien of the Special Taxes securing the Bonds, the units and unit square footages are included in the estimation of residual land values, as they remain a cost obligation (either construction cost for the for-sale Parcels or an operating cost for the for-rent Parcels).

## Sale History

The most recent closed sales of the subject are summarized as follows:

	Parcel B1	Parcel C2.2	Parcel C2.3	Parcel C2.4	Parcel C3.4
Sale Date	November 10, 2020	November 10, 2020	November 10, 2020	November 10, 2020	November 10, 2020
Buyer	Poly (USA) Real Estate Development Corp.	TI Lot 8, LLC	Poly (USA) Real Estate Development Corp.	TI Lot 10, LLC	TI Lots 3-4, LLC
Sale Price	\$7,900,000	\$13,900,000	\$11,000,000	\$25,900,000	\$14,900,000

Development of Treasure Island (Improvement Area No. 2) involves multiple City and County of San Francisco agencies, master developer entities, and merchant builders. Transfers of land are anticipated to occur at varying stages throughout the development process, the specific details of which have not been provided for consideration herein. The transaction prices above are based on the condition of the appraised properties as if all infrastructure development, which is the obligation of the seller (master developer entity), is complete; whereas, the estimates of market value derived herein are based on the condition of each appraised Parcel as of the effective date of value, with infrastructure development still remaining. Therefore, the prior sale prices are not considered indicative of market value as of the respective dates of transfer or current market value.

## Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

## Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value by ownership, subject to a hypothetical condition of the fee simple interest in the taxable properties within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 2 as of the effective date of the appraisal, August 4, 2023. The date of the report is September 20, 2023. The appraisal is valid only as of the stated effective date.

## Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Definition of Property Rights Appraised

Fee simple estate is defined as, “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)*

## Intended Use and User

The intended use of the appraisal is for bond underwriting purposes. The client is City and County of San Francisco. The intended users are City and County of San Francisco and its associated finance team. The appraisal is not intended for any other use or user. No party or parties other than City and County of San Francisco and its associated its associated finance team may use or rely on the information, opinions, and conclusions contained in this report.

## Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;

- Applicable state appraisal regulations;
- Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (2004);
- Interagency Appraisal and Evaluation Guidelines issued December 10, 2010;

## Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

## Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.

## Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

## Valuation Methodology

This appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). This analysis is intended to be an “appraisal assignment,” as defined by USPAP; the intention is the appraisal service be performed in such a manner that the result of the analysis, opinions, or conclusion be that of a disinterested third party.

Several legal and physical aspects of the subject property were researched and documented. A physical inspection of the property was completed and serves as the basis for the site description contained in this report. The sales history was verified by consulting public records and a preliminary title report. Numerous documents were provided for the appraisal, including: developer’s budget, tentative map, project renderings, development timeline, and entitled land uses. The zoning, earthquake zone, flood zone and utilities were verified with applicable public agencies. Property tax information for the current tax year was obtained from the San Francisco County Assessor’s office.

Data relating to the subject’s neighborhood and surrounding market area were analyzed and documented. This information was obtained through personal inspections of portions of the neighborhood and market area, newspaper articles, and interviews with various market participants, including property owners, property managers, brokers, developers, and local government agencies.

In this appraisal, the highest and best use of the subject property as though vacant was determined based on the four standard tests (legal permissibility, physical possibility, financial feasibility and maximum productivity).

It is not uncommon for appraisers to be asked to appraise properties at atypical times, relative to when market participants most often transfer properties. The market recognizes typical points during the development process when master planned projects often transfer, such as upon obtaining entitlements, completion of spinal infrastructure and/or recordation of final subdivision maps, for example. In valuation assignments that involve value scenarios that do not coincide with the typical transaction points along the development timeline, the appraiser must apply market logic to the particular stage of the project. Since the subject is at one of these atypical points, we have employed market logic in the valuation of the subject in its hypothetical condition.

In the valuation of the subject property, which comprises the taxable land within the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 2, subject to the Lien of the Special Tax securing the Bonds, the market value of the taxable components was estimated using multiple approaches to value. For the subject's single family residential land, to be developed with for-sale condominium units, a land residual analysis is the most applicable method of valuation and is utilized. Comparable bulk land sales are also considered as secondary support.

In the land residual analysis (a variation of the cost approach and income capitalization approaches combined), all direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the residual value of the land.

The subject also includes three Parcels to be developed with for-rent multifamily residential use over ground floor retail. The valuation of these components begins with employing extraction analyses to estimate of the market value of the land for each of the subject Parcels. This analysis considers the direct and indirect construction costs, lease up costs, and entrepreneurial profit associated with each Parcel and deducts these costs from the market value as if stabilized to arrive at the value of the underlying land. Direct capitalization analyses are utilized to determine the market value of the proposed vertical improvements as if stabilized. As a test of reasonableness, we also consider improved multifamily sales, as well as multifamily residential land sales.

It should be noted, both the for-sale and for-rent Parcels will include units set aside to meet inclusionary housing requirements. These units will not be subject to the Lien of the Special Tax securing the Bonds. Since the subject comprises land at this time (under development), the obligation to construct (cost) and sell/rent (at a restricted price) such inclusionary housing units will be considered in the valuation of the underlying land.

All five development parcels are held by merchant builders, and it is our opinion the parcels could transfer within twelve months of exposure to the market; thus, no further discounting is necessary. As there remains additional backbone infrastructure to be completed, the allocable remaining infrastructure costs attributable to the Parcels are considered on a proportionate share basis based upon each Parcel's acreage. While the completion of backbone infrastructure remains the obligation

of the master developer, rather than the present owners (merchant builders) the purpose of this appraisal is to estimate the market value of the real property as of a specific point in time. Therefore, it is our opinion the proportionate allocation of remaining costs to each parcel is appropriate.

### **Research and Analysis**

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

### **Inspection**

Eric Segal, MAI, Kevin Ziegenmeyer, MAI, and Laura Diaz, MAI conducted an on-site inspection of the property on August 4, 2023.



# Economic Analysis

## Area Analysis - San Francisco

### Introduction

San Francisco is one of nine counties that comprise the greater San Francisco Bay Area. Spanning 47 square miles of peninsula land between the Pacific Ocean and San Francisco Bay, San Francisco County is unique in that it also defines the boundaries of the city of San Francisco. San Mateo County lies directly to the south, Marin County lies to the north, across the Golden Gate Bridge, and Alameda County lies to the east, across the Bay Bridge. San Francisco is the geographic and economic center of the Bay Area.

The peninsula that San Francisco County rests on is surrounded by three bodies of water – the Pacific Ocean, the Golden Gate strait, and the San Francisco Bay. The area has a mild climate, with a relatively comfortable temperature range year-round. Earthquakes are a common occurrence in the Bay Area due to the proximity to the San Andreas and Hayward Faults. The last major earthquake occurred in 1989 and measured 7.1 on the Richter scale.

### Population

The nine-county Bay Area is home to 7.5 million residents and has shown an average decline in population of 0.5% per year over the past five years. San Francisco County has had an average decline of 1.2% per year. The following table shows recent population trends for San Francisco County, as well as the other counties that make up the Bay Area.

Population Trends							
County	2018	2019	2020	2021	2022	2023	%/Yr
Alameda	1,651,760	1,659,608	1,682,353	1,663,371	1,644,248	1,636,194	-0.2%
Contra Costa	1,143,188	1,147,623	1,165,927	1,161,238	1,151,798	1,147,653	0.1%
Marin	262,179	261,478	262,321	259,087	255,470	252,959	-0.7%
Napa	140,340	139,608	138,019	137,484	135,941	134,637	-0.8%
<b>San Francisco</b>	<b>885,716</b>	<b>886,885</b>	<b>873,965</b>	<b>853,414</b>	<b>837,036</b>	<b>831,703</b>	<b>-1.2%</b>
San Mateo	770,927	771,160	764,442	754,439	740,821	737,644	-0.9%
Santa Clara	1,943,579	1,944,733	1,936,259	1,910,551	1,890,967	1,886,079	-0.6%
Solano	436,813	438,205	453,491	449,116	445,881	443,749	0.3%
Sonoma	500,485	495,919	488,863	484,055	480,623	478,174	-0.9%
<b>Total</b>	<b>7,734,987</b>	<b>7,745,219</b>	<b>7,765,640</b>	<b>7,672,755</b>	<b>7,582,785</b>	<b>7,548,792</b>	<b>-0.5%</b>

Source: California Department of Finance

### Employment & Economy

The California Employment Development Department has reported the following employment data for the City/County of San Francisco over the past five years.

<b>Employment Trends</b>						
	2017	2018	2019	2020	2021	2022
Labor Force	563,000	568,700	580,900	560,100	548,600	572,600
Employment	546,400	555,100	568,000	515,600	520,800	558,000
Annual Employment Change	9,400	8,700	12,900	(52,400)	5,200	37,200
Unemployment Rate	2.9%	2.4%	2.2%	7.9%	5.1%	2.5%

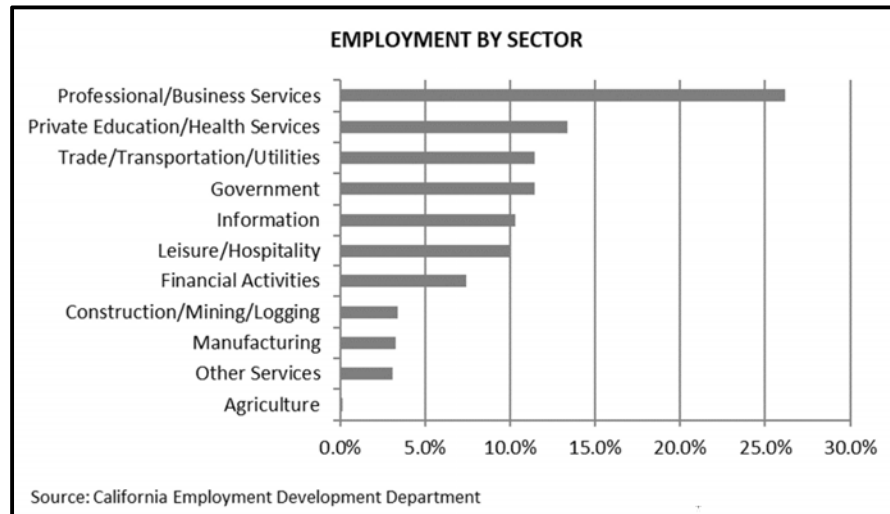
Source: California Employment Development Department

Most areas within the state and nation, including San Francisco County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, declines between 2011 and 2019, a significant increase in 2020 and improvement in 2021 and 2022.

The California Employment Development Department reported an unemployment rate of 3.2% in San Francisco County in June 2023, up from 2.5% a year prior and compared to 4.9% for California and 3.8% for the nation.

As of June 2023, it was reported the San Francisco Metro (San Francisco and San Mateo Counties) gained 30,600 jobs (2.6% increase) year-over-year as many of the jobs lost during the pandemic continue to be restored. The greatest job gain was in the Leisure and Hospitality sector with 12,800 jobs added, followed by the Private Education and Health Services sector with 12,100 jobs gained.

The following chart indicates the percentage of total employment for each sector within the city/county as of June 2023.



San Francisco’s largest employment sector is Professional and Business Services, accounting for roughly 26.2% of all employment, having outpaced all other major industries in terms of job growth prior to the pandemic. The remainder of employment is divided among all other industry sectors, with Private Education and Health Services, Trade/Transportation/Utilities (which includes wholesale and retail trade) and Government each accounting for roughly 11% - 13% of the total. The following table shows the largest employers in the city/county.



<b>Largest Employers</b>			
	Employer	Industry	Employees
1	City and County of San Francisco	Government	35,802
2	University of California San Francisco	Education	29,500
3	Salesforce	Technology	10,603
4	San Francisco Unified School District	Education	10,322
5	Sutter Health	Healthcare	6,100
6	Wells Fargo & Co.	Financial Activities	5,899
7	Uber Technologies, Inc.	Transportation	5,500
8	Allied Universal	Other Services	4,095
9	Kaiser Permanente	Healthcare	3,921
10	First Republic Bank	Financial Activities	3,042

Source: City and County of San Francisco, Comprehensive Annual Financial Report, June 30, 2022

Since the publication date of the rankings above, JPMorgan Chase & Co. acquired the substantial majority of assets and assumed the deposits and certain other liabilities of First Republic Bank from the Federal Deposit Insurance Corporation.

### Transportation

Access to and through San Francisco is provided by Interstate 280, U.S. Highway 101 and State Highway 1. Interstate 280 runs northeast to Interstate 80, which traverses the Bay Bridge, connecting to Oakland (Alameda County) in the East Bay and heading north through Solano County and the city of Sacramento before continuing on through the Sierra Nevada Mountains and Reno, Nevada. Interstate 280 and U.S. Highway 101 run relatively parallel south of San Francisco, along the peninsula through San Mateo County and Silicon Valley to San Jose (Santa Clara County). U.S. Highway 101 runs north along the eastern side of San Francisco and connects to Interstate 80 at the Bay Bridge. U.S. Highway 101 also leads from the northern edge of the county over the Golden Gate Bridge into Marin County and beyond. State Highway 1 travels along the Pacific coast of California from southern California to northern California where it merges with U.S. Highway 101 in Mendocino County.

As noted above, vehicular access to the city/county of San Francisco is provided by the Golden Gate Bridge from the north, the Bay Bridge from the east, and the southern peninsula (San Mateo and Santa Clara Counties) to the south. Public transportation is provided by rail service (including Amtrak and Caltrain), bus service, and the Bay Area Rapid Transit (BART). BART links various Bay Area cities to the city/county of San Francisco, including Antioch, Pittsburg, and Richmond in Contra Costa County, Dublin, Pleasanton, and Fremont in Alameda County, Milpitas and North San Jose in Santa Clara County, and Daly City, Millbrae, and San Francisco International Airport in San Mateo County. Cable-car, Muni and BART service provide public transportation within the city. BART and County Connection buses shuttle commuters to and from outlying areas. The aforementioned San Francisco International Airport lies about 12 miles south of the city.

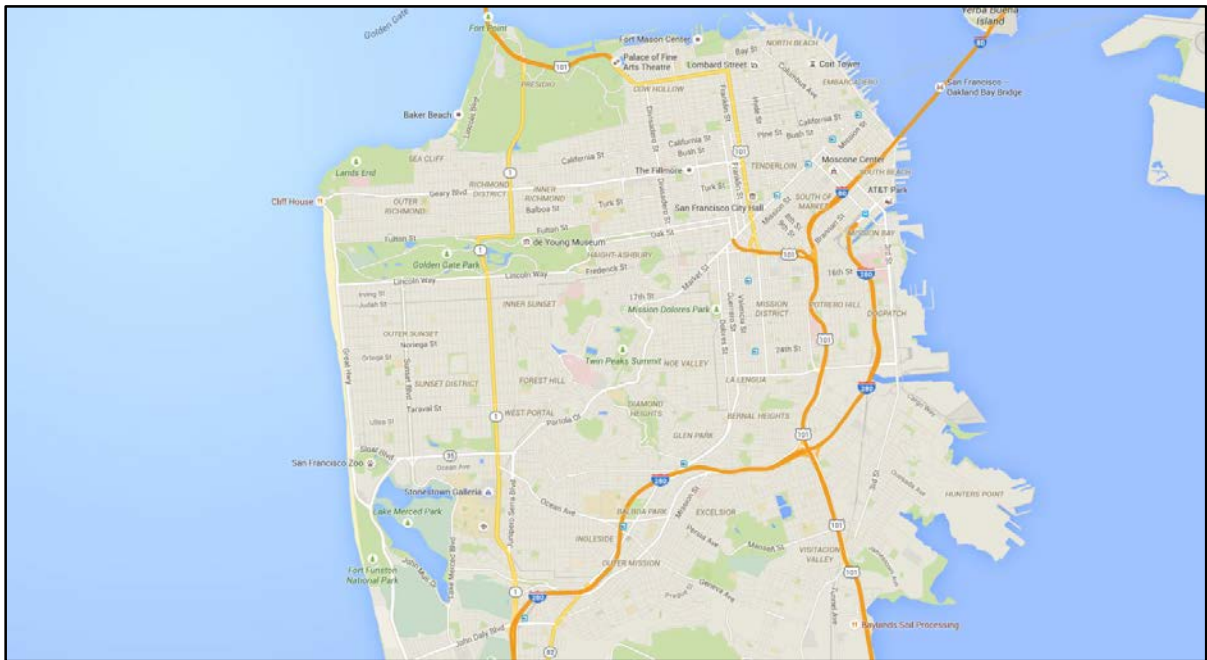


## Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. According to Claritas Spotlight data reporting service, the median household income estimated for San Francisco County in 2023 is \$140,697. This is significantly higher than the state of California's median income of \$89,113. The county's income is the fourth highest among California counties, trailing Santa Clara, San Mateo and Marin counties.

## Neighborhoods

San Francisco is identified by many smaller submarkets or neighborhoods. The main neighborhoods are described in the following paragraphs based on information from [onlyinsanfrancisco.com](http://onlyinsanfrancisco.com) and Urban Bay Properties.



**Castro/Upper Market:** San Francisco's historic F-Line streetcars are one of the best ways to reach the Castro and Upper Market areas. The Castro, and nearby Noe Valley, offer village-like amenities including pedestrian-friendly streets, Victorian homes in historic Eureka Valley, an array of trendy stores and outdoor cafes for the "see and scene" crowd. The upper stretch of Market Street coils around the lower reaches of Twin Peaks. Noted for their sweeping vistas of the Bay Area, these crests are popular with sightseers. Glen Park on the lower slopes of Diamond Heights has a canyon park and is near a BART station.

**Chinatown:** The entrance to Chinatown at Grant Avenue and Bush Street is called the "Dragon's Gate." Inside are 24 blocks of hustle and bustle, most of it taking place along Grant, the oldest street

in San Francisco. This city within a city is best explored on foot; exotic shops, food markets, temples and small museums are comprised within its boundaries. The former central telephone exchange of the Pacific Telephone and Telegraph Company stands at 743 Washington Street. Now a bank, it is the first Chinese-style building constructed in San Francisco, and the exact site where California's first newspaper was printed.

**Civic Center:** San Francisco's widest street, Van Ness Avenue, runs down the middle of Civic Center. A short distance from Civic Center is Hayes Valley, which boasts galleries, antique shops, restaurants, and book stores. A stretch of Larkin Street, starting just beyond the Asian Art Museum's front door at Larkin and McAllister up to O'Farrell, has been designated Little Saigon. Some 250 Vietnamese-owned businesses are concentrated in this and the nearby Tenderloin areas. The Polk Street district parallels Van Ness Avenue and extends all the way to Fisherman's Wharf, where it terminates in front of the historic Maritime Museum. Catering to a diverse population, Polk Street is one of the oldest shopping districts in San Francisco.

**Embarcadero/Financial District:** Lined with deep-water piers, The Embarcadero is literally where one embarks. At the foot of Market Street is the Ferry Building, which houses a food hall, restaurants and a farmer's market. The Ferry Building is also the terminal for ferries to Marin County, Vallejo, Oakland and Alameda. Across the bay is Treasure Island, a man-made island that was the site of the 1939 Golden Gate International Exposition. Much of Jackson Square, one of 11 historic districts, has many buildings dating from the mid-1800s.

**Fisherman's Wharf:** Fisherman's Wharf is home to fishing boats, seafood stalls, steaming crab cauldrons, seafood restaurants and sourdough French bread bakeries, as well as souvenir shops and museums. The historic F-Line streetcar and two cable car lines terminate in the area and sightseeing boats and boat charters link to Alcatraz, Angel Island and other points around San Francisco Bay.

**Haight-Ashbury:** One of the most photographed scenes in San Francisco, Alamo Square's famous "postcard row" at Hayes and Steiner Streets is a tight formation of Victorian houses back-dropped by downtown skyscrapers. The corner of Haight and Ashbury Streets still has its tie-dyed roots; vintage clothing, books and records are abundant here and along lower Haight Street. Locals will point out Buena Vista Park, with its city views, and, for architectural highlights, Masonic, Piedmont and Delmar Streets. Parnassus Heights is home to the University of California, San Francisco.

**Japantown/Fillmore:** Founded in 1906, Japantown is the oldest Japanese district in the United States and one of only three remaining. This small slice of Japanese life is near the Fillmore, the "Harlem of the West," which is the setting for an annual open-air jazz festival.

**Marina/Presidio:** The Golden Gate Bridge is one of the world's most famous landmarks. Its southern approach via State Highway 1/U.S. Highway 101 traverses some of the city's most scenic and historic areas including the Presidio of San Francisco and the Marina, site of the 1915 Panama-Pacific International Exposition. The outdoor cafes of Union Street in Cow Hollow, former dairy land, are ideal spots for people watching and gazing up at the mansions of Pacific Heights. Outer Sacramento Street and Laurel Heights contain a variety of shopping areas.

**Mission District:** Boasting some of the best weather in the city, the Mission District, Bernal Heights and Potrero Hill take advantage of an abundance of fog-free days. New restaurants and night spots are a draw while Mission Dolores, 16th and Dolores Streets, is the oldest structure in San Francisco. Many of the city's pioneers are buried in an adjacent cemetery. The largest concentration of murals in the city adorns buildings, fences and walls throughout the District. Potrero Hill's Dogpatch neighborhood is one of 11 historic Districts in the city.

**Nob Hill:** Once the home of the silver kings and railroad barons, the "nabobs," Nob Hill's noble tenants include Grace Cathedral, a replica of Notre Dame in Paris; Huntington Park, site of many art shows and graced by a replica of a 16th century Roman fountain; Nob Hill Masonic Center, an architectural dazzler hosting various musical events; the Cable Car Barn, where the cable cars are stored when not in service, and grand hotels, including the Mark Hopkins (Intercontinental Hotel) and the famous Top Of The Mark restaurant/bar and the Fairmont. Russian Hill, named for burial sites of Russian hunters who were active in California waters in the early 1800s, is most famous for the winding curves of Lombard Street.

**North Beach:** North Beach is transformed into one of San Francisco's most electric playgrounds with live music and dancing. Many local residents practice tai chi in Washington Square. Coit Tower atop Telegraph Hill offers marvelous views of the city. Thirty local artists painted murals on its ground floor walls in 1933.

**Richmond District:** Laid out in a grid of multifamily houses all the way to the Great Highway and Ocean Beach, the area is bordered by Golden Gate Park, Lincoln Park/Presidio and Lone Mountain. Shopping is concentrated along major thoroughfares, including Geary Boulevard and Clement Street. The Richmond District sprouted a second Chinatown along Clement Street in the early 1970s thanks to the numerous Asian restaurants and retail stores.

**Soma/Yerba Buena:** Yerba Buena Gardens, "the largest concentration of art west of the Hudson River," is an oasis in the heart of the city. Moscone Center and more than a dozen museums are located here as well as a memorial to Dr. Martin Luther King, Jr. The South Beach area, recently transformed into a mixed-use waterfront neighborhood, includes the restored warehouses in the South End Historic District and several marinas.

**Union Square:** Pre-pandemic, Union Square was an international shopping destination; though, the neighborhood has suffered the loss of several major retailers in recent years. Union Square is a landmark park in the heart of the downtown shopping and hotel district. Granite plazas, a stage, a café and four grand entrance corner plazas bordered by the park's signature palms, pay tribute to the Square's distinctive history and offer a forum for civic celebrations. The cable cars head up Powell Street from here and flower stands populate every corner.

**Mission Bay:** Established as a redevelopment area by the City and County of San Francisco in 1998, this neighborhood was primarily undeveloped for several years, with warehouses, shipping yards and factories the primary land uses in the area. Now, since the construction of Oracle Park, home to the San Francisco Giants baseball team, the Mission Bay and Central Waterfront area of San Francisco is developing as a biotech research hub for the Bay Area. California's Stem Cell Research headquarters is

located in Mission Bay, as is University of California San Francisco's (UCSF) Mission Bay campus. Newly constructed and proposed residential lofts and condos are also part of the neighborhood resurgence.

**Bayview/Candlestick Point/Hunters Point:** This area is primarily south of Interstate 280 and is home to the former Hunters Point shipyard. The Point, located within the former shipyard, is hyped as "America's largest art colony," and hosts several open art events and exhibitions during the year. The Bayview Opera House is the city's first opera house. Candlestick Point was the former home of Candlestick Park stadium.

**Treasure Island/Yerba Buena Island:** Treasure Island and Yerba Buena Island are located in the San Francisco Bay west of Interstate 80/The Bay Bridge. Treasure Island was artificially created with bay sand and became a U.S. Naval Station in 1941. After World War II, the island was utilized as a naval training and administrative center. Yerba Buena Island is a natural island which has historically been utilized by the U.S. Army, which established a post on the northeast portion of the island in 1867. In 1997, the Treasure Island Development Agency (TIDA) was created to oversee the reuse and redevelopment of the Treasure Island Naval Station, which had been closed by the Base Realignment and Closure Commission in 1993. Currently, the Treasure Island Development Project is underway which is planned to eventually result in 461-acres of land across both islands being redeveloped for residential, office, retail, and hotel use with substantial infrastructure upgrades.

## Recreation & Culture

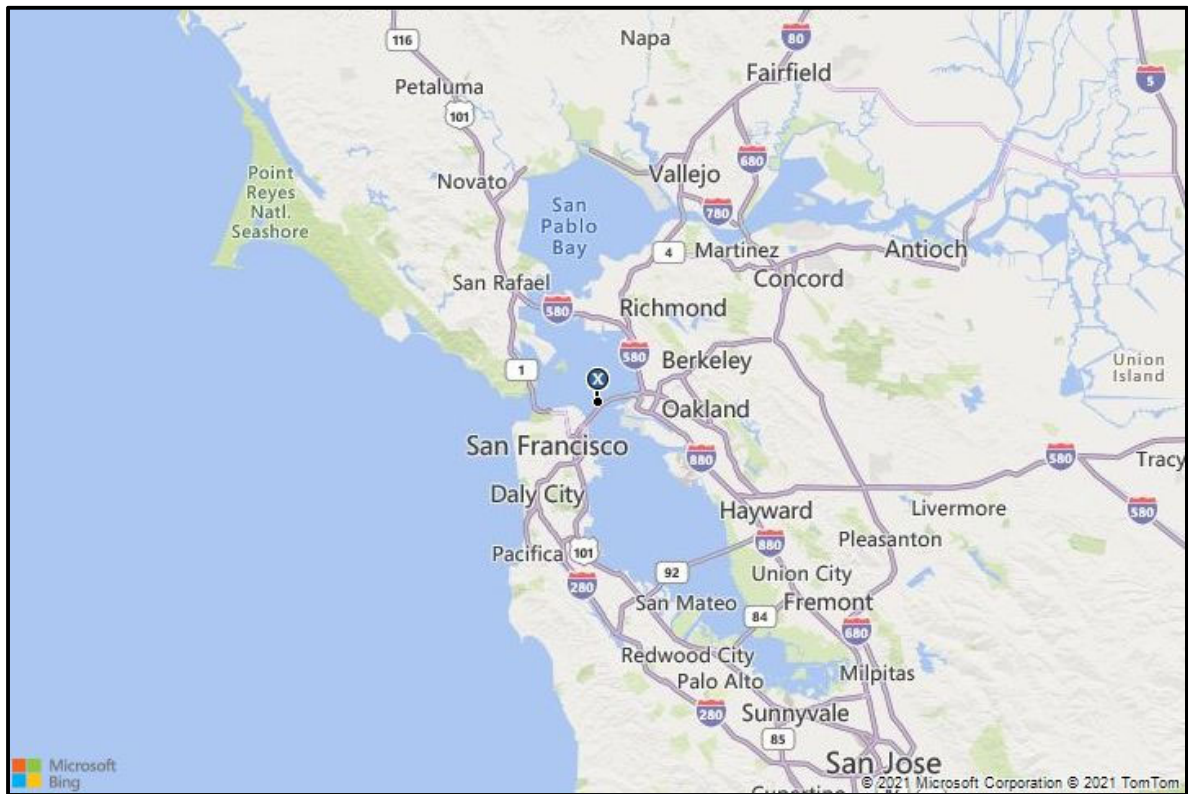
San Francisco is a city rich with cultural and recreational opportunities that attract residents and visitors alike. The city is home to live theater, symphony, ballet, opera, many diverse restaurants, professional sports teams, numerous public parks, a national recreation area, museums, beaches, and a wide variety of residential neighborhoods. Professional sports teams in the Bay Area include the San Francisco Giants (baseball), Golden State Warriors (basketball), San Francisco 49ers (football), San Jose Sharks (hockey) and San Jose Earthquakes (soccer).

San Francisco is known for drawing tourists from around the globe with its wide array of attractions. Major points of interest include Alcatraz Island, Angel Island, Fisherman's Wharf, the Embarcadero, the Aquarium of the Bay, and a city zoo. The 1,000-acre Golden Gate Park is San Francisco's largest park and offers a treasure trove of attractions, including Strybing Arboretum and Botanical Gardens, a biodiversity hub with 6,000 plant species and a towering display of California redwoods; the Japanese Tea Garden; a children's playground; the Asian Art Museum; MH de Young Memorial Museum; and the California Academy of Sciences.

## Conclusion

San Francisco is one of the largest metropolitan areas in the U.S. and serves as a hub for international commerce, financial services, and tourism. The city is densely built-out with a limited supply of developable land. In recent years, the region experienced strong employment and economic conditions, and favorable conditions in most real estate sectors. However, employment conditions declined sharply after the onset of the pandemic, with gradual improvement as the economy has recovered. Market and economic conditions have likewise improved as jobs and residents have returned to the metro, but most commercial real estate markets remain at conditions below their pre-pandemic levels in terms of vacancy rates and, in some cases, rental rates. Additionally, current macroeconomic factors, particularly high inflation, and rising interest rates, have reintroduced uncertainty in the market.

### Area Map



## Surrounding Area Analysis

### Boundaries

The subject is located on Treasure Island, an artificially created island in the San Francisco Bay between the city of San Francisco and the city of Oakland. To the south, Treasure Island is connected to Yerba Buena Island via Treasure Island Road.

A map identifying the location of the property follows this section.

### Access and Linkages

Vehicular access to Treasure Island is provided by Interstate 80 via the Oakland-San Francisco Bay Bridge, which provides access to San Francisco and Oakland. Yerba Buena Tunnel runs through the island and connects it with the Bay Bridge. Interstate 80 connects to Highway 101 south of the subject property in San Francisco and connects to Interstates 580 and 880 east of the subject in Oakland. Access to the subject property from the I-80 ramp is provided by Treasure Island Road. San Francisco's central business district, the economic and cultural center of the region, is approximately three to four miles from the subject property. Downtown Oakland is located approximately eight miles east of Treasure Island.

Upon completion of the proposed development, Treasure Island and Yerba Buena Island are expected to enjoy bus service, with ferry service to San Francisco also available from Treasure Island. The San Francisco International Airport is approximately 18 miles south of the subject property, while the Oakland International Airport is 16 miles southeast of the subject.

### Demographic Factors

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.



<b>Surrounding Area Demographics</b>					
2023 Estimates	10-Minute Drive Time	15-Minute Drive Time	20-Minute Drive Time	San Francisco City & County	San Francisco-Oakland MSA
Population 2020	32,764	467,988	1,225,384	873,965	4,749,008
Population 2023	32,841	456,979	1,189,388	831,958	4,672,808
Population 2028	34,759	464,765	1,195,133	829,076	4,708,625
Compound % Change 2020-2023	0.1%	-0.8%	-1.0%	-1.6%	-0.5%
Compound % Change 2023-2028	1.1%	0.3%	0.1%	-0.1%	0.2%
Households 2020	16,107	218,764	510,863	371,851	1,744,100
Households 2023	16,199	214,713	498,345	358,729	1,712,517
Households 2028	17,312	220,254	504,690	362,944	1,725,723
Compound % Change 2020-2023	0.2%	-0.6%	-0.8%	-1.2%	-0.6%
Compound % Change 2023-2028	1.3%	0.5%	0.3%	0.2%	0.2%
Median Household Income 2023	\$224,453	\$117,668	\$119,504	\$140,697	\$127,870
Average Household Size	1.8	2.0	2.3	2.2	2.7
College Graduate %	71%	59%	57%	59%	51%
Median Age	38	40	40	40	40
Owner Occupied %	34%	26%	37%	38%	55%
Renter Occupied %	66%	74%	63%	62%	45%
Median Owner Occupied Housing Value	\$1,928,056	\$1,356,877	\$1,323,380	\$1,845,484	\$1,202,706
Median Year Structure Built	2004	1958	1951	1942	1967
Average Travel Time to Work in Minutes	35	36	37	37	38

Source: Claritas

As shown above, the current population within a 15-minute drive time of the subject is 456,979, and the average household size is 2.0. Population in the area has declined since the 2020 census, but the trend is projected to change to growth over the next five years. This is in contrast to the population of San Francisco County, which is projected to decline.

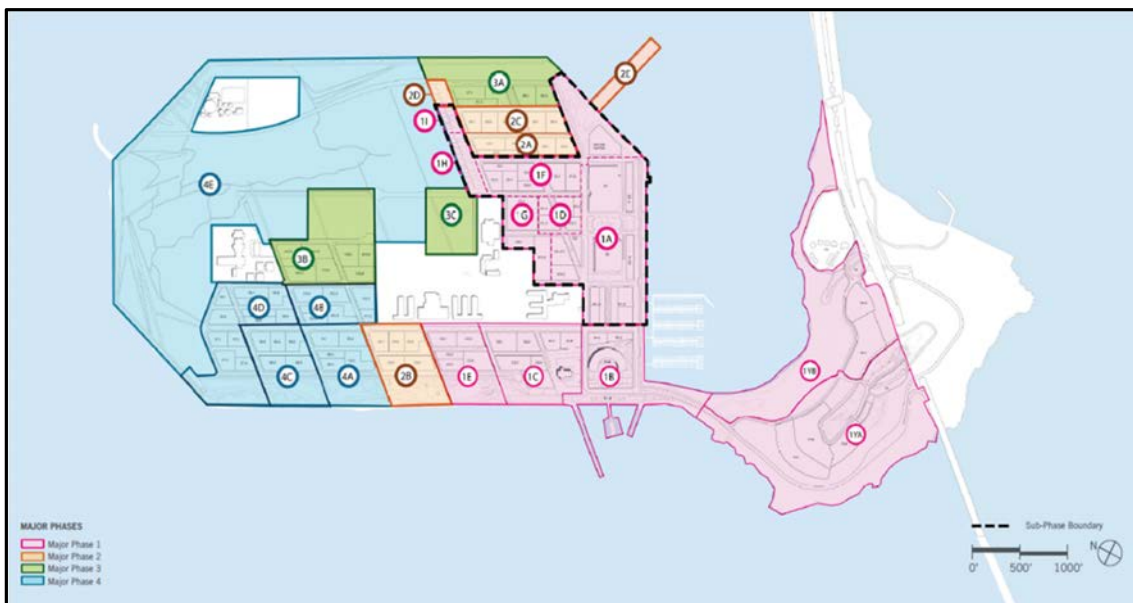
Median household income within a 15-minute drive time is \$117,668, which is lower than the household income for San Francisco County overall. However, median household income within a 10-minute drive time is \$224,453, which is significantly greater than the median income for San Francisco County and the San Francisco-Oakland MSA. Residents within a 15-minute drive time have a similar level of educational attainment to those of San Francisco County, though median owner occupied home values are considerably lower. Conversely, median home values within a 10-minute drive time are higher than median home values in San Francisco County overall.

## Land Use

The subject property is the second phase of the larger Treasure Island Development Program, a proposed 461-acre project which, upon completion, will include up to 8,000 homes, 500 hotel rooms, 300,000 square feet of retail space, 100,000 square feet of office space, a marina, ferry terminal, open space/public parks, and pedestrian trails. The project is located on a portion of a former United States Navy base which includes Treasure Island (artificially created with bay sand) and 89-acres of Yerba Buena Island. The following chart summarizes the overall proposal for the Development Program.

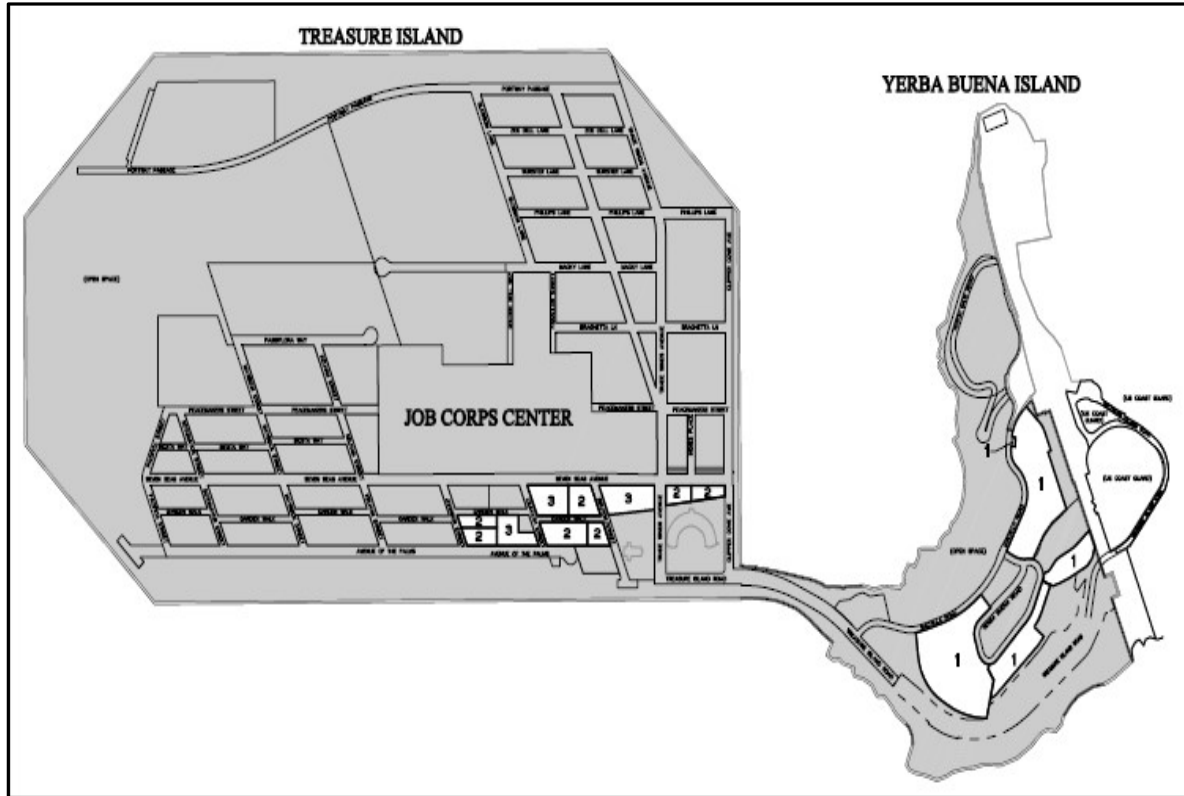


There are five phases associated with the planned development; the subject includes a portion of sub-phases 1B, 1C, and 1E of Phase 1, as indicated on the below map. The development of Yerba Buena Island (sub-phases 1YA and 1YB), is also well underway. At completion, the project at Yerba Buena Island will include 261 for-sale residences (a mix of condominium and townhomes) and five homesites. The location of the subject property (Improvement Area No. 2) within the overall project is depicted on the following page.





The boundaries of CFD No. 2016-1, which include the subject parcels, are presented below. Parcels designated with the number “2” reflect the subject property.



The subject property is shaded in red and includes B1.1 and B1.2 (“B1”), C2.2, C2.3, C2.4, and C3.4. Please note, sites C3.3 and C3.4 have been combined into one assessor’s parcel number as of the

effective appraisal date; these two sites now comprise Parcel C3.4. The area highlighted above is located on the southwest portion of Treasure Island.

Currently, land use on Treasure Island includes a mix of residential, retail, and office uses, as well the Treasure Island Museum and marina. Yerba Buena Island includes former military offices and improvements, many of which have been demolished as part of the redevelopment process. Development of the 124-unit Bristol condominium project was recently completed on Yerba Buena Island. Sales at the project commenced in 2021 and 36 market rate units have been sold as of August 1, 2023. As noted, Yerba Buena Island will have 261 for-sale residences, including The Bristol, upon completion of development.

Prior to redevelopment, there were reportedly approximately 1,005 existing residences on Treasure Island and Yerba Buena Island combined, and 100 non-residential improvements. The south-eastern portion of Yerba Buena Island, southeast of the Bay Bridge, remains utilized by the United States Coast Guard.

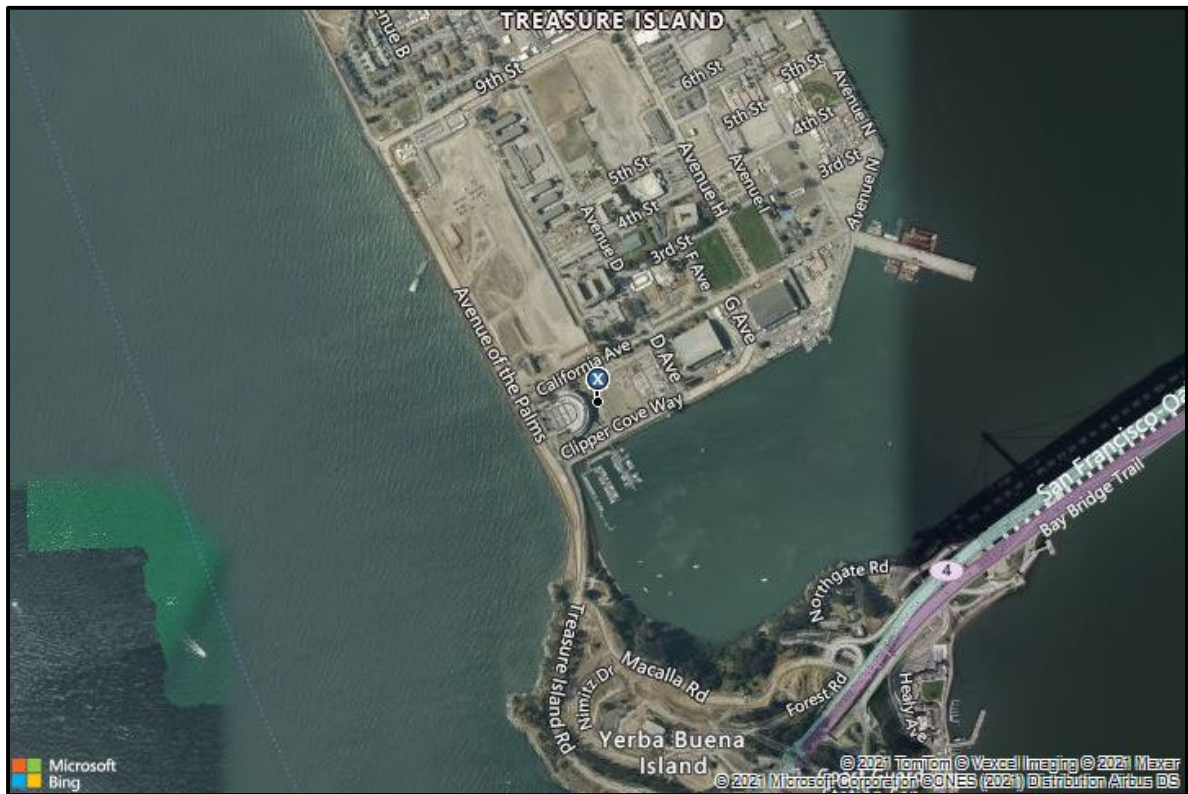
Other land use characteristics are summarized as follows:

<b>Subject's Immediate Surroundings</b>	
North	Multifamily residential use
South	Treasure Island Administration Building 1, Yerba Buena Island
East	Institutional offices, housing
West	San Francisco Bay

### **Outlook and Conclusions**

The area is in the growth stage of its life cycle. The plans for Yerba Buena and Treasure Islands include substantial development to an area previously primarily only utilized for military purposes. Given location on southwestern portion of Treasure Island, the subject benefits from views of the San Francisco Bay and San Francisco downtown skyline. Treasure Island and Yerba Buena Island also benefit from proximity to employment centers in San Francisco and Oakland, while offering a more secluded setting. Given the history of the surrounding area and growth trends, it is anticipated that property values on Yerba Buena and Treasure Islands will increase in the future, though the local market will continue to be impacted by macroeconomic factors such as (comparatively) higher interest rates and inflation in the near term.

### Surrounding Area Map



## Residential Market Analysis (for sale)

The subject is entitled for both for-sale residential use and for-rent multifamily use over ground floor retail. In the following paragraphs, we examine supply and demand indicators for for-sale single family residential development in the subject's area.

The subject is located on Treasure Island in the San Francisco Bay and is considered to have good transportation linkages to both San Francisco and Oakland. The neighborhood is characterized as a suburban area that appeals those who want both proximity to and seclusion from the city. Based on the characteristics of Treasure Island, and the details of the proposed product, the subject characteristics best support a project designed for first time or move-up homebuyers.

### Single-Family Building Permits

Single-family and multifamily building permits for San Francisco are shown in the table below.

#### Single & Multifamily Building Permits

Year	City & County of San Francisco
2013	4,474
2014	2,711
2015	3,665
2016	4,087
2017	4,254
2018	5,178
2019	3,200
2020	2,004
2021	2,519
2022	2,044

Source: SOCDs Building Permits Monthly Request

#### Single & Multifamily Building Permits: 2023 Preliminary Data

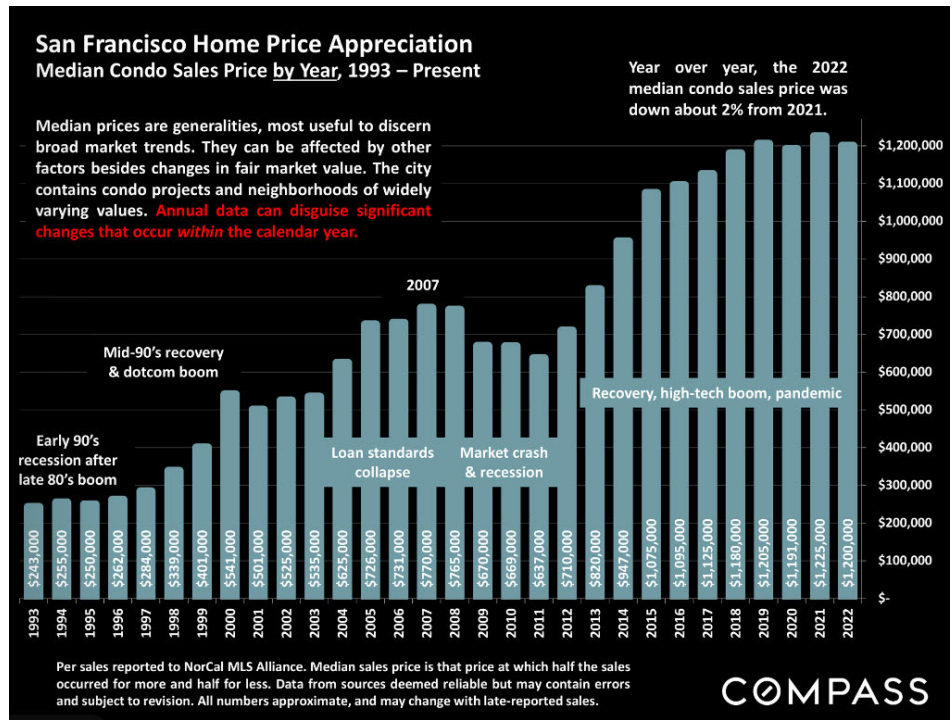
Month	City & County of San Francisco
January	9
February	3
March	10
April	11
May	48
June	<del>98</del> 179

Source: SOCDs Building Permits Monthly Request

Building permits in 2020 were impacted by the COVID-19 pandemic, as planning progress was temporarily halted due to shelter-in-place orders.

### Condominium Housing Trends

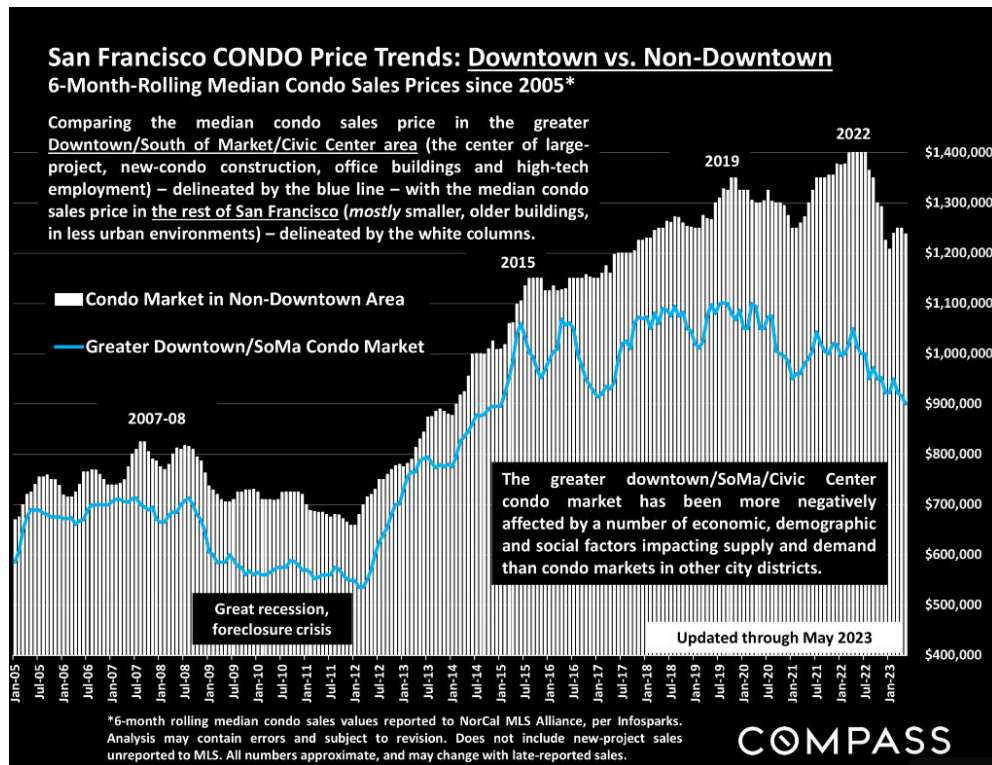
Data in this section is provided by Compass and Polaris Pacific. In general, the San Francisco condominium market continues to lag behind the house market in key metrics. Despite this, median condominium sale prices in 2022 were only 2% lower than prices in 2021 (a historic high) and were higher than median prices in 2018 and 2020. This is despite the fact the broader residential market in 2022 was significantly impacted by the Federal Reserve’s increase in interest rates.



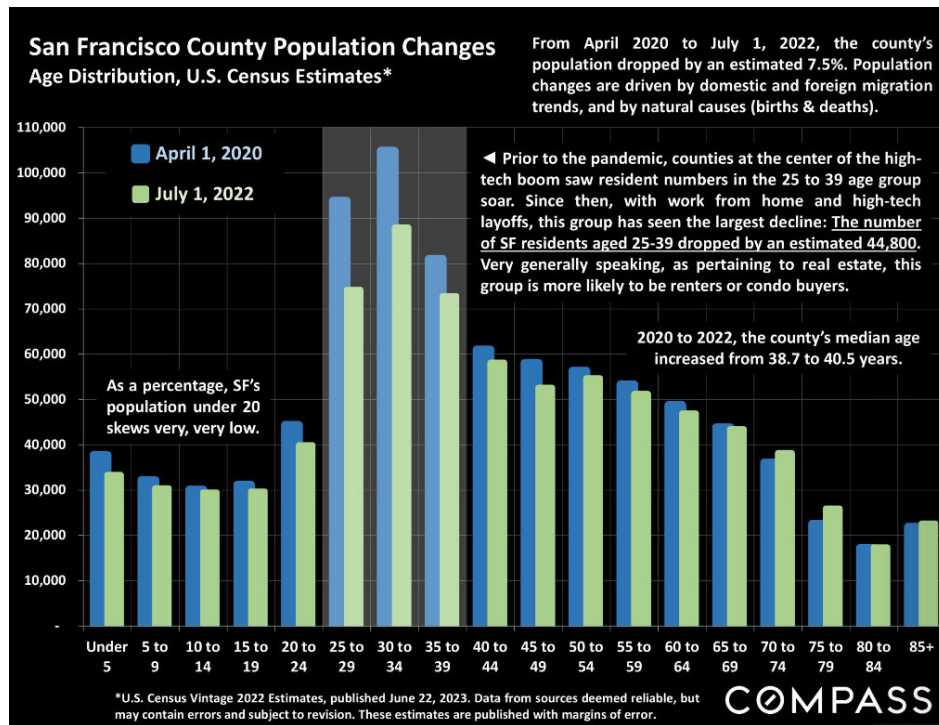
The impact of the Federal Reserve’s interest rate hikes has varied widely by market and product type. In many suburban and outlying markets, prospective buyers have adjusted to these increases and strong demand returned in the second quarter of 2023. Demand is further exacerbated by low inventory, as many sellers are hesitant to list homes already financed at favorable rates. However, the San Francisco condo market is influenced by additional factors. A decrease in demand for office space and the continued prominence of remote work policies, combined layoffs across the tech sector, have tempered demand for condominium units, particularly in San Francisco’s denser urban core neighborhoods. The following chart demonstrates differences in condominium prices in Downtown and adjacent neighborhoods compared the rest of San Francisco. The subject is located on Treasure Island, which is suburban in nature and removed from the downtown urban core.





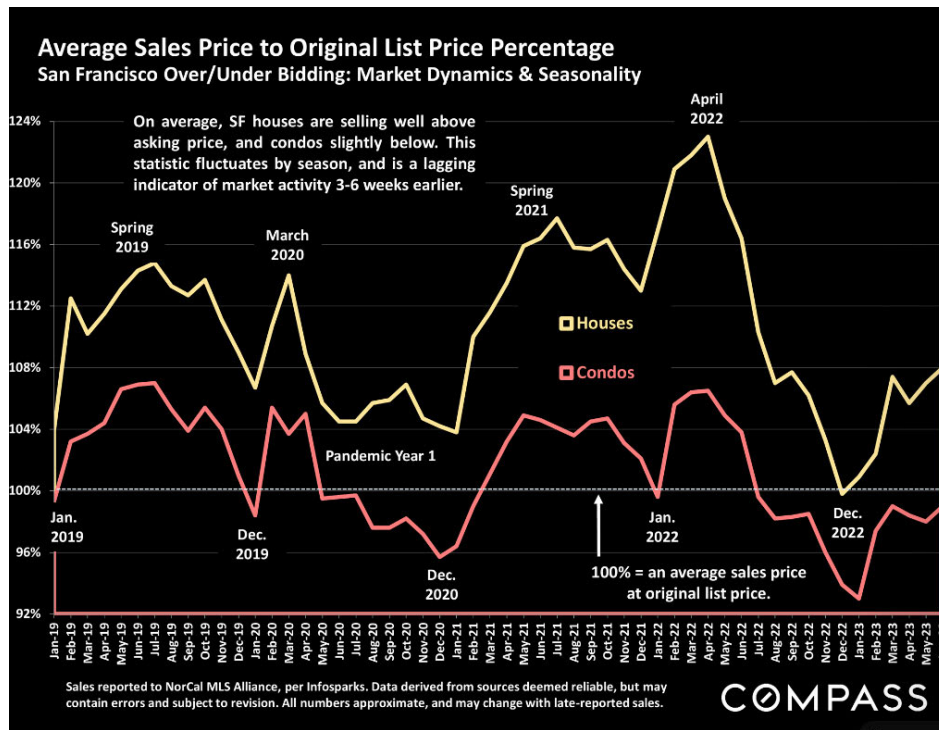


Also of note are population shifts in San Francisco since the onset of the pandemic, including the outmigration among demographics often interested in purchasing condos. This is highlighted in the chart on the following page. In addition, demand from international buyers, who in the past have participated in the San Francisco condo market, remains below pre-pandemic levels.



Condominiums in San Francisco are currently transacting just below listing price. The following chart demonstrates the initial impact of the pandemic on condo pricing, the increased demand for product when interest rates were historically low in 2021, the temporary drop in demand corresponding with the interest rate hikes in the second half of 2022, and finally current sales prices compared to listing prices.





Polaris Pacific reports the average days on market for condominiums in San Francisco was 51 days as of May 2023, still below a 60-day balanced market. Remaining inventory as of the end of 2022 was reported at 5.6 months, slightly below the balanced market metric of 6.0 months. In addition, Polaris Pacific reports condominium inventory is 14.4% lower than inventory in 2022. Therefore, despite challenges over the past year, demand for condominiums remains. The subject will benefit from being a newly constructed product with excellent views of the San Francisco Bay and skyline in a suburban location removed from the downtown core.

**Active New Home Projects Pricing and Absorption**

Since the pandemic, and with the persistence of work from home policies, demand for larger units, private outdoor space, and a suburban setting has increased. The subject product will offer a mix of unit sizes and layouts with varying price points, and the project enjoys a suburban location on Treasure Island.

The following table includes active newly constructed condominium projects for which we were able to obtain absorption data (the majority of which is provided by the July 2023 *Polaris Pacific Report* for San Francisco).





Active Projects - July 2023													
Project Name	Neighborhood	Builder	No. of Units	Year Built	Stories	Monthly HOA	Date on Market	Sales per Month	Sale Price (Low)	Sale Price (High)	SF Low	SF High	Price PSF
Oran	Lower Nob Hill	Dolmen Property Group	54	2023	6	\$201 to \$305	Nov-22	1.5	\$499,000	\$1,045,000	-	-	-
2238 Market St	Duboce Triangle	Prado Group	42	2022	5	\$667 to \$773	May-22	2.4	\$775,000	\$1,875,000	625	1,052	\$1,240 to \$1,782
198 Valencia	Mission Dolores	JS Sullivan	29	2022	5	\$500 to \$719	Apr-22	1.9	\$1,338,000	\$1,638,000	450	1,292	\$2,973 to \$1,268
88 at the Park	Potrero Hill	First City Development	127	2022	4	\$599 to \$790	Mar-22	2.9	\$589,000	\$1,089,000	386	853	\$1,526 to \$1,277
Lofton at Portola	Portola	TRI Pointe	54	2022	2	-	Dec-21	1.0	\$1,310,900	\$1,499,000	1,387	1,879	\$945 to \$798
1288 Howard	SOMA	March Capital	125	2022	5	\$404 to \$458	Oct-21	1.5	-	-	381	1,072	-
The Oak	Hayes Valley	Z&L Properties	109	2021	12	\$704 to \$822	Aug-21	0.6	\$625,500	\$2,000,000	494	1,055	\$1,266 to \$1,896
Serif	Mid Market	L37	242	2021	12	\$595 to \$1,057	Jun-21	2.6	\$500,000	\$2,145,000	337	1,260	\$1,484 to \$1,702
Noir	Pacific Heights	JS Sullivan	7	2021	7	\$1,108 to \$1,117	Jun-21	0.2	\$3,488,000	-	2,180	-	\$1,600
The Bristol	Yerba Buena Island	Wilson Meany	124	2021	5	\$825 to \$1,367	Feb-21	1.5	\$800,000	\$3,000,000	610	2,325	\$1,311 to \$1,290
Murano	Cow Hollow	Centrix Builders	22	2021	4	\$958 to \$1,580	Feb-21	0.7	\$1,049,000	\$1,649,000	721	1,752	\$1,455 to \$941
Crescent	Nob Hill	Grosvenor	44	2020	6	\$1,840	Mar-20	-	\$1,325,000	\$4,900,000	650	1,956	\$2,038 to \$2,505
One Steuart Lane	SOMA	Paramount Group	120	2021	20	\$2,000	Feb-20	-	-	-	794	2,443	-
Union House	Cow Hollow	DM Development	41	2020	6	\$900 to \$1,500	Feb-20	0.8	\$1,195,000	\$5,800,000	783	2,095	\$1,526 to \$2,768
950 Tennessee	Dogpatch	Leap Development	100	2019	4	\$435 to \$680	Nov-19	1.5	\$664,000	\$700,000	421	1,440	\$1,577 to \$486
2177 Third Street	Dogpatch	Align Partners	114	2019	6	\$742 to \$983	Nov-19	-	-	-	500	1,450	-
One Eleven	SOMA	Z&L Properties	39	2020	8	\$525 to \$640	Oct-19	0.6	\$599,000	\$1,050,000	501	1,278	\$1,196 to \$822
The Westerly	Sunset	Propriis	56	2019	5	\$450 to \$550	Sep-19	0.8	\$797,000	\$1,354,000	762	1,213	\$1,046 to \$1,116
Four Seasons Residences	Yerba Buena	Westbrook Partners	146	2020	43	\$3,140 to \$6,200	May-19	-	\$2,300,000	\$49,000,000	1,075	10,000	\$2,140 to \$4,900
Mira	Transbay	Tishman Speyer	392	2018	40	\$900 to \$1,475	Oct-18	-	-	-	-	-	-
The Avery	Transbay	Related	118	2019	55	\$1,530 to \$1,900	May-18	1.1	\$1,895,000	\$8,770,000	964	4,176	\$1,966 to \$2,100
181 Fremont	Transbay	Jay Paul Company	67	2017	17 (resi.)	\$2,000 to \$3,500	May-18	0.8	\$1,400,000	\$8,750,000	672	2,209	\$2,083 to \$3,961
Fulton 555	Hayes Valley	Avery Bays Real Estate	139	2016	5	\$490 to \$600	Jul-15	1.3	\$691,380	\$1,344,801	512	1,050	\$1,350 to \$1,281
<b>Average</b>			<b>100</b>					<b>1.3</b>	<b>\$1,149,515</b>	<b>\$5,422,711</b>	<b>724</b>	<b>2,093</b>	

Source: Polaris Pacific, IRR Research

The average absorption rate for active condominium projects as of July 2023 was 1.3 sales per month. It should be noted, the subject's location is superior to many of the neighborhoods with new product. Among projects active as of July 2023, 2238 Market Street in Duboce Triangle, 88 at the Park in Potrero Hill, and Serif in Mid-Market stand out as the only three projects with monthly absorption rates over 2.0 sales per month. The Bristol, located on YBI, has averaged 1.5 sales per month. The Developer notes the project was completed in July 2022 (though presales had commenced prior), which corresponds with the timeframe of recent interest rate increases and the temporary slowdown experienced in the broader market.

The following table reflects condominium projects which achieved sell out since 2016. This seven year timeframe provides a helpful perspective on condominium absorption in San Francisco throughout strong and weak market conditions.

Sold Out Projects (2016 or later)									
Project	Neighborhood	Developer	No. of			Sale Price (Low)	Sale Price (High)	Sold Out Date	Sales per Month
			Units	Year Built	Stories				
The Harrison	Rincon Hill	Maximus Real Estate	299	2016	49	\$740,000	\$7,500,000	Apr-23	3.5
730 Florida	Inner Mission	Thomas & Martina Murphy	24	2022	4	\$789,000	\$1,499,000	Mar-23	2.0
Maison a Soma	SOMA	JS Sullivan	40	2021	6	--	--	Jun-22	3.8
Elevant	Civic Center	JS Sullivan	55	2020	11	\$600,000	\$800,000	May-22	3.0
One Mission Bay	Mission Bay	CIM Group	348	2017	16	\$582,000	\$3,950,100	Aug-21	5.5
The Monarch	Hunters Point	Lennar	47	2017	4	\$548,000	\$806,000	Aug-21	0.9
Maison Au Pont	Marina	JS Sullivan	43	2020	4	\$700,000	\$1,608,000	Jul-21	2.4
Mission Modern	Inner Mission	March Capital	24	2020	6	--	--	Jul-21	1.4
99 Rausch	SOMA	Belrich Partners	112	2018	6	\$580,000	\$2,600,000	Feb-21	2.5
540 De Haro	Potrero Hill	Aralon Properties	16	2020	4	\$1,100,000	\$2,600,000	Jan-21	2.0
The Austin	Lower Nob Hill	Pacific Eagle	103	2017	12	\$615,000	\$2,045,000	Jan-21	2.1
Lumina	Rincon Hill	Tishman Speyer	656	2016	37 to 42	\$990,250	\$4,000,000	Dec-20	3.0
1433 Bush Street	Lower Nob Hill	JS Sullivan	40	2019	8	\$580,000	\$1,435,000	Jul-20	2.8
Stage 1075	Mid Market	Encore Housing	90	2017	8	\$539,000	\$1,259,000	Jan-20	3.2
719 Larkin	Tenderloin	JS Sullivan	42	2019	8	\$650,000	\$815,000	Nov-19	6.0
901 Tennessee	Dogpatch	Local Development Group	44	2019	4	\$499,000	\$1,779,000	Nov-19	4.9
Sutter North	Lower Nob Hill	Marc Dimalanta	37	2018	9	\$599,000	\$999,000	Aug-19	1.5
1868 Van Ness	Nob Hill	Peter Iwate	35	2017	8	\$789,000	\$1,189,000	Jun-19	1.2
Alma & Engel	Hunters Point	Lennar	105	2015	-	--	--	Jun-19	2.3
The Alexandria	Central Richmond	Time Space San Francisco	43	2018	4	\$780,000	\$1,200,000	May-19	3.0
288 Pacific	Jackson Square	Grosvenor	33	2018	7	+/- \$2,300,000	+/- \$2,300,000	Apr-19	2.4
1598 Bay	Marina	Presidio Development Partners	28	2018	4	\$845,000	\$1,950,000	Mar-19	2.5
815 Tennessee	Dogpatch	DM Development	68	2017	5	--	--	Nov-18	5.2
1188 Valencia	Mission	JS Sullivan	49	2018	5	--	--	Sep-18	4.7
The Pacific	Pacific Heights	Trumark Urban	76	2016	9	--	--	Jul-18	3.3
1450 Franklin	Lower Pacific Heights	Village Properties	67	2016	13	--	--	Jun-18	3.1
The District	Lower Pacific Heights	KB Homes	81	2016	6	\$860,000	\$1,562,500	May-18	2.8
72 Townsend	South Beach	KB Homes	74	2016	9	--	--	Mar-18	2.0
Rockwell	Lower Pacific Heights	Oyster Development	259	2016	13	\$784,500	\$3,100,000	Jan-18	8.0
Laguna Hayes	Hayes Valley	Village Properties	29	2017	5	--	--	Jan-18	4.6
La Maison	SOMA	JS Sullivan	28	2017	5	--	--	Jan-18	2.3
Knox	Dogpatch	Trumark Urban	91	2016	4 to 5	--	--	Nov-17	11.1
Rowan	Inner Mission	Trumark Urban	70	2015	9	--	--	Nov-17	5.3
Luxe	Pacific Heights	Belrich Partners	34	2016	7	--	--	Mar-17	0.5
Summit 800	Duboce Triangle	Comestock Homes	182	2016	3	--	--	Feb-17	6.0
388 Fulton	Civic Center	7x7 Development	69	2016	6	--	--	Dec-16	7.5
450 Hayes	Hayes Valley	DM Development	41	2016	4	--	--	Nov-16	4.4
400 Grove	Hayes Valley	DM Development	34	2016	5	--	--	Oct-16	8.6
One Franklin	Hayes Valley	JS Sullivan	35	2016	8	--	--	Oct-16	8.6
1001 Seventeenth	Potrero Hill	Eamonn Herlihy	26	2016	4	--	--	Aug-16	2.8
Sapphire	SOMA	Stanley Chia	15	2015	4	--	--	Feb-16	3.0
<b>Average</b>									<b>3.8</b>

Source: Polaris Pacific, IRR Research

The average rate of absorption for all projects in the above table is 3.8 sales per month. Projects which achieved sell-out post pandemic averaged 2.7 sales per month, while projects averaged 3.3 sales per month pre-pandemic. Many of the projects presented in the previous tables are located in denser, urban core environments. Neighborhoods such as SOMA were more heavily impacted by the pandemic than lower density residential neighborhoods such as Pacific Heights and Cow Hollow, as these neighborhoods are heavily influenced by the office market and demand for homes proximate to major employers.

The subject's for-sale residential product will include a mix of studio, one, two, and three bedroom condominiums ranging in size from 500 to 1,643 square feet, and the design is most similar to comparables with eight stories or less. Our market value conclusions for the subject's average/representative unit reflect a price point of \$1,550,000 (1,007 square feet) for Parcel C3.4 and \$1,900,000 (1,257 square feet) for Parcel C2.3, which fall within the range of comparable sale prices presented in the previous tables and in the upcoming valuation section.

The Bristol, located on Yerba Buena Island within Improvement Area No. 1, is a condominium project with an average unit size of 1,203 square feet which completed construction in 2022. The units are similar in size to Parcel C2.3, but larger than Parcel C3.4. The typical asking price of homes at The Bristol is approximately \$1,700,000; as of August 1, 2023, 36 of the market rate units have sold (implying an absorption rate of approximately 1.5 sales per month). As previously noted, the completion of construction coincided with the Federal Reserve's interest rate hikes, which impacted the project. The Developer is anticipating an increase in buyer activity in Fall of 2023. Sales agents at the property note the project has received significant interest from buyers currently living in the South Bay.

Given the price point and size of the proposed subject units, the suburban characteristics of Treasure Island, and recent absorption activity within other San Francisco projects, we project an absorption rate of between **3.0** and **4.0** sales per month is appropriate for the subject units. This implies an absorption rate of **21.0** sales per semi-annual period (six months).

While this projection exceeds the average absorption rate for currently active San Francisco projects, there are multiple examples of recently sold out projects (selling out post pandemic) projects achieving these rates; these include The Harrison in Rincon Hill (3.5 sales per month), Maison a Soma in SOMA (3.8 sales per month), and One Mission Bay in Mission Bay (5.5 sales per month).

### **Ability to Pay**

In this section, we will examine the ability to pay among prospective buyers for a representative price point among the developer's various product types. The average unit size for the subject's market units is approximately 1,257 square feet for Parcel C3.4 and 1,007 square feet for C2.3; we have estimated corresponding sale prices at \$1,550,000 and \$1,900,000, respectively.

First, we will estimate the required annual household income based on typical mortgage parameters in the subject's market area. Specifically, we will employ a loan-to-value ratio of 80% (down payment of 20%), mortgage interest rate of 7.5%, 360 monthly payments, and a 40% ratio for the housing costs as a percent of monthly income (inclusive of principal, interest, all taxes, and insurance). Property tax payments, including Special Taxes, are accounted for in the analysis as well as homeowner's insurance. The following table shows the estimate of the annual household income that would be required to afford homes priced at the representative price point.

**Income Required - Parcel C3.4**

Home Price	\$1,550,000	
Loan % of Price (Loan to Value)	80%	
Loan Amount	\$1,240,000	
Interest Rate	7.50%	
Mortgage Payment	\$8,670	
Property Taxes	\$1,584	Based on 1.179738% and direct charges of \$720
CFD No. 2016-1 IA No. 2	\$563	
Property Insurance	\$323	
Total Monthly Obligation	\$11,140	
Mortgage Payment % of Income	40%	
Monthly Income	\$27,850	
Annual Income	\$334,203	

**Income Required - Parcel C2.3**

Home Price	\$1,900,000	
Loan % of Price (Loan to Value)	80%	
Loan Amount	\$1,520,000	
Interest Rate	7.50%	
Mortgage Payment	\$10,628	
Property Taxes	\$1,928	Based on 1.179738% and direct charges of \$720
CFD No. 2016-1 IA No. 2	\$695	
Property Insurance	\$396	
Total Monthly Obligation	\$13,646	
Mortgage Payment % of Income	40%	
Monthly Income	\$34,116	
Annual Income	\$409,392	

We have obtained income data from Spotlight Analytics, for a 20-mile radius surrounding the subject property. In the following table we show the income brackets within the noted area, along with estimates of the percentage of households able to afford homes priced at the representative price point within each income bracket. Although, subject property would likely include a regional, national, and international buyer profile.

**Household Ability - Parcel C2.3**

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	75,742	6.6%	0.0%	0	0.0%
\$15,000 - \$24,999	59,217	5.1%	0.0%	0	0.0%
\$25,000 - \$34,999	53,026	4.6%	0.0%	0	0.0%
\$35,000 - \$49,999	76,251	6.6%	0.0%	0	0.0%
\$50,000 - \$74,999	117,300	10.1%	0.0%	0	0.0%
\$75,000 - \$99,999	112,601	9.7%	0.0%	0	0.0%
\$100,000 - \$124,999	100,863	8.7%	0.0%	0	0.0%
\$125,000 - \$149,999	89,873	7.8%	0.0%	0	0.0%
\$150,000 - \$199,999	131,423	11.4%	0.0%	0	0.0%
\$200,000 - \$249,999	88,130	7.6%	0.0%	0	0.0%
\$250,000 - \$499,999	119,469	10.3%	36.2%	43,248	3.7%
\$500,000+	<u>131,842</u>	<u>11.4%</u>	100.0%	<u>131,842</u>	<u>11.4%</u>
	1,155,737	100.0%		175,090	15.1%

**Household Ability - Parcel C3.4**

Household Income	Households	Percent of Households	Percent Able to Pay	Households	Households Able to Pay
< \$15,000	75,742	6.6%	0.0%	0	0.0%
\$15,000 - \$24,999	59,217	5.1%	0.0%	0	0.0%
\$25,000 - \$34,999	53,026	4.6%	0.0%	0	0.0%
\$35,000 - \$49,999	76,251	6.6%	0.0%	0	0.0%
\$50,000 - \$74,999	117,300	10.1%	0.0%	0	0.0%
\$75,000 - \$99,999	112,601	9.7%	0.0%	0	0.0%
\$100,000 - \$124,999	100,863	8.7%	0.0%	0	0.0%
\$125,000 - \$149,999	89,873	7.8%	0.0%	0	0.0%
\$150,000 - \$199,999	131,423	11.4%	0.0%	0	0.0%
\$200,000 - \$249,999	88,130	7.6%	0.0%	0	0.0%
\$250,000 - \$499,999	119,469	10.3%	66.3%	79,208	6.9%
\$500,000+	<u>131,842</u>	<u>11.4%</u>	100.0%	<u>131,842</u>	<u>11.4%</u>
	1,155,737	100.0%		211,050	18.3%

**Conclusions**

Demand for homes in the subject's market area remains moderate at the current time. While there are no existing comparables on Treasure Island, there is demand in established, residential neighborhoods in San Francisco for homes from buyers who do not wish to reside in busier areas closer to the central business district. Treasure Island's seclusion, Bay views, and convenient interstate access to San Francisco and Oakland is expected to be appealing to buyers. However, some of these attributes may be tempered by the fact that some San Francisco buyers prefer to live on the San Francisco Peninsula, within the broader city limits of San Francisco.

## Multifamily Market Analysis

The subject is located within the San Francisco apartment market area, defined as the city/county limits, as highlighted in the map below.



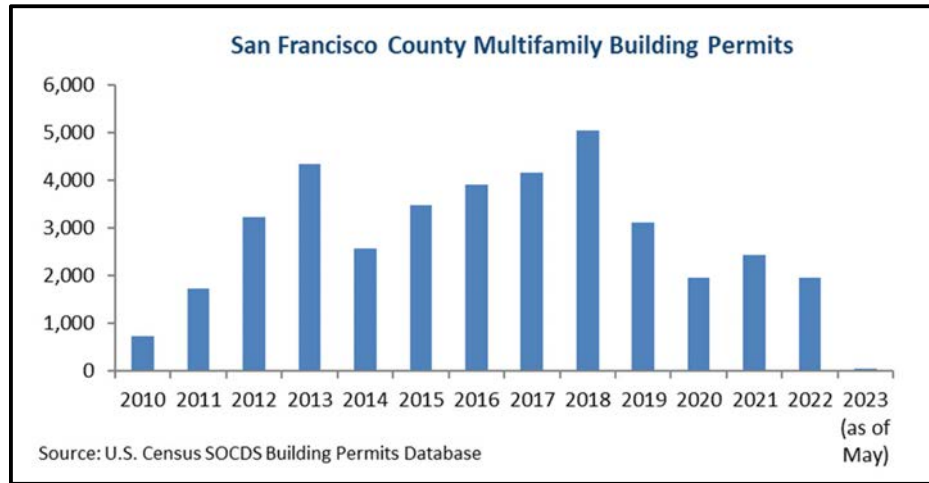
The San Francisco Bay Area multifamily market experienced strong demand during the last expansion cycle as tech companies expanded rapidly in the region. Multifamily construction activity surged, with demand keeping pace with development prior to the pandemic, resulting in vacancy rates throughout most of the areas in or below the 5% range. Market conditions declined significantly after the onset of the pandemic but have been slowly improving as renter demand has returned. Nonetheless, conditions remain below their pre-pandemic levels.

The following excerpt published by Costar summarizes the state of the market.

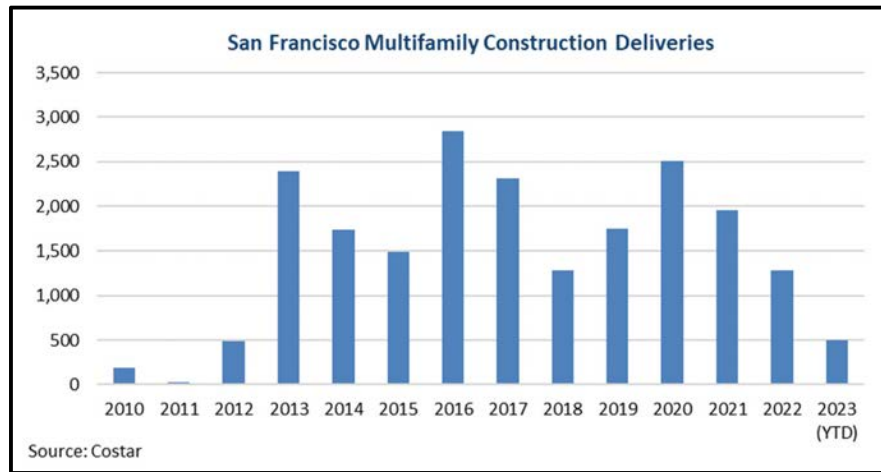
*“As of the third quarter of 2023, the San Francisco apartment market is showing signs of stability after the volatility of recent years. Vacancy has levelled-off, albeit at a higher level than before the pandemic. Rent growth is generally flat, and construction activity has shifted from the city of San Francisco to the peninsula. Investment activity is muted, reflecting broader economic headwinds. In 2020, when the pandemic hit and San Francisco went into an extended lockdown, many renters, who were already overwhelmed by the high cost of housing, took the opportunity to leave the city in search of less expensive alternatives. Almost 10,000 units were vacated, as the vacancy rate increased to 11.3%, while market rents fell by 11%. Moving into the second half of 2023, this loss of workforce and population has only partially recovered. Unlike most other markets in the Bay area, apartment demand in San Francisco is still below pre-pandemic levels. Vacancy in the second quarter is 6.9%, and rents are lower than they were in 2019... Looking ahead, positive absorption is projected for the metro market, but the rate of improvement in areas close to downtown San Francisco will depend upon both a return to in-office working and improvements to safety and security. Social problems associated with homelessness, drug activity and crime are a significant disincentive to residents... There is additional uncertainty around employment, as tech companies implement hiring freezes and layoffs.”*

**New Construction**

The following chart indicates the number of multifamily building permits issued since 2010 in San Francisco County according to US Census Bureau data. It is noted these figures include for-rent apartments and for-sale condominiums within projects with five or more units.



Permit activity for multifamily projects was low during the 2008-2010 recession years, with increases beginning in 2011/2012 as developers began responding to improving market conditions. In recent years, the majority of new developments have been concentrated in the South of Market (SoMa), Mission Bay/China Basin/Potrero Hill and Haight-Ashbury/Castro/Noe Valley/Mission District submarkets. The following summarizes new construction deliveries since 2010.



Though it has slowed considerably, construction remains active as high-rise projects typically require several years to complete. However, as construction costs have steadily increased in recent years, developers have been re-evaluating the feasibility of new development and there have been fewer new projects breaking ground since mid-2018. Some of the significant apartment projects recently delivered or under construction are summarized as follows:



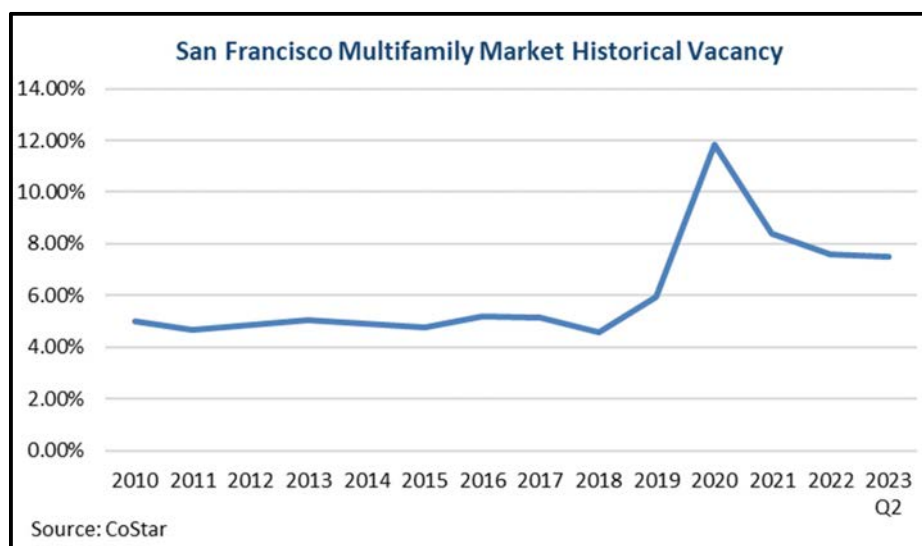
**San Francisco Multifamily New Construction**

Project	Number of Units	Submarket	Completion
HQ / 1532 Harrison Street	136	Mission District	Completed Q2 2021
Trinity Place / 1177 Market Street	502	South of Market	Completed Q3 2021
Hanover Soma West Apts / 1140	372	South of Market	Completed Q3 2021
Astella / 955 Bryant Street	185	Mission Bay	Completed Q3 2021
Chorus / 30 Otis Street	416	Haight-Ashbury	Completed Q3 2021
Vance / 830 Eddy Street	137	Richmond/Western Addition	Completed Q4 2021
Prism Apartments / 1028 Market Street	186	Mid-Market	Completed Q1 2022
The George / 434 Minna Street	302	South of Market	Completed Q1 2022
TL 361 / 361 Turk Street	240	Civic Center	Completed Q4 2022
The Brady / 1 Brady St, 1629 Market St	444	South of Market	Completed Q3 2022
Ventana Residences / 99 Ocean Ave	193	Bayview / Visitacion Valley	Completed Q2 2023
The Canyon / 1023 3rd Street	283	Mission Bay	Completed Q2 2023
4840 Mission Street	137	Bayview / Visitacion Valley	Q3 2023
Hawkins / 55 Bruton Street	178	Treasure Island	Q3 2024
Mission Rock - Building F	255	Mission Bay	Q4 2024
Tidal House / 39 Bruton Street	250	Treasure Island	Q1 2025
988 Harrison St	90	South of Market	Q1 2025
1 Avenue of the Palms	117	Treasure Island	Q2 2025
401 Avenue A	160	Treasure Island	Q2 2026
360 5th Street	127	South of Market	Q2 2026

Source: Costar

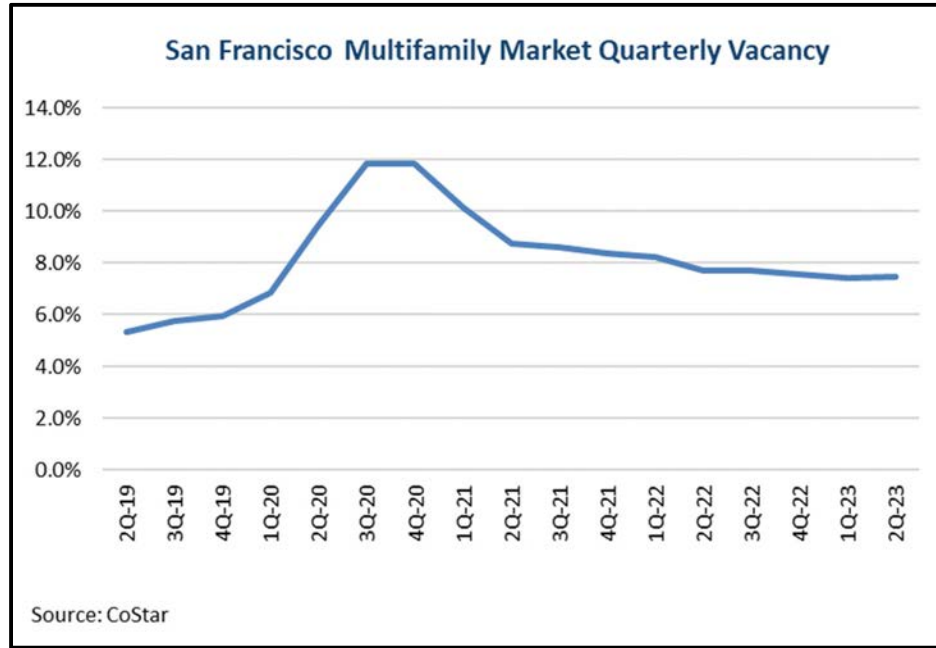
**Vacancy**

Historically speaking, the apartment market in San Francisco has maintained relatively low vacancy and over the last decade, the region’s average vacancy rate has remained generally under 5%, with a significant increase in 2020 to nearly 12%, as indicated in the following table.





The average overall vacancy rate fluctuated between 4.6% to 6.0% during 2018 and 2019 and began increasing in the first quarter of 2020, with a reported rate of 6.9%. The rate further increased each subsequent quarter in 2020 following the onset of the pandemic with improvement beginning in 2021 and then leveling off through 2022 and into 2023, as illustrated below.



As of the second quarter 2023, the overall average vacancy was reported at 7.5%, a 10-basis point increase over the first quarter and a 20-basis point decrease year-over-year.

**Rental Rates**

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





According to this report, the average asking monthly rental rate as of the second quarter 2023 was \$3,041, up from \$3,028 in the first quarter 2023 and down from \$3,082 a year prior. Rental rate growth had been moderating since 2016 and declined significantly following the onset of the pandemic, while rent concessions increased substantially. Luxury apartments were the most heavily impacted and offered the greatest discounts, as they faced a slow leasing environment as well as additional competition from newly constructed projects. Rental rates began improving in 2021 after five quarters of decline and have been relatively stable over the past two years.

**Submarket Data**

New construction activity over the past five years has been heavily concentrated in the South of Market submarket, with development also occurring in Haight-Ashbury/Castro/Noe Valley/Mission District and Mission Bay/China Basin/Potrero Hill.

Average asking rental rates ranged from \$2,421 per unit/month in the Civic Center / Tenderloin submarket to \$3,916 per unit/month in the Mission Bay/China Basin/Potrero Hill submarket. Average asking rents decreased year-over-year in most submarkets, ranging from 0.3% decline in Downtown San Francisco to 7.4% decline in the Sunset/Lakeshore submarket. The Marina/Pacific Heights/Presidio submarket was the only one to show annual rent growth of 0.8%.

In terms of vacancy, a rate of 0% was reported for Treasure/Yerba Buena Island. However, the existing inventory for the Treasure/Yerba Buena Island submarket comprises older existing housing stock; asking rents and vacancy rates are not representative of under construction or proposed product. The next lowest vacancy in the Marina/Pacific Heights/Presidio submarket at 5.6%. The highest overall vacancies were reported in the Bayview/Visitacion Valley and Sunset/Lakeshore submarkets at 17.4% and 11.4%, respectively. Vacancy increased from 4.6% last quarter to 17.4% this quarter in the Bayview/Visitacion Valley submarket due to delivery of 193 units.

The following table highlights recent market activity for the submarkets that make up the San Francisco market.



### San Francisco Multifamily Market Summary

Submarket	Inventory (Units)	12-Mo Deliveries	Under Construction	Asking Rents Q2 2023	Vacancy Q2 2023
Bayview / Visitacion Valley	1,330	193	0	\$2,785	17.4%
Civic Center / Tenderloin	10,731	240	0	\$2,421	8.8%
Downtown San Francisco	23,898	0	53	\$2,688	6.3%
Haight-Ashbury/Castro/Noe Valley/Mission District	20,183	519	75	\$3,059	7.8%
Marina/Pacific Heights/Presidio	14,442	0	0	\$3,731	5.6%
Mission Bay/China Basin/Potrero Hill	7,470	307	255	\$3,916	7.2%
Richmond/Western Addition	17,747	0	0	\$2,611	7.5%
South of Market	13,290	0	217	\$3,603	6.5%
Sunset/Lakeshore	9,232	0	0	\$2,910	11.4%
Treasure/Yerba Buena Island	430	0	705	\$2,823	0.0%
San Francisco Market Total	118,753	1,259	1,305	\$3,041	7.5%

Source: Costar

### Sales Activity

The strong market fundamentals and economy in the San Francisco market have historically made it an attractive capital investment market. As rental rates steadily increased following the recession of 2008, capitalization rates decreased and pricing increased, making San Francisco the most expensive multifamily market in the country. Prior to the pandemic, capitalization rates held steady in the high 3% to low 4% range and were among the lowest in the country. Properties with value-add potential were in demand as investors looked to renovate and compete with nearby luxury rentals.

The first quarter 2020 showed signs of moderation as rental rate growth diminished and vacancy rates began stabilizing with new inventory added. The subsequent quarters in 2020 showed declining sales volume and average price per unit, as well as a slight increase in the average capitalization rate due to the effects of the pandemic. Sales volume and pricing have remained subdued as investors continue to exercise caution. Investor interest has further slowed over the past year due to the rapidly rising interest rates and economic uncertainty, both in the local economy and in the nation at large.

### Market Participant Interviews

As part of our research, we discussed the subject and the broader San Francisco multifamily market with representatives from Greystar. Both representatives we spoke with emphasized that recovery of the multifamily market has varied widely by neighborhood. Residential neighborhoods with reputations as quiet, clean, and safe have been most successful. The local market also continues to be impacted by remote work policies. If employees are only required to commute to the office one or two days a week, they may choose to reside outside of San Francisco rather than closer to employment. However, it is noted that those in certain fields, such as the legal and medical professions, have already returned to the office; professionals in these fields are often interested in newer, highly amenitized apartments.

Overall, rental rates in San Francisco are 8% to 9% below pre-COVID rates, which reflects significant recovery from the 20% to 30% decline seen at the height of the pandemic. Occupancy rates are reportedly back up to 94% to 95%, and multifamily projects are beginning to drop concessions (historically these have only been offered during lease up) which is a positive sign for the local market.

The representatives noted that May and June 2023 were strong months for leasing. Despite this, there is very little activity on the sales side. One representative we spoke with is aware of 12 to 15 projects that were brought to market in recent months only to be pulled because they were not generating the offers/interest sellers were hoping.

Finally, both representatives noted Treasure Island benefits from fantastic views and the subject will command substantial view premiums; though, some renters may find vehicular access to the Island an issue. In addition, larger indoor spaces and attractive outdoor spaces continue to be important to renters post-pandemic.

### **Conclusion**

The San Francisco apartment market was significantly impacted by the effects of the pandemic through 2020, with early signs of improvement emerging in 2021. Job losses, particularly in the retail, hospitality, restaurants and services sectors, were substantial in the economic downturn and have been slow to recover. The high cost of living in the San Francisco market likewise contributed to an outflow of renters, particularly as employees were able to work from home and thus relocated to less expensive and suburban markets.

After a reopening of the economy in mid-June 2021, renters began returning to San Francisco, strengthening occupancy gains. Overall vacancy levels declined and increases in rental rates followed. Despite improvements over the past two years, the market remains below its pre-pandemic levels with regard to rental rates. Recovery is expected to continue to depend on the region regaining the workforce and population lost with the pandemic.

## Retail Market Analysis

The subject is located within the San Francisco retail market area, defined as the city/county limits of San Francisco. The following are excerpts from market research reports published by Costar summarizing the state of the retail market.

*“The structure of San Francisco's retail market reflects both the high-income levels of its population and the supply-constrained nature of its densely populated geography. The City of San Francisco itself is characterized by general retailing along popular urban strips in heavily populated neighborhoods, such as Chestnut Street in the Marina District, Valencia Street in The Mission, and Hayes Street in Hayes Valley. These neighborhoods comprise eclectic mixes of eateries and independent boutiques and are typically subject to ordinances that restrict the presence of chain stores. In contrast to the current situation in downtown and Union Square, these retail zones are generally active and vibrant, with a healthy turnover of new stores and restaurants.*

*The second quarter of 2023 saw a notable escalation in the challenges facing Union Square, at the heart of San Francisco's retail market. In May 2023, Nordstrom announced the closure of both its 300,000-SF department store in the San Francisco Westfield Center and its nearby Nordstrom Rack outlet. A few weeks later, the owners of the Westfield Center halted payments on its \$560 million loan and began the process of transferring ownership to the lender. These events are the latest in a series of setbacks for Union Square, traditionally home to major department stores and high-end fashion. The vitality of Union Square has deteriorated in recent years after visitor traffic fell during the extensive pandemic lockdowns and the weak return of both office workers and tourists. Additional well-publicized social problems also plague the neighborhood, keeping shoppers away, and leading several major retailers to close stores. The deterioration of Union Square and the neighboring areas in downtown San Francisco have dragged down the key operating performance statistics for the metro area, which lags most other metros across the nation. Retail vacancy in San Francisco was one of the lowest in the nation in 2019, but is now one of the nation's highest, at 5.5%. Similarly, average market rent, which increased at an annual rate of 3.6% nationally over the past 12 months, was positive by 0.1% in San Francisco.*

*On the supply side, the market has a low amount of new construction, partly because of limited availability and restrictive planning policies, but also because of weak demand. Aside from a small number of grocery stores, most new retail development takes the form of street level retail components of larger mixed-use development projects. In fact, there is a greater trend towards repurposing of retail spaces for other uses, including shopping center redevelopment for biotech facilities and the conversion of upper-level retail spaces into residential or office uses.”*

### Net Absorption & Vacancy

There has been little new development in the San Francisco market area over the past ten years and annual net absorption has been low or negative. In addition, the retail sector has been undergoing changes in response to consumer patterns, resulting in store closures and downsizing as retailers made shifts towards e-commerce growth rather than physical locations. Over the past three years, absorption has been impacted by the effects of the pandemic as many small businesses were unable to survive and closed permanently, while growth plans and new leasing activity declined significantly. The following chart highlights the region's historical net absorption.



Net absorption was negative for six consecutive quarters beginning fourth quarter 2019, with improvement beginning in the second quarter 2021. Most of the positive net absorption, however, was attributed to occupancy of new space, specifically Whole Foods, Sports Basement and Regal Cinemas taking occupancy at the newly renovated Stonestown Galleria. Existing inventory in older buildings continued to experience negative net absorption.

Net absorption in the second quarter 2023 was negative 941 square feet. An illustration of net absorption over the past four years is presented in the following chart.



Vacancy in the San Francisco market has been gradually increasing since its historic low of 2.1% in 2015 to 6.0% as of mid-2023. It is reported that malls and power centers, particularly, were struggling prior to the pandemic amidst an increase in customer preference for online shopping, and the closures and restrictions during 2020 only accelerated their decline. Overall vacancy remained below 4% for 13 years before increasing above 4% in 2020 and has been above 5% since 2021, as indicated in the following chart.



The San Francisco market has roughly 51.2 million square feet of retail inventory, including general retail, malls, power centers, shopping centers, and specialty retail. Of this, 3.1 million square feet were vacant as of the second quarter 2023. The overall vacancy rate of 6.0% is unchanged from the previous quarter and is up 60 basis points year-over-year.

The following chart presents the quarterly retail vacancy in the San Francisco market area over the past four years.





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

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

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

San Francisco Retail Market Summary					
Submarket	Total SF (millions)	Vacancy 2Q 2023	Net Absorption Q2 2023	Net Absorption YTD	Asking Rent Q2 2023
SF Downtown Core	1.01	5.4%	2,108	(4,344)	\$4.83
SF Downtown North	3.02	11.4%	29,629	5,205	\$5.59
SF Downtown South	6.06	10.5%	(7,120)	(34,614)	\$3.46
SF Downtown West	10.62	8.7%	16,155	(18,590)	\$4.00
SF Outer Areas	22.51	3.5%	(23,152)	(7,255)	\$3.82
SF Southeast	8.04	3.9%	(18,561)	15,849	\$3.39
<b>Total</b>	<b>51.25</b>	<b>6.0%</b>	<b>(941)</b>	<b>(43,749)</b>	<b>\$3.86</b>

Source: Costar Custom Analytics: San Francisco Retail

The lowest submarket vacancy was posted in the San Francisco Outer Areas and Southeast at 3.5% and 3.9% vacancy, respectively. The highest vacancy was in the San Francisco Downtown North submarket at 11.4% vacant. This submarket had the largest decline in vacancy compared to the previous quarter with a 100-basis point decline; the remaining submarkets had fairly stable vacancy with only a 10-20 basis point change up or down compared to the previous quarter. The highest net absorption was in the SF Downtown North with 29,629 square feet absorbed, while the greatest



occupancy loss was in SF Outer Areas, with negative net absorption of 23,152 square feet. Average asking rents range from a low of \$3.39 in SF Southeast to a high of \$5.59 psf/month, triple net in SF Downtown North.

### **Rental Rates**

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

Rental rate growth has been gradually declining since 2015 in response to waning tenant demand and is expected to further decline as vacancy remains elevated and leasing activity remains subdued.

Costar data indicates an average asking rate of \$3.86 psf/month, triple net (\$46.33 psf/year) as of the second quarter 2023, unchanged from the previous quarter and year-over-year. Average asking rates vary by submarket with the lowest at \$3.39 psf/month in the San Francisco Southeast submarket. The highest average asking rent is \$5.59 psf/month in the San Francisco Downtown North submarket.

### **New Construction**

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

The most notable recent new construction was the 6X6 lifestyle complex located at Market and 6<sup>th</sup> Streets completed in 2017. At 250,000 square feet, this represents the largest new retail development delivered in San Francisco since 2011. This project struggled to lease space and remained vacant for several years after completion. The building was purchased by Ingka Group in September 2020 for redevelopment with an IKEA store of approximately 70,000 square feet and complementary mixed uses. The IKEA store redesign is under construction, with expected delivery in 2023.

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

The Chase Center was completed at the end of 2019 in Mission Bay, reported to be the largest sports and entertainment project on the West Coast, covering an area of 11 acres. It features an 18,000 square foot arena, home to the Golden State Warriors basketball team, along with 98,000 square feet of retail and restaurant space and over five acres of public waterfront park. It also features 580,000 square feet of office space, which was completed in the second quarter 2021 for Uber.

Two significant projects were completed in 2021. One is the redevelopment of the former Macy's Men's Store into a mixed-use project at 100 Stockton, which includes roughly 100,000 SF of retail space, office space on the sixth and seventh floors, and a rooftop restaurant. A lease was signed at the end of 2021 with Chotto Matte restaurant for this space. This project was completed in the first quarter 2022. The other project is the renovation of the Stonestown Galleria, which was completed in the second quarter 2021. This project consists of a redevelopment of the former Macy's and Nordstrom spaces into a three-level anchor building to feature a new Whole Foods and Sports Basement outlet, as well as a 12-screen Regal Cinemas, which opened in May 2021. Finally, two condo buildings were completed in the fourth quarter 2021 at 1288 Howard Street, with approximately 110,000 square feet, including 13,000 square feet of ground floor retail.

There have been no deliveries in 2023 and the only project under construction is the redevelopment of the former 6X6 mall into an IKEA anchored retail center.

These noted projects are summarized below.

#### **New Construction Retail Projects**

Project	Submarket	Size (SF)	Status
Salesforce Transit Center	South Financial District	98,330	Completed Q2 2019
Chase Center (Warriors Arena)	Mission Bay	100,000	Completed Q4 2019
Stonestown Galleria / 3251 20th Ave	San Francisco / Southern City	221,433	Completed Q2 2021
1288 Howard Street / Mixed Use	South of Market	13,000	Completed Q4 2021
100 Stockton Street (former Macy's)	Union Square	100,500	Completed Q1 2022
945 Market Street / IKEA	Mid-Market	70,000	Delivery Q4 2023

Source: CoStar, Cushman & Wakefield

#### **Looking Ahead**

Prior to the pandemic, steady tenant demand and limited new development kept vacancy levels very low in the San Francisco retail market. The local tenant base had shifted to higher-end retailers and demand was strongest in prime locations and for smaller retail spaces concentrated on food and beverage, boutique fitness and neighborhood services.

Market activity declined significantly during the pandemic and has been slow to rebound. Early signs of improvement were observed as restaurants, bars and other businesses began opening and jobs were added back beginning in 2021. However, conditions remain subdued and below their pre-pandemic levels. Year-over-year growth in retail sales is a positive indicator for a gradual recovery in the retail market.

# Property Analysis

## Land Description and Analysis

### Location

The subject property is comprised of five development parcels located on the southwest portion of Treasure Island. A map of the parcels follows this section.

### Land Area

The following table summarizes the subject's land area. As noted, Parcels B1.1 and B1.2 are contiguous and comprise the "B1" developable Parcel.

<b>Land Area Summary</b>			
Tax ID	Parcel	SF	Acres
8903-004	Parcel C2.2	48,919	1.12
8904-004	Parcel C2.3	36,117	0.83
8904-005	Parcel C2.4	36,647	0.84
8906-009	Parcel C3.4	61,207	1.41
8901-003	Parcel B1.1	22,119	0.51
8901-004	Parcel B1.2	22,221	0.51
Total		227,230	5.22

Source: Public Records

### Shape and Dimensions

Subject parcels are generally rectangular in shape; site utility based on shape and dimensions is average.

### Topography

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

### Backbone Infrastructure

In addition to roads and street improvements, infrastructure includes development associated with Treasure Island Causeway improvements, and utility infrastructure and upgrades.

According to the development budget provided by the Master Developer, total infrastructure needed for TCO for Improvement Areas No. 1, 2, and 3 is \$390,887,368, of which \$24,953,757 in costs remain. The Master Developer has allocated \$12,837,669 in remaining costs specifically to Improvement Area 2, given that Improvement Areas 1 and 3 each contribute payments to such costs. The following table provides an allocation of Improvement Area No. 2's backbone infrastructure costs by Parcel based on

pro rata share of acreage. The bulk of the remaining costs cited below are soft costs associated with the infrastructure development.

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#### Pro Rata Share of Infrastructure

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Parcel	Acreage	Pro Rata Share	Remaining Costs
Parcel C2.2	1.12	21.5%	\$2,763,746
Parcel C2.3	0.83	15.9%	\$2,040,479
Parcel C2.4	0.84	16.1%	\$2,070,422
Parcel C3.4	1.41	26.9%	\$3,457,973
Parcel B1	1.02	19.5%	\$2,505,049
	<b>5.22</b>	<b>100.0%</b>	<b>\$12,837,669</b>

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#### Drainage

No particular drainage problems were observed or disclosed at the time of field inspection. This appraisal assumes that surface water collection, both on-site and in public streets adjacent to the subject, is adequate.

#### Flood Hazard Status

According to the Federal Emergency Management Agency, the subject is a part of the following map.

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#### Flood Hazard Status

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Community Panel Number	0602980128A
Date	March 23, 2021

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According to the above map, sections of the subject site were previously located in Zone AE (within the 100-year floodplain) prior to development. However, the Developer has since raised all development pads approximately three feet above the FEMA elevations referenced in the above map. Therefore, the entirety of the subject project is now outside of the 100-year floodplain as of the effective appraisal date.

#### Environmental Hazards

An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

## Ground Stability

A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. It is noted, prior to construction of infrastructure and improvements, a geotechnical mitigation program was implemented to make the Treasure Island perimeter seismically stable, strengthen the causeway that connects Treasure Island to Yerba Buena Island, densify the sandy fill in order to minimize seismic settlement within the development footprint, and compress soft Bay Mud sediments to minimize future settlement from the addition of fill and buildings.

We are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the existing and proposed improvements.

## Streets, Access, and Frontage

Details pertaining to street access and frontage are provided in the following table.

<b>Streets, Access and Frontage - As Proposed</b>			
Street	Seven Seas Avenue	Avenue of the Palms	Trade Winds Avenue
Paving	Asphalt	Asphalt	Asphalt
Curbs	Yes	Yes	Yes
Sidewalks	Yes	Yes	Yes
Lanes	2 way, 1 lane each way	2 way, 1 lane each way	2 way, 1 lane each way
Direction of Traffic	North/South	North/South	East/West
Condition	Good	Good	Good
Traffic Levels	Low	Low	Low
Visibility	Average	Average	Average

## Utilities

The availability of utilities to the subject is summarized in the following table.

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

## Zoning

The subject Parcels are zoned TI-R / TI-MU, Treasure Island - Residential / Treasure Island Mixed Use, by the City and County of San Francisco. According to the City, the purpose of the Treasure Island/Yerba Buena Island Special Use District is as follows:

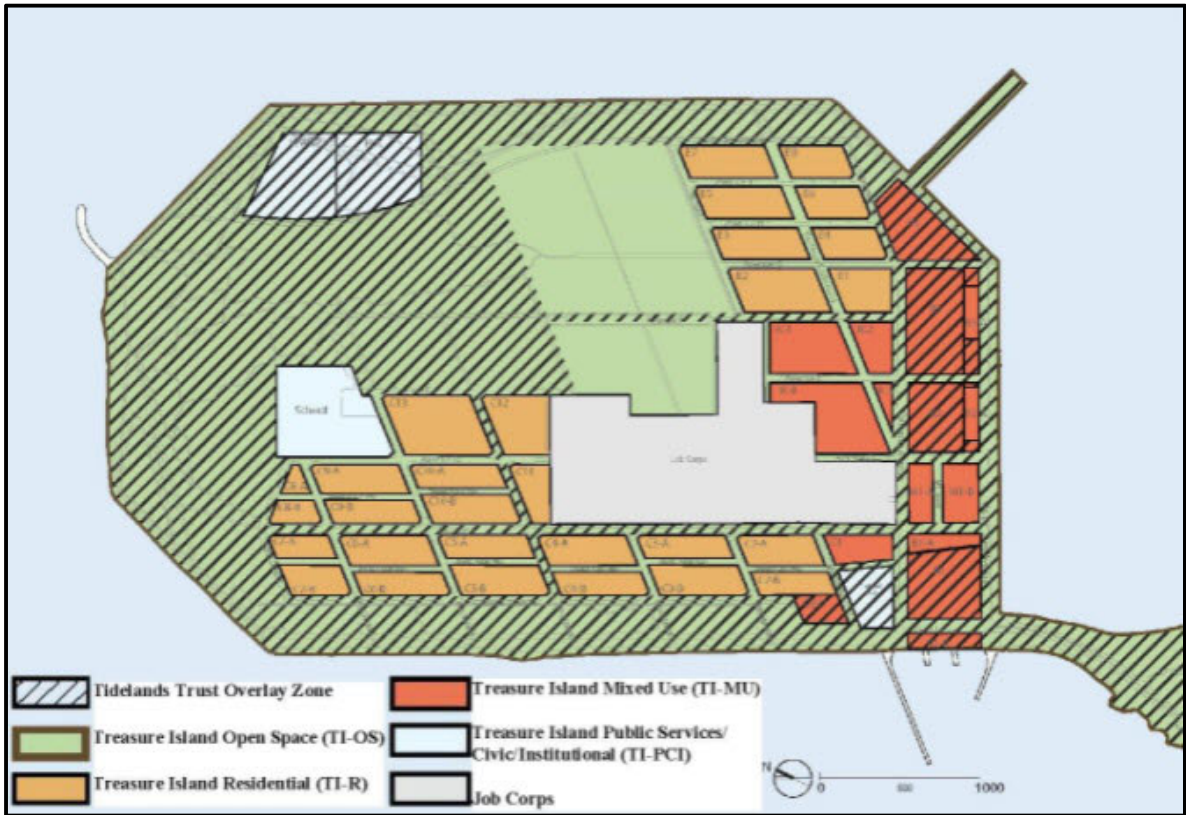
“To facilitate the City's long-term goal of implementing the creation of a new City neighborhood on Treasure Island and Yerba Buena Island, which will provide benefits to the City such as significant amounts of new affordable housing, increased public access and open space, transportation improvements, extensive infrastructure improvements, and recreational and entertainment opportunities, while creating jobs and a vibrant, sustainable community.”

The following table summarizes our understanding and interpretation of the zoning requirements that affect the subject.

<b>Zoning Summary</b>	
Zoning Jurisdiction	City and County of San Francisco
Zoning Designation	TI-R / TI-MU
Description	Treasure Island - Residential / Treasure Island Mixed Use
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	Various residential and commercial uses
Category	Zoning Requirement
Minimum Setbacks (Feet)	0 to 6 ft
Maximum Building Height	Varies; 40 to 125 ft
Parking Requirement	1 space per dwelling unit; 2 spaces per 1,000 SF of gross retail area
Source: City and County of San Francisco	

The subject Parcels are fully entitled for 233 for-sale condominiums and 545 for-rent apartments; Parcel B1 will also include ground floor retail. Further detail on the proposed improvements will be presented in upcoming sections. As Treasure Island is encumbered with its own specific zoning regulations, and because the subject Parcels are entitled, it appears the proposed use of the subject Parcels are legally conforming uses.

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance is required. A zoning map for Treasure Island is provided on the following page.



**Other Land Use Regulations**

We are not aware of any other land use regulations that would affect the property.

**Seismic Hazards**

All properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was enacted by the State of California in 1972 to regulate development near active earthquake faults. The Act required the State Geologist to delineate “Earthquake Fault Zones” (formerly known as “Special Studies Zones”) along known active faults in California. Cities and counties affected by the identified zones must limit certain development projects within the zones unless geologic investigations demonstrate that the sites are not threatened by surface displacement from future faulting.

According to information from the California Geological Survey (formerly known as the Division of Mines and Geology), the subject is not located within an Alquist-Priolo Special Studies Zone. (California Geological Survey, Official Map, Oakland West Quadrangle (2000)). However, the Working Group on California Earthquake Probabilities reported in 2015 that there is a 72% chance at least one 6.7 magnitude earthquake (or larger) will occur in the San Francisco Bay Area by 2045. It should be noted, it appears that all subject’s proposed development lie within a liquefaction zone, as does Treasure Island overall.



### Inclusionary Housing Regulations – For Sale Condominiums

Parcels C2.3 and C3.4 will include five and seven inclusionary units, respectively, the sale price of which will be restricted. The buyer's housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of a certain percentage of San Francisco's median household income. The following table provides 2023 sample pricing from the San Francisco Mayor's Office of Housing and Community Development (MOHCD). Actual pricing for the subject will be determined by MOHCD at a later date. In lieu of precise 2023 pricing information for the subject, this analysis considers the developer's estimate of \$395,908 per inclusionary unit.

ASSUMED HOUSEHOLD SIZE		1 Person	2 Person	3 Person	4 Person	5 Person
MEDIAN INCOME @	<b>80% OF MEDIAN</b>	\$80,700	\$92,250	\$103,750	\$115,300	\$124,500
AVAIL FOR HOUSING @	33%	\$26,631	\$30,443	\$34,238	\$38,049	\$41,085
ANNUAL CONDO FEE		\$9,024	\$10,104	\$11,196	\$12,708	\$14,292
TAXES @	1.17973782%	\$3,295	\$3,806	\$4,312	\$4,742	\$5,013
AVAILABLE FOR P+I		\$14,312	\$16,533	\$18,730	\$20,599	\$21,780
SUPPORTABLE MORT		\$251,339	\$290,332	\$328,917	\$361,742	\$382,469
DOWN PAYMENT	10%	\$27,927	\$32,259	\$36,546	\$40,194	\$42,497
AFFORDABLE PRICE		\$279,266	\$322,591	\$365,463	\$401,936	\$424,966
BEDROOM SIZE		STUDIO	ONE	TWO	THREE	FOUR

### Inclusionary Housing Regulations – For Rent Apartments

As the subject reflects new construction, it is exempt from San Francisco's rent control ordinance and from the California Tenant Protection Act (AB 1482). However, the subject will include the following below market rent units, by Parcel: C2.2 – nine units, C2.4 – 24 units, and B1 – six units.

According to the Developer, final income and rental rate restrictions have not yet been determined by the Mayor's Office of Housing and Community Development. However, the Developer is estimating a BMR rental rate of \$1,372 per month for Parcel C2.2 and \$1,454 for Parcel C2.4, or \$1.77 to \$1.78 per square foot. Based on these projections, we estimate a BMR rent of \$1,239 for Parcel B1 units.

### Easements, Encroachments and Restrictions

We have reviewed preliminary title reports for all five subject Parcels, prepared by First American Title and dated September 18, 2020. The reports identify exceptions to title, which include various utility and access easements that are typical for a property of this type. Such exceptions would not appear to have an adverse effect on value. Our valuation assumes no adverse impacts from easements, encroachments or restrictions and further assumes that the subject has clear and marketable title.

### Permits and Fees

Permits and fees due at building permit are estimated at \$40,000 per unit for Parcel C2.3, which has an average unit size of 1,241 square feet considering market and inclusionary units (market rate units average 1,257 square feet). Permits and fees for Parcel C3.4, which has an average unit size of 1,005 square feet overall (1,007 square feet for market rate units), are estimated at \$22,250 per unit.



## Timeline

The proposed timelines for each Parcel are summarized below.

**Parcel C2.2 – Hawkins** (for-rent apartments) – Vertical construction commenced in September 2022 and is well underway. The expected completion date is November 2024. Preleasing is projected to begin in July 2024, with stabilization anticipated in June 2025.

**Parcel C2.3** (for-sale condominiums) – Vertical construction has not yet commenced. As of the effective appraisal date, the Developer does not have a scheduled start date for completion of development.

**Parcel C2.4 – Isle House** (for-rent apartments) – Vertical construction commenced in July 2022 and the shell of the building is nearly complete (scheduled for September 2023). Vertical construction is expected to be finished in September 2024 with preleasing beginning in August 2024. The project is anticipated to reach stabilization in September 2025.

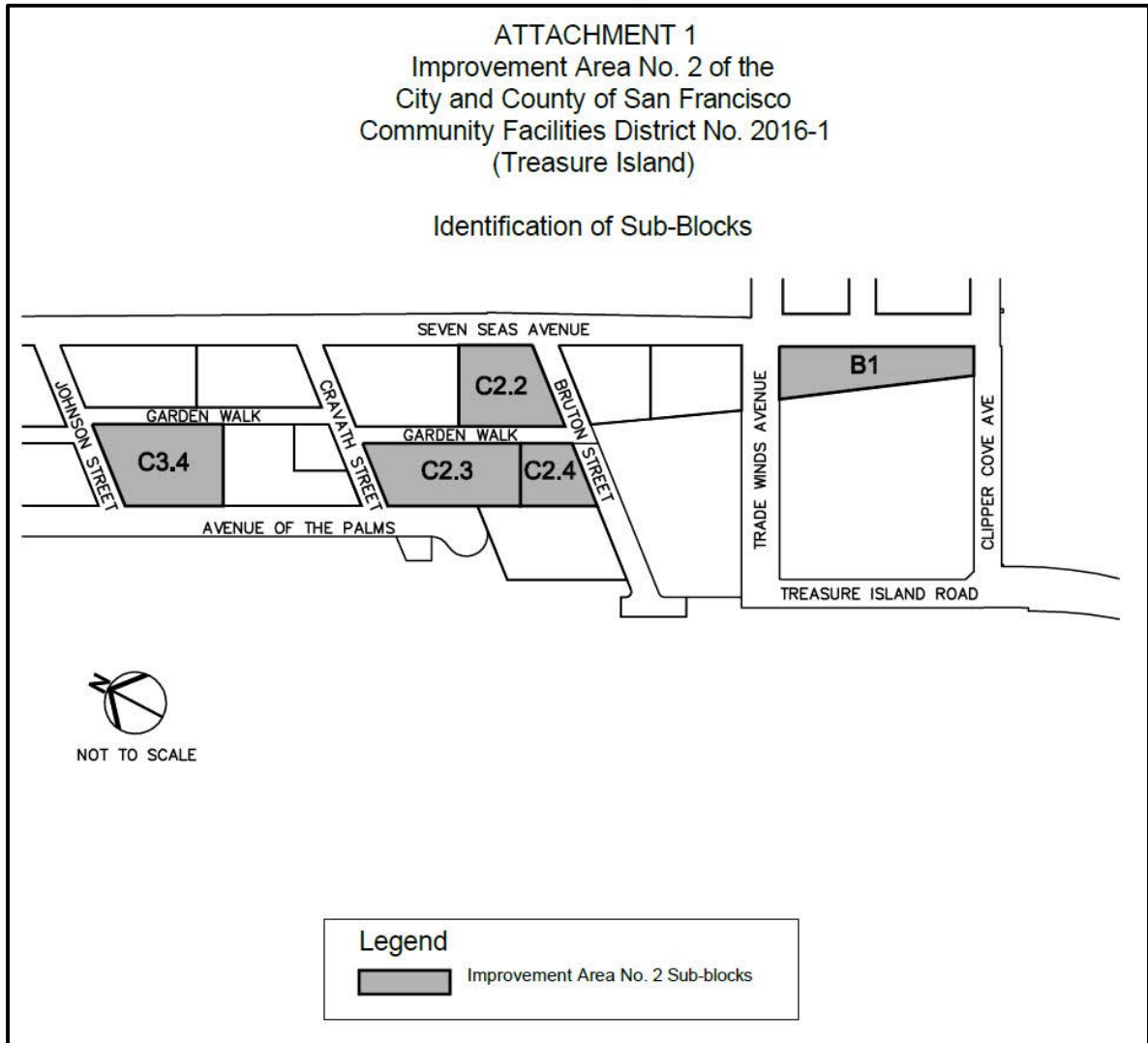
**Parcel C3.4 – Portico** (for-sale condominiums) – Vertical construction began in October 2022 and is expected to be completed in January 2025. Presales are expected to begin in March 2024 with the project achieving stabilization in August 2026.

**Parcel B1** (for-rent apartments) – Site permits have been issued and received; however, the Developer does not have a scheduled start date for completion of development as of the effective appraisal date.

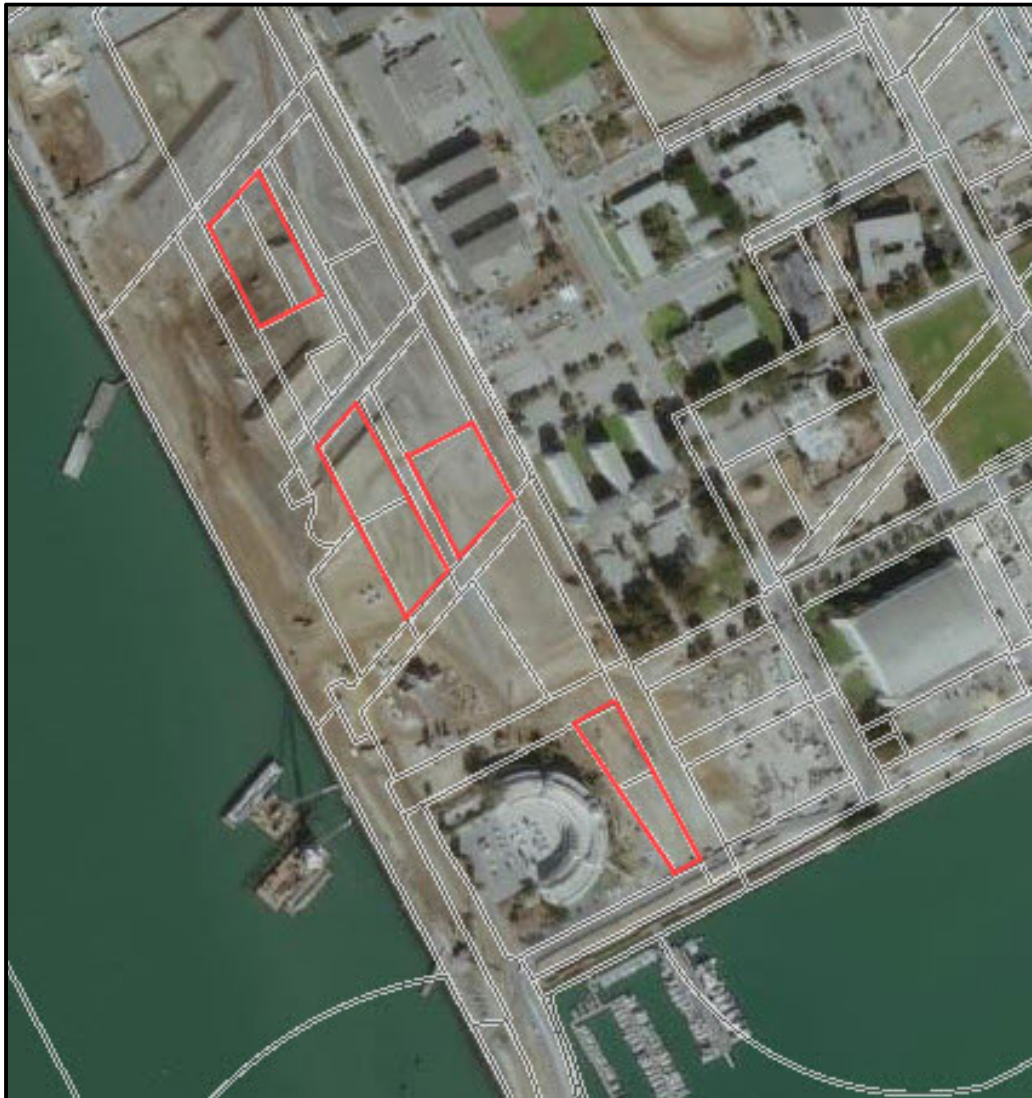
## Conclusion of Site Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. Uses permitted by zoning include various residential and commercial uses. We are not aware of any other particular restrictions on development.

### Improvement Area No. 2 Boundary Map



### Assessor Aerial



## Proposed Improvements Description

### Overview

The subject lots will be developed with varying floor plans, which are summarized in the following tables. The subject property represents the taxable land areas within CFD No. 2016-1 (Treasure Island) Improvement Area No. 2 and includes five development parcels of land located on Treasure Island. In total, the five Parcels are entitled for the development of 233 for-sale condominiums and 545 for-rent apartment units; each of the multifamily sites will also include ground floor retail. Ownership of the Parcels is held by entities associated with Stockbridge Capital Group, LLC, Wilson Meany, LP, Lennar, and Poly (USA) Real Estate Development Corporation. As of the effective appraisal date, infrastructure development serving the five Parcels is substantially complete and vertical construction has commenced on three of the Parcels (C2.2, C2.4, and C3.4).

A summary of the proposed improvements, including details by Parcel are provided below and on the following page.

#### Land Use Overview

Parcel	Name	Acreage	Use	For Sale/Rent	No. of Market Rate Units	No. of BMR Units	Total Units	Parking Spaces	Rentable Area - Residential	Rentable Area - Retail
Parcel C2.2	Hawkins	1.12	Multifamily/Retail	For Rent	169	9	178	92	141,422	1,555
Parcel C2.3	-	0.83	Condominium	For Sale	80	5	85	83	105,445	-
Parcel C2.4	Isle House	0.84	Multifamily/Retail	For Rent	226	24	250	124	207,530	1,250
Parcel C3.4	Portico	1.41	Condominium	For Sale	141	7	148	149	148,710	-
Parcel B1.1 & B1.2 ("B1")	-	1.02	Multifamily/Retail	For Rent	111	6	117	58	101,260	4,785

#### Summary of Floor Plans - C2.3 Condominium Units

Floor Plan	Square Footage	Number of Units	Proposed Pricing
One Bed	675	28	\$959,342
Two Bed	1,071	9	\$1,575,425
Three Bed	1,643	43	\$2,200,837
BMR	981	5	\$395,980
No. of Residential Units		85	
No. of Commercial Units		0	
Avg Unit Size - Market Rate		1,257	

The Developer states these homes will be just north of the ferry landing and will front Cityside Park; this parcel enjoys views of the San Francisco Bay and skyline. Parcel C2.3 will have 80 market rate units and 83 parking spaces.

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**Summary of Floor Plans - C3.4 (Portico) Condominium Units**


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Floor Plan	Square Footage	Number of Units	Proposed Pricing*
Studio	500	7	\$723,914
One Bed	675	45	\$921,078
Two Bed	1,225	70	\$1,827,439 (1,050 to 1,400 SF)
Three Bed	1,787	19	\$3,044,744 (1,375 to 2,200 SF)
BMR	969	7	\$395,980
No. of Residential Units			148
No. of Commercial Units			0
Avg Unit Size - Market Rate			1,007

*\*Developer's proposed pricing does not include parking, which will be sold separately. The upcoming analysis assumes one parking space per unit.*

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Parcel C3.4 is also proximate to City Side Park with view of the San Francisco Bay and skyline and Golden Gate and Bay Bridges.

It is noted that the subject property will have a Homeowner's Association (HOA) that will be responsible for common area maintenance and a security patrol. The fee will also include bus and ferry services. Based upon the range of HOA fees found among comparable properties, including The Bristol, we estimate a monthly HOA fee of \$1,500 per unit.

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**Summary of Floor Plans - C2.2 (Hawkins) Multifamily Units**


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Floor Plan	Square Footage	Number of Units	Average Proposed Monthly Rent <sup>1</sup>
Studio	458	32	
One Bed	728	83	\$4,970
Two Bed	1,077	52	
Three Bed	1,648	2	
BMR	812	9	\$1,372
Retail	1,555	1	--
No. of Residential Units			178
No. of Commercial Units			1
Avg Unit Size - Market Rate			794

<sup>1</sup> Average monthly rent for all market rate units. BMR rent reported separately.

---

Parcel C2.2 is adjacent to a park and will include 178 units with 92 parking spaces available for rent; this Parcel includes 1,555 square feet of ground floor retail space.

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**Summary of Floor Plans - C2.4 (Isle House) Multifamily Units**


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Floor Plan	Avg Square Footage	Number of Units	Average Proposed Monthly Rent <sup>1</sup>	Notes
Studio	530	25		500 to 550 SF
One Bed	701	86	\$5,750	650 to 725 SF
Two Bed	1,045	113		1,000 to 1,225 SF
Three Bed	1,465	2		1,250 to 1,600 SF
BMR	740	24	\$1,454	
Retail	1,250	1	--	
No. of Residential Units			250	
No. of Commercial Units			1	
Avg Unit Size - Market Rate			840	

<sup>1</sup> Average monthly rent for all market rate units. BMR rent reported separately.

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Parcel C2.4 will include a 14-story tower on top of a 5-story podium and will include views of the San Francisco Bay and skyline. The Parcel is adjacent to a park and will offer a fitness center, rooftop deck, and co-working space. It will include 1,250 square feet of ground floor retail space and will offer 124 parking spaces for rent.

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**Summary of Floor Plans - B1 Multifamily Units**


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Floor Plan	Square Footage	Number of Units	Average Proposed Monthly Rent <sup>1</sup>
Studio	400	2	
One Bed	818	83	NA
Two Bed	1,125	26	
BMR	553	6	\$1,239
Retail	4,785	1	--
No. of Residential Units			117
No. of Commercial Units			1
Avg Unit Size - Market Rate			882

<sup>1</sup> Average monthly rent for all market rate units. BMR rent reported separately.

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Parcel B1 is proximate to Clipper Cove Promenade and offers views of the Bay Bridge and Yerba Buena Island. It will include 4,785 square feet of retail space and will also include 70 parking spaces available for rent. Please note, an updated unit mix was requested from the Developer but not provided. The above square footages for the one and two bedroom floor plans are appraiser assumptions based upon the total taxable residential square footage for Parcel B1. If additional information is provided, these assumptions may change.

A complete interior finish profile for improvements on the five subject sites was not provided; the proposed improvements are assumed to be of a typical quality for the area, which is generally good overall quality.



For the reader's reference, the subject's proposed elevations are shown on the following pages.

### **C2.2 Rendering (Multifamily)**



### **C2.3 Rendering (Condominiums)**



### C2.4 Rendering (Multifamily)



### C3.4 Rendering (Condominiums)





### B1 Rendering (Multifamily)





Parcel C2.4 (Isle House)



Parcel C2.2 (Hawkins)



Parcel C2.4 (Isle House)



Parcels C2.3 & C3.4 (Portico)



Parcel B1



View of Treasure Island from YBI



View of San Francisco Skyline from Isle House



View of San Francisco Bay from Isle House

## Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted as subdivision and development continues. According to the San Francisco County Treasurer-Tax Collector's Office, the appraised properties have a cumulative annual tax rate of 1.179738%. This tax rate does not include the CFD tax, which is discussed below.

As previously discussed, the subject property is situated within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 2, with a Special Tax lien for Facilities and a Special Tax lien for Services. According to the Rate and Method of Apportionment, the assigned Special Tax for Developed Property is presented in the following table (proposed for the Fiscal Year 2023-24):

### Calculation of CFD Tax - Condominium Use

Parcel	Tax per SF (2023)	No. of Units (Market)	Average SF	Total SF (Market)	Annual Tax	Total Units (All)	Tax per Unit (All)
Parcel C2.3	\$7.05	80	1,257	100,540	\$708,447	85	<b>\$8,335</b>
Parcel C3.4	\$7.05	141	1,007	141,926	\$1,000,070	148	<b>\$6,757</b>

### Calculation of CFD Tax - Multifamily Residential / Mixed Use

Parcel	Residential Tax per SF (2023)	No. of Units (Market)	Total SF (Market)	Annual Tax - Residential	Retail Tax per SF (2023)	Retail SF	Annual Tax - Retail	Total Units (All)	Total Tax per Unit (All)
Parcel C2.2	\$3.21	169	134,115	\$431,156	\$1.73	1,555	\$2,686	178	<b>\$2,437</b>
Parcel C2.4	\$3.21	226	189,765	\$610,061	\$1.73	1,250	\$2,159	250	<b>\$2,449</b>
Parcel B1	\$3.21	111	97,942	\$314,866	\$1.73	4,785	\$8,264	117	<b>\$2,762</b>

Special Taxes escalate 2% annually. The subject's inclusionary units are not subject to the Special Tax. However, in the upcoming analysis, we divide the total tax burden over all units.

## Highest and Best Use

### Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Physically possible.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

### Highest and Best Use As If Vacant

#### Legally Permissible

The site is zoned TI-R / TI-MU, Treasure Island - Residential / Treasure Island Mixed Use. Permitted uses include various residential and commercial uses. To our knowledge, there are no legal restrictions such as easements or deed restrictions that would effectively limit the use of the property. The subject property is entitled for 233 for-sale condominiums and 545 for-rent apartments with 7,590 square feet of ground floor retail space. The subject's present entitlements are the result of significant planning and review, and any rezone or land use different than currently approved is unlikely. Given prevailing land use patterns in the area, only single and multifamily residential use, with associated retail, is given further consideration in determining highest and best use of the site, as though vacant.

#### Physically Possible

The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including single and multifamily residential use.

#### Financially Feasible

Based on our analysis of the market, there is currently adequate demand for single family residential use (for sale) in the subject's area. Home demand within the San Francisco condominium market is moderate but continues to be impacted by recent interest rate increases. Despite this, as shown later in this report by the land residual analysis where home construction costs are deducted from an estimated current home price, the subject's land value is positive, which demonstrates that single-family residential development is financially feasible.

Despite rising construction costs, multifamily use is considered financially feasible. Rents and occupancy rates have recovered from the pandemic, particularly in residential neighborhoods outside of the downtown core; however, rental rates remain below 2019 highs and have not kept pace with costs. Retail use is also associated with a high degree of risk, though, limited retail services currently exist on Treasure Island. Proposed and under construction housing Yerba Buena Island and Treasure Island is expected to help support the retail use, and the proposed retail space is a small fraction of the overall project. As shown later in this report by the extraction analysis where construction costs



are deducted from an estimated stabilized value, the subject's land value is positive, which demonstrates mixed use retail/residential use is currently financially feasible.

**Maximally Productive**

There does not appear to be any reasonably probable use of the site that would generate a higher residual land value than the subject's proposed uses. Based on the valuation analyses presented herein, attached residential development (for sale and for rent) with supporting retail space is considered a financially feasible use of the properties. Accordingly, it is our opinion that the proposed residential uses, with associated retail, developed to the normal market density level permitted by zoning, reflect the maximally productive use of the property. Considering the current market conditions discussed throughout the previous market analysis sections, coupled with the valuation analyses presented later in this report, a development hold may be appropriate depending on target rates of return.

**Conclusion**

Development of the sites for the proposed single and multifamily residential uses and associated retail are only uses that meets the four tests of highest and best use. Therefore, they are concluded to be the highest and best use of the property as if vacant. As noted, a development hold may be appropriate depending on target rates of return.

**As Improved (Proposed)**

As of the effective appraisal date, backbone infrastructure and site work has commenced at the subject property. The planned infrastructure improvements are necessary for development. In addition, vertical construction is underway on three of the Parcels. The existing improvements have been constructed according to the subject's entitlements and are consistent with the highest and best use of the subject property as if vacant.

**Most Probable Buyer**

Taking into account the size and characteristics of the property, the probable buyer of the subject Parcels is a builder familiar with the region.

# Valuation

## Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Additional analyses often undertaken in the valuation of subdivisions include **extraction, land residual analysis**, and the **subdivision development method**.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

<b>Approaches to Value</b>		
<b>Approach</b>	<b>Applicability to Subject</b>	<b>Use in Assignment</b>
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

## Market Valuation – Representative Floor Plans

As previously discussed in the *Valuation Methodology* section, in order to estimate the market value of the developable, taxable land proposed for condominium use within the boundaries of City and County of San Francisco CFD No. 2016-1 (Treasure Island) Improvement Area No. 2, land residual analyses will be performed, which consider the anticipated, or projected, sale price of the residential units to be constructed on Parcels C2.3 and C3.4 (Portico). To estimate the anticipated, or projected, sale price for the varying unit types within the development, an analysis of comparable, or similar, residential developments within the subject’s market area will be considered in this section using the sales comparison approach to value. The objective of the analysis is to estimate the base price for representative floor plans comprising each of the subject Parcels proposed for condominium use.

This approach is based on the economic principle of substitution. According to *The Appraisal of Real Estate*, 15<sup>th</sup> Edition (Chicago: Appraisal Institute, 2020), “*The principle of substitution holds that the value of property tends to be set by the cost of acquiring a substitute or alternative property of similar utility and desirability within a reasonable amount of time.*” The sales comparison approach is applicable when there are sufficient recent, reliable transactions to indicate value patterns or trends in the market.

The proper application of this approach requires obtaining recent sales data for comparison with the appraised properties. The objective of the analyses is to estimate the base value of a representative floor plan, net of incentives, upgrades, and lot premiums. As discussed, two of the subject parcels are proposed for condominium use. Summaries of the proposed floor plans by Parcel are summarized below.

### Summary of Floor Plans - C2.3 Condominium Units

Floor Plan	Square Footage	Number of Units	Proposed Pricing
One Bed	675	28	\$959,342
Two Bed	1,071	9	\$1,575,425
Three Bed	1,643	43	\$2,200,837
BMR	981	5	\$395,980
No. of Residential Units			85
No. of Commercial Units			0
Avg Unit Size - Market Rate			1,257

Based on the proposed floor plans, the upcoming analysis will assume a representative 2-bedroom, 2-bathroom unit of 1,257 square feet for Parcel C2.3. It’s important to note the subject’s largest units are designed as stacked townhomes with floor-to-ceiling windows with views across the San Francisco Bay, Alcatraz, and the Golden Gate Bridge. According to the Developer, the targeted buyer pool for the condominiums will include a mix of local and international buyers and high net worth individuals in order to capitalize on the subject’s location and position on Treasure Island.

Please note, proposed pricing for Parcel C2.3 below market rate units is not yet available. For the purposes of this analyses, it is assumed to be similar to Parcel C3.4, as referenced on the following page.



### Summary of Floor Plans - C3.4 (Portico) Condominium Units

Floor Plan	Square Footage	Number of Units	Proposed Pricing*
Studio	500	7	\$723,914
One Bed	675	45	\$921,078
Two Bed	1,225	70	\$1,827,439 (1,050 to 1,400 SF)
Three Bed	1,787	19	\$3,044,744 (1,375 to 2,200 SF)
BMR	969	7	\$395,980
No. of Residential Units			148
No. of Commercial Units			0
Avg Unit Size - Market Rate			1,007

\*Developer's proposed pricing does not include parking, which will be sold separately. The upcoming analysis assumes one parking space per unit.

Based on the proposed floor plans, the upcoming analysis will assume a representative 2-bedroom, 2-bathroom unit of 1,007 square feet for Parcel C3.4.

Presented below are comparable new home sales considered the best indicators of market value for the subject's residential units. Our search for sales focused on newly constructed condominium units similar in size to the subject's representative unit. We also restricted our search to units located in improvements with ten stories or less and focused on residential neighborhoods outside of the Downtown core.

### Comparable Home Sale Summary

No.	Project	Neighborhood	Address	Close of Escrow	Sale Price	Living Area			Year Built	Analysis Used In	
						(SF)	Beds	Baths			
1	The Bristol	Yerba Buena Island	1 Bristol Ct #404	6/30/2023	\$2,220,000	1,406	2	2.5	\$115,000	2022	Both
2	The Bristol	Yerba Buena Island	1 Bristol Ct #317	6/28/2023	\$1,218,274	1,116	1	1.0	\$115,000	2022	Both
3	2177 Third	Dogpatch	2177 3rd St #621	6/26/2023	\$2,160,000	1,420	2	2.0	Included	2020	Parcel C2.3
4	The Westerly	Outer Parkside	3535 Wawona St #523	6/13/2023	\$1,520,000	1,220	2	2.0	Included	2020	Both
5	Union House	Cow Hollow	1515 Union St #4B	4/7/2023	\$2,200,000	1,247	2	2.0	Included	2020	Both
6	2177 Third	Dogpatch	2177 3rd St #705	5/30/2023	\$899,000	719	1	1.0	Included	2020	Parcel C3.4

### **Discussion of Adjustments**

In order to estimate the market values for the subject floor plans, the comparable transactions were adjusted to reflect the subject with regard to categories that affect market value. If a comparable has an attribute considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers whether adjustments are necessary pertaining to these items:

- Property rights conveyed
- Financing terms
- Conditions of sale (motivation)
- Market conditions
- Location
- Physical features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. Even so, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for each unit follows.

### **Upgrades and Incentives**

The objective of the analysis is to estimate the base value per floor plan, net of incentives. Incentives can take the form of direct price reductions or non-price incentives such as upgrades or non-recurring closing costs. None of the comparables reported incentives and upgrades.

### **Property Rights Conveyed**

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat, as well as non-detrimental easements, community facility districts and conditions, covenants, and restrictions (CC&Rs). All of the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

### **Financing Terms**

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. If the seller provides incentives in the form of paying for closing costs or an interest rate buy down, a discount has been obtained by the buyer for financing terms. This discount price must then be adjusted to a cash equivalent basis. Also, any incentives applicable toward closing costs would have been reflected in the incentives adjustments previously considered. No adjustments were required for this factor.

### **Conditions of Sale**

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding

The comparables did not involve any non-market or atypical conditions of sale. Adjustments for this factor do not apply.

### **Market Conditions (Date of Sale, Phase Adjustment)**

The market conditions vary over time, but the date of this appraisal is for a specific point in time. In a dynamic economy – one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline – extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a neighborhood, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a time adjustment, time is not the cause of the adjustment.

The comparable sales transferred between April 2023 and June 2023 and are reflective of current market conditions; therefore, no consideration for this element of comparison is warranted.

### **Location**

Location is a very important factor to consider when making comparisons. The comparables need not be in the same neighborhood but should be in neighborhoods that offer the same advantage and have, in general, the same overall desirability to the most probable buyer or user. Each of the comparables are located in San Francisco. Additional adjustments for the location within specific neighborhoods will be considered in the following community appeal section.

## Community Appeal

In addition to market location adjustments, we consider community appeal adjustments. Even within a specific market location, often specific community characteristics influence sale prices. Often, prices on one street may be significantly higher or lower than the next, despite similar home characteristics. Community characteristics that may influence sale prices include a gated amenity or the condition of surrounding development.

The subject is located on Treasure Island; recent new neighborhood is also taking place on the adjacent Yerba Buena Island (YBI) (Improvement Area 1). The Bristol, a 124 condominium project developed by Wilson Meany, is located on Yerba Buena Island and opened in July 2022 with presales commencing in February 2021. As of August 1, 2023, 36 market rate homes have been sold with Spring and Summer 2023 sale prices averaging \$1,450 per square foot. This community is considered the best comparable for the subject property due to its location on YBI, which is an untested market for new construction in the current economic environment. Similar to the proposed product lines at the subject, The Bristol benefits from excellent views including those of the San Francisco Bay, the Bay Bridge, and the Golden Gate Bridge (select units). Many of the units at the subject property will also enjoy Bay and city skyline views, as well as views of Alcatraz and the Golden Gate Bridge and views of YBI and Clipper Cove. Sales 1 and 2 in the upcoming analysis and comparable table are located within The Bristol project.

Given the excellent views afforded many of the subject units, and the suburban atmosphere of Treasure Island, an effort was made to locate additional comparables in San Francisco neighborhoods with a similar community appeal to the subject property. Comparables 3 and 6 are located within the Dogpatch neighborhood and offer city views or views of Crane Cove Park. Both comparables have been adjusted upward for community appeal given the subject's superior views. Sale 4 is located in The Westerly project in the Outer Parkside neighborhood, proximate to the Pacific Ocean; the comparable enjoys city views and has also been adjusted upward for community appeal as the subject will offer the opportunity for Bay and skyline views. Finally, Sale 5 is located within Union House in Cow Hollow; the project offers views of the Golden Gate Bridge and Palace of the Fine Arts Theater. Given the desirability of the established Cow Hollow neighborhood, the comparable has been adjusted downward for community appeal.

## Lot Size

The lot size adjustment pertains to the differences between the subjects' typical lot size and comparables with either larger or smaller lots. It does not include any lot premium adjustments, which are adjusted for separately. The subject and comparables reflect attached product, and no adjustments for lot size are necessary.

## Lot Premiums

Properties sometimes achieve premiums for corner or cul-de-sac positioning, or proximity to open space or views. As noted, many of the units in the subject projects will benefit from San Francisco Bay and Skyline views, as well as views of YBI and Clipper Cove. As this analysis considers a representative unit, further adjustments for unit/lot premiums are not made. Instead, the potential excellent views have been considered as part of the community appeal adjustment.

**Design and Appeal/Quality of Construction**

Design and appeal of a floor plan is consumer specific. One exterior may appeal to one buyer, while another appeals to a different buyer. These types of features for new homes with similar functional utility are not typically noted in the base sales prices. The comparables are similar to the subject in regard to design and appeal.

Construction quality can differ from slightly to substantially between projects and is noted in the exterior and interior materials and design features of a standard unit. In terms of quality of construction, the subject and comparables represent good construction quality. No adjustments have been made.

**Age/Condition**

When comparing resale to resale, the market generally recognizes a difference of 1% per year of difference in effective age. However, all of the comparables reflected new construction as the time of transfer. Therefore, no adjustments are applied.

**Functional Utility**

The appraised properties and comparables represent traditional attached single-family residential construction. No consideration for this factor is necessary.

**Room Count**

For units similar in size, differences in room count are buyer preference. One buyer might prefer two bedrooms and an office versus a three-bedroom unit. Extra rooms typically result in additional building area and are accounted for in the size adjustment. Therefore, no adjustments are made for number of total rooms or bedrooms. Because bathrooms are a functional item for each floor plan and add substantial cost due to the number of plumbing fixtures, an adjustment is made for the difference in the number of fixtures between the subject and the comparable sales. The adjustment is based on an amount of \$12,500 per fixture (or half-bath) and is supported by cost estimates for a good quality home in the Residential Cost Handbook, published by the Marshall and Swift Corporation. Considering the fact that plumbing upgrades for existing bathrooms generally range from \$5,000 to over \$25,000 for the various fixtures, the \$12,500 per fixture, or half-bath, is supported. Consequently, a factor of \$25,000+ per full bath is also applied in our analysis.

**Unit Size/Living Area**

Units similar (in the same development), except for size, were compared to derive the applicable adjustment for unit size. Those used for comparison purposes, are units within similar projects. Units within the same project were used since they have a high degree of similarity in quality, workmanship, design and appeal. Other items such as a single level or two-story designs, number of bathrooms and number of garage spaces were generally similar in these comparisons, in order to avoid other influences in price per square foot. Where differences exist, they are minor and do not impact the overall range or average concluded. Based on this data, the comparables were adjusted on a per square foot basis to account for differences in living area from the subject units.

**Number of Stories**

For units similar in size, differences between number of stories are a buyer preference. One buyer might prefer a flat versus a townhome layout. The subject and comparables reflect single-story condominium construction. No adjustments are necessary.

**Parking/Garage**

One parking space per unit is assumed for the subject property (though it is noted the Developer for Parcel C2.4 plans to sell parking spaces separately). The majority of comparables offer garage space for one car. However, parking for Sales 1 and 2 is not included in the sale price and is available for purchase at a price of \$115,000 per space. These comparables have been adjusted upward.

The following pages summarize the adjustments made to each sale.

Representative Condominium Unit - Parcel C2.3											
Project Information		Comparable 1		Comparable 2		Comparable 3		Comparable 4		Comparable 5	
Project Name	Treasure Island IA-2	The Bristol	The Bristol	2177 Third	The Westerly	Union House					
Plan	Representative	-	-	-	-	-					
Address/Lot Number	-	1 Bristol Court #404	1 Bristol Court #317	2177 3rd Street #621	3535 Wawona St #523	1515 Union Street #4B					
City/Area	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco					
Price	-	\$2,220,000	\$1,218,274	\$2,160,000	\$1,520,000	\$2,200,000					
Price Per SF	-	\$1,579	\$1,325	\$1,521	\$1,547	\$1,365					
Total Consideration per SF											
Data Source		MLS	MLS	MLS	MLS	MLS					
Incentives	None	None	None	None	None	None					
Upgrades	Base	None	\$0	None	\$0	None	\$0	None	\$0	None	\$0
<b>Effective Base Sales Price</b>		<b>\$2,220,000</b>	<b>\$1,218,274</b>	<b>\$2,160,000</b>	<b>\$1,520,000</b>	<b>\$2,200,000</b>					
<b>Adjustments:</b>	<b>Factor</b>	<b>Description</b>	<b>+ / (-)</b>	<b>Description</b>	<b>+ / (-)</b>	<b>Description</b>	<b>+ / (-)</b>	<b>Description</b>	<b>+ / (-)</b>	<b>Description</b>	<b>+ / (-)</b>
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent	
Conditions of Sale	Market	Market		Market		Market		Market		Market	
Market Conditions											
Date of Sale	MV 8/4/23	6/30/2023		6/28/2023		6/26/2023		6/13/2023		4/7/2023	
Project Location	Treasure Island	Yerba Buena Island		Yerba Buena Island		Dogpatch		Outer Parkside		Cow Hollow	
Community Appeal	Good	Good		Good		Average	+	Average	++	Excellent	--
HOA Dues	\$650	\$1,582		\$1,523		\$1,138		\$673		\$1,309	
Lot Premium	None	None		None		None		None		None	
Design and Appeal	Good	Similar		Similar		Similar		Similar		Similar	
Quality of Construction	Good	Similar		Similar		Similar		Similar		Similar	
Age (Total/Effective)	New	2022 (New)		2022 (New)		2020 (New)		2020 (New)		2020 (New)	
Condition	New/Good	Similar		Similar		Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar		Similar		Similar	
Room Count											
Bedrooms	2	2		1		2		2		2	
Baths	\$25,000	2	-	1	+	2		2		2	
Living Area (SF)	\$1,000	1,257	--	1,116	++	1,420	--	1,220		1,247	
Number of Stories	1	1		1		1		1		1	
Heating/Cooling	Central	Central		Central		Central		Central		Central	
Garage	1-Car	Additional Fee	+	Additional Fee	+	1-Car		1-Car		1-Car	
Landscaping	Average	Similar		Similar		Similar		Similar		Similar	
Patios/Decks	Yes	Similar		Similar		Similar		Similar		Similar	
Kitchen Equipment	Good	Similar		Similar		Similar		Similar		Similar	
<b>Net Adjustments</b>			--		+++		-		++		--
<b>Concluded Retail Value</b>		<b>\$1,900,000</b>									
<b>Indicated Value Per SF</b>		<b>\$1,511.54</b>									



Representative Condominium Unit - Parcel C3.4 (Portico)											
Project Information	Subject Property	Comparable 1		Comparable 2		Comparable 6		Comparable 4		Comparable 5	
Project Name	Treasure Island IA-2	The Bristol	The Bristol	The Bristol	2177 Third	The Westerly	Union House				
Plan	Representative	-	-	-	-	-	-				
Address/Lot Number	-	1 Bristol Court #404	1 Bristol Court #317	1 Bristol Court #317	2177 3rd Street #705	3535 Wawona St #523	1515 Union Street #4B				
City/Area	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco	San Francisco				
Price	-	\$2,220,000	\$1,218,274	\$1,218,274	\$899,000	\$1,520,000	\$2,200,000				
Price Per SF	-	\$1,579	\$1,325	\$1,325	\$1,250	\$1,547	\$1,365				
Total Consideration per SF											
Data Source		MLS	MLS	MLS	MLS	MLS	MLS				
Incentives	None	None	None	None	None	None	None				
Upgrades	Base	None	\$0	\$0	None	None	None				
Effective Base Sales Price		\$2,220,000	\$1,218,274	\$1,218,274	\$899,000	\$1,520,000	\$2,200,000				
Adjustments:	Factor	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)	Description	+ / (-)
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash Equivalent	Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent		Cash Equivalent	
Conditions of Sale	Market	Market		Market		Market		Market		Market	
Market Conditions											
Date of Sale	MV 8/4/23	6/30/2023		6/28/2023		5/30/2023		6/13/2023		4/7/2023	
Project Location	Treasure Island	Yerba Buena Island		Yerba Buena Island		Dogpatch		Outer Parkside		Cow Hollow	
Community Appeal	Good	Good		Good		Average	+	Average	++	Excellent	--
HOA Dues	\$650	\$1,582		\$1,523		\$916		\$673		\$1,309	
Lot Premium	None	None		None		None		None		None	
Design and Appeal	Good	Similar		Similar		Similar		Similar		Similar	
Quality of Construction	Good	Similar		Similar		Similar		Similar		Similar	
Age (Total/Effective)	New	2022 (New)		2022 (New)		2020 (New)		2020 (New)		2020 (New)	
Condition	New/Good	Similar		Similar		Similar		Similar		Similar	
Functional Utility	Average	Similar		Similar		Similar		Similar		Similar	
Room Count											
Bedrooms	2	2		1		1		2		2	
Baths	\$25,000	2		2.5	-	1	+	2		2	
Living Area (SF)	\$1,000	1,007		1,406	---	1,116	-	719	+++	1,220	--
Number of Stories	1	1		1		1		1		1	
Heating/Cooling	Central	Central		Central		Central		Central		Central	
Garage	1-Car	Additional Fee	+	Additional Fee	+	1-Car		1-Car		1-Car	
Landscaping	Average	Similar		Similar		Similar		Similar		Similar	
Patios/Decks	Yes	Similar		Similar		Similar		Similar		Similar	
Kitchen Equipment	Average	Similar		Similar		Similar		Similar		Similar	
<b>Net Adjustments</b>			---		+		++++		=		---
<b>Concluded Retail Value</b>		<b>\$1,550,000</b>									
<b>Indicated Value Per SF</b>		<b>\$1,539.23</b>									





## Conclusion of Home Values

Overall, the comparable ranges narrow after adjustment, and all sales are considered reasonable indicators of value for the subject. Greatest weight is given to Sales 1 and 2, located at the Bristol on YBI. These comparables reflect current transactions of the only newly constructed project available on YBI/Treasure Island.

Based on the analysis herein, the market value conclusions for the subject's representative homes are summarized in the following table. In addition, consideration must be given for model recapture. This will be further discussed in the upcoming analysis, which assumes one model home per Parcel.

### Aggregate Retail Proceeds - Representative Condominium

Parcel	No. of Units	Square Footage	Indicated Value	Indicated Value
C2.3 - Market Rate	80	1,257	\$1,900,000	\$152,000,000
C2.3 - BMR	5	981	\$395,980	\$1,979,900
Model Recapture	1	-	\$52,500	\$52,500
<b>Totals</b>	<b>85</b>			<b>\$154,032,400</b>
C3.4 (Portico) - Market Rate	141	1,007	\$1,550,000	\$218,550,000
C3.4 (Portico) - BMR	7	969	\$395,980	\$2,771,860
Model Recapture	1	-	\$52,500	\$52,500
<b>Totals</b>	<b>148</b>			<b>\$221,374,360</b>

## Below Market Rate Units

Parcels C2.3 and C3.4 will include five and seven inclusionary units, respectively, the sale price of which will be restricted. The buyer's housing costs, including mortgage (assuming a 10% down payment), taxes, insurance, and HOA fees must not exceed 33% of a certain percentage of San Francisco's median household income. Actual pricing for the subject will be determined by from the San Francisco Mayor's Office of Housing and Community Development (MOHCD) at a later date. In lieu of precise pricing information for the subject, this analysis considers the developer's estimate of \$395,980 per inclusionary unit.

## Land Residual Analysis – Parcels C2.3 and C3.4

The land residual analysis is employed to derive the market value for the subject's for-sale residential Parcels. This valuation method is used in estimating land value when subdivision and development are the highest and best use of the land being appraised. All direct and indirect costs are deducted from an estimate of the anticipated gross sales price of the improved product; the resultant net sales proceeds are then discounted to present value at an anticipated rate over the development and absorption period to indicate the value of the land. The land residual analysis is conducted on a semi-annual (six month) basis. As a discounted cash flow analysis, the land residual analysis consists of four primary components summarized as follows:

**Revenue** – the gross income is based on the individual component values.

**Absorption Analysis** – the time frame required for sell off. Of primary importance in this analysis is the allocation of the revenue over the absorption period – including the estimation of an appreciation factor (if any).

**Expenses** – the expenses associated with the sell-off are calculated in this section – including infrastructure costs, administration, marketing and commission costs, as well as taxes and special taxes.

**Discount Rate** – an appropriate discount rate is derived employing a variety of data.

Discussions of these four concepts follows below, with the discounted cash flow analysis offered at the end of this section.

### Revenue

The projected sales price for the average unit within the project will vary, as the ultimate sales price is affected by unit size, location within the project, site influences, construction costs, anticipated premiums achievable at the point of retail sale, as well as external influences such as adjacent land uses. Aggregate retail proceeds for the subject's representative units are summarized below.

#### Aggregate Retail Proceeds - Representative Condominium

Parcel	No. of Units	Square Footage	Indicated Value	Indicated Value
C2.3 - Market Rate	80	1,257	\$1,900,000	\$152,000,000
C2.3 - BMR	5	981	\$395,980	\$1,979,900
Model Recapture	1	-	\$52,500	\$52,500
<b>Totals</b>	<b>85</b>			<b>\$154,032,400</b>
C3.4 (Portico) - Market Rate	141	1,007	\$1,550,000	\$218,550,000
C3.4 (Portico) - BMR	7	969	\$395,980	\$2,771,860
Model Recapture	1	-	\$52,500	\$52,500
<b>Totals</b>	<b>148</b>			<b>\$221,374,360</b>

As will be discussed in the expense section that follows, given the product line at the subject, it is anticipated a builder will construct one model home per Parcel. Upgrade amenity costs are projected at \$150,000 per model home. Typically, builders capture approximately 50% of the cost through the sale of the model and the furniture. Although furnishings are a real cost of the model improvements, they are personal property, not real estate. Thus, furnishings are not included in the opinion of value for the model home premiums. Given this consideration, the recapture cost for model homes are typically reduced to 25% to 40% of model improvement costs. Considering the anticipated foot traffic for the subject property, a recapture amount of 35%, is considered reasonable. Using this percentage, a recapture of \$52,500 per model (35% x \$150,000) is concluded, which is considered in the estimate of aggregate retail proceeds.

### **Closing Projections**

As the subject reflects attached product, the first closings are reflected in the Period following completion of construction. For Parcel C2.3, the first closings are reflected in Period 5, while the first closings for Parcel C3.4 occur in Period 3.

### **Changes in Market Conditions (Price Increases or Decreases)**

Based on market surveys, responses are mixed whether market participants trend revenues and expenses. Generally, market participants prefer not to price trend, but sometimes they will trend when trying to justify a sale price when there is strong competition for land. Or, participants have indicated they may trend if the sell-off period is anticipated to be protracted. Under current market conditions, there is likelihood of some moderate home price appreciation during the sell-off period. We estimate a level appreciation factor of 2.00% per year (or 1.00% semi-annually, every six months) for the subject's sell-off.

### **Absorption**

Typically, multiple product lines would be marketed in a residential product to create characteristics appealing to as many potential purchasers as possible. Offering home products to different market segments within a master planned community is done with the aim of increasing absorption and reducing the overall development holding period for a project. In the case of the subject, the developer is planning a mix of for-sale and for-rent units. The subject's for-sale condominiums reflect smaller unit sizes than those currently under development on Yerba Buena Island, and will consequently reflect lower price points.

Based on the typical marketing and absorption rate data presented in the *Residential Market Overview*, absorption for the subject's condominium units is projected at 21 units per six-month period, or 3.5 units per month.

**Parcel C2.3** - With sales beginning in Period 3, and an absorption rate of 21 units per period, the 85 units will sell out in seven periods.

**Parcel C3.4** - The 148 units will sell out in nine periods.

## Expense Projections

As part of an ongoing effort to assemble market information, we routinely compile budget information for single family residential subdivisions from developers throughout California. Information from our developer cost database contributes to the estimate of development expenses classified as follows.

### General and Administrative

These expenses consist of management fees, liability and fire insurance, inspection fees, appraisal fees, legal and accounting fees and copying or publication costs. This expense category typically ranges from 2.5% to 4.0%, depending on length of project and if all of the categories are included in a builder's budget. We have used 3.0% for general and administrative expenses.

### Marketing and Sale

These expenses typically consist of advertising and promotion, closing costs, sales operations, and sales commissions. The expenses are expressed as a percentage of the gross sales revenue. The range of marketing and sales expenses typically found in projects within the subject's market area is 5.0% to 6.5%. A figure of 6.0%, or 3.0% for marketing and 3.0% for sales, is estimated in the marketing and sales expense category.

### Property Taxes (Ad Valorem and Special Taxes)

The subject is located within an area with an effective tax rate of 1.179738%. This amount is applied to the estimated market values and divided by the total number of units to yield an estimate of ad valorem taxes/unit/year for each phase. The tax amounts are applied to unclosed inventory over the sell-off period. Property taxes are increased by 2% per year. Direct assessments applicable to the subject property are estimated at \$740 per unit, per year.

As referenced, the appraised properties are located within the boundaries of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 2. According to the Rate and Method of Apportionment, provided in the *Real Estate Taxes* section, the annual special taxes applicable to the subject's facilities are estimated at \$7.05 per square foot in 2023/24 for the subject's condominium units. The annual special tax increases 2% per year. We have applied these special taxes to the average unit square footage in the upcoming analysis. It should be noted, the inclusionary units are not subject to the special tax.

During the absorption period, the total tax expense to be paid by the Developers (sellers) gradually reduces as the units are sold off.

### Calculation of CFD Tax - Condominium Use

Parcel	Tax per SF (2023)	No. of Units (Market)	Average SF	Total SF (Market)	Annual Tax	Total Units (All)	Tax per Unit (All)
Parcel C2.3	\$7.05	80	1,257	100,540	\$708,447	85	<b>\$8,335</b>
Parcel C3.4	\$7.05	141	1,007	141,926	\$1,000,070	148	<b>\$6,757</b>

**Homeowners' Association**

A homeowners' association is planned for the subject. According to the developer, the HOA fee for the subject units will include bus and ferry services during the absorption period, a security patrol, and common area maintenance. Based upon the range of HOA fees found among comparable properties, we estimate a monthly HOA fee of \$1,500 per unit.

**Remaining Site Development Costs**

In this analysis, we are determining the value of a finished site/parcel; therefore, no deduction is made for remaining site development costs (including on-site and infrastructure) in the valuation.

**Permits and Fees**

Permits and fees represent all fees payable upon obtaining building permit for the construction of the proposed units and include school fees and any impact fees. Permits and fees due at building permit are estimated at \$40,000 per unit for Parcel C2.3, which has an average unit size of 1,257 square feet for market rate units and an average unit size of 1,241 overall. Permits and fees for Parcel C3.4, which has an average unit size of 1,007 square feet for market rate units and an average unit size of 1,005 square feet overall, are estimated at \$22,250 per unit.

**Direct and Indirect Construction Costs**

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs.

The developer has provided a construction budget for the subject units. Based on this information, a direct cost range of \$700 to \$800 per square foot is applicable to the subject. The subject reflects a unique product type and recent conversations with homebuilders confirm construction costs have increased over the past few years. As the developer's budget best considers the intricacies of the subject construction, the developer's costs are relied upon in the upcoming analyses; direct costs are estimated at \$730 per square foot for Parcel C2.3 and \$800 per square foot for Parcel C3.4. However, the upcoming analysis also considers costs spent to date, thereby decreasing remaining direct costs to \$653 per square foot for Parcel C3.4.

Under current market conditions, we estimate a level appreciation factor for direct construction costs of 1.00% per year (0.50% semi-annually) for the subject's sell-off.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies
- Appraisal, consulting, accounting and legal fees

- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered
- All-risk insurance
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved
- Developer fee earned by the project coordinator
- Interest reserve

Conversations with homebuilders indicate the indirect costs generally range anywhere from 10% to 20% of the direct costs (excluding marketing, sales, general and administrative expenses, taxes, which are accounted for separately). Based on the Developer's cost budget provided, and considering costs incurred to date, 8% will be utilized for Parcel C2.3 and 5% will be used for Parcel 3.4 (Portico).

### **Model Complex**

For the purposes of this analysis, we have assumed the developer will build one model per Parcel. Model upgrade expenses can vary widely depending upon construction quality, targeted market and anticipated length of time on the market. These upgrades, exterior and interior, including furniture, can range from \$20,000 per model to over \$250,000 per model.

Based on the quality of the subject's proposed improvements and the targeted buyer segment, a model upgrade cost of \$150,000 is considered reasonable for the subject's lots. Of this amount, approximately 35% will be recaptured with the sale of the models reflecting a model recapture of \$52,500. Model costs will be applied over the initial periods, while recapture costs will be applied at the end of the projection period.

### **Summary**

The following charts summarize the revenue and expenses discussed on the preceding pages.

<b>Revenue and Expense Summary - Parcel C2.3</b>				
<b>Revenue</b>				
<u>Plans</u>	Units	Unit Size	Price per Unit	Total
Representative	80	1,257	\$1,900,000	\$152,000,000
BMR	5	981	\$395,980	\$1,979,900
Aggregate Retail Proceeds				\$153,979,900
Number of Units				85
Weighted Avg Home Size				1,241
Average Revenue per Unit				\$1,811,528
Home Revenue (Before Appreciation)				\$153,979,900 (excludes premiums)
Home Revenue (After Appreciation)				\$160,319,267
Model Recapture (at 35% of costs)				\$52,500
<b>Total Revenue (After Appreciation)</b>				<b>\$160,371,767</b>
				Total over Sell-Off Period
<b>Expenses</b>				
<u>Non-Appreciated Expenses</u>				
General and Administrative			3.0% of total revenue	\$4,811,153
Marketing and Commissions			6.0% of total revenue	\$9,622,306
Ad Valorem Taxes per Unit			\$3,800 / unit / year	\$741,408 (from cash flow)
CFD No. 2016-1 (Treasure Island)			\$8,335 / unit / year	\$1,626,095 (from cash flow)
Direct Charges per Unit			\$740 / unit / year	\$142,450 (from cash flow)
HOA per Month			\$1,500 / unit / month	\$405,000 (from cash flow)
Model Costs		1 model(s)		\$150,000 \$150,000 per model
Permits and Fees				\$3,400,000 \$40,000 per unit
Subtotal:				\$20,898,412
<u>Appreciated Expenses</u>				
Direct Construction Costs (Before Appreciation)				\$76,989,450 \$730 psf
Direct Construction Costs (After Appreciation)				\$77,568,798 (from cash flow)
Indirect Construction Costs (Total)			8.0% of Direct Costs	\$6,205,504 (from cash flow)
Subtotal:				\$83,774,302
			<b>Total Expenses</b>	<b>\$104,672,714</b>



**Revenue and Expense Summary - C3.4 (Portico)****Revenue**

Plans	Units	Unit Size	Price per Unit	Total	
Representative	141	1,007	\$1,550,000	\$218,550,000	
BMR	7	969	\$395,980	\$2,771,860	
Aggregate Retail Proceeds				\$221,321,860	
Number of Units				148	
Weighted Avg Home Size				1,005	
Average Revenue per Unit				\$1,495,418	
Home Revenue (Before Appreciation)				\$221,321,860	(excludes premiums)
Home Revenue (After Appreciation)				\$231,615,364	
Model Recapture (at 35% of costs)				\$52,500	
<b>Total Revenue (After Appreciation)</b>				<b>\$231,667,864</b>	Total over Sell-Off Period

**Expenses****Non-Appreciated Expenses**

General and Administrative	3.0% of total revenue	\$6,950,036	
Marketing and Commissions	6.0% of total revenue	\$13,900,072	
Ad Valorem Taxes per Unit	\$3,967 / unit / year	\$1,526,565	(from cash flow)
CFD No. 2016-1 (Treasure Island)	\$6,757 / unit / year	\$2,600,115	(from cash flow)
Direct Charges per Unit	\$740 / unit / year	\$279,720	(from cash flow)
HOA per Month	\$1,500 / unit / month	\$2,808,000	(from cash flow)
Model Costs	1 model(s)	\$150,000	\$150,000 per model
Permits and Fees		\$3,293,000	\$22,250 per unit
Subtotal:		\$31,507,508	

**Appreciated Expenses**

Direct Construction Costs (Before Appreciation)		\$97,146,810	\$653 psf
Direct Construction Costs (After Appreciation)		\$97,389,677	(from cash flow)
Indirect Construction Costs (Total)	5.0% of Direct Costs	\$4,869,484	(from cash flow)
Subtotal:		\$102,259,161	

**Total Expenses** \$133,766,669**Discount Rate**

The project yield rate is the rate of return on the total un-leveraged investment in a development, including both equity and debt. The leveraged yield rate is the rate of return to the “base” equity position when a portion of the development is financed. The “base” equity position represents the total equity contribution. The developer/builder may have funded all of the equity contribution, or a consortium of investors/builders as in a joint venture may fund it. Most surveys indicate that the threshold project yield requirement is about 20% to 30% for production home type projects. Instances in which project yields may be less than 20% often involve profit participation arrangements in master planned communities where the master developer limits the number of competing tracts.

According to a leading publication within the appraisal industry, the PwC Real Estate Investor Survey<sup>[1]</sup>, discount rates for land development projects ranged from 12.00% to 30.00%, with an average of 19.2% during the Second Quarter 2023, which is 50 basis points higher than the average

[1] [PwC Real Estate Investor Survey](#), PricewaterhouseCoopers, 2<sup>nd</sup> Quarter 2023.



reported in the Fourth Quarter 2022, 100 basis points higher than a year ago, and assumes entitlements are in place. Without entitlements in place, certain investors will increase the discount rate an average of 125 basis points.

According to the data presented in the survey prepared by PwC, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Additionally, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. As such, the range of rates presented above is inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate they expect slightly lower returns when approvals/entitlements are already in place.

Excerpts from recent PwC surveys are copied below.

“Development land investors continue to search for opportunities, especially in the apartment and industrial sectors of the industry. They note, however, that holding costs are dramatically higher due to the rise in interest rates over the past year, which could change their strategies for the near term and keep their acquisitions to a minimum. ‘Deals are requiring further due diligence to meet projected returns,’ states an investor. Unfortunately, the current stress in the financial sector is adding additional challenges. ‘We are looking closely at our banking relationships,’ says another. Growth rates for development expenses, such as amenities, real estate taxes, advertising, and administration, range from 0.00% to 10.00% and average 4.71%. For lot pricing, investors indicate a range from 2.00% to 5.00%; the average growth rate is 3.13%.” (Second Quarter 2023)

“Confronted with inflation, rising interest rates, economic uncertainty, and a slowdown in tenant demand, it is not surprising that most surveyed investors expect property values to decline over the next 12 months...When looking at macro development prospects for the five major commercial real estate sectors included in *Emerging Trends*, only the hotel sector shows an improvement in its rating from last year... Although the industrial/distribution and multi-family sectors boast the highest ratings for 2023, they both slip this year among respondents... From a micro standpoint, the top-five property types for development prospects in 2023 are datacenters, fulfillment, moderate-income/workforce apartments, life-science facilities, and single-family rental housing.” Labor costs and availability as well as material costs are among the top three reported development issues for 2023. (Fourth Quarter 2022)

“Based on our Survey results, the industrial and multifamily sectors of the U.S. commercial real estate industry offer the best development land investment opportunities due to strong tenant demand. Investors also see opportunities in the single-family residential sector...However, many are mindful that rising interest rates could dampen demand even though U.S. homebuilding unexpectedly rose in March 2022. Still, record low housing supply should continue to support homebuilding this year...Over the next 12 months, surveyed investors are mostly optimistic

regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +7.0%. This average is better than where it was both six months ago, as well as a year ago (+5.8% for both time periods).” (Second Quarter 2022)

“Compared to five years ago, both the apartment and industrial sectors show strong gains in their ratings, while the other three sectors [retail, office, hotel] see their ratings decline...From a micro standpoint, the top five property types for development prospects in 2022 are fulfillment, life science facilities, warehouse, single-family rental housing, and moderate-income/workforce apartments.” Among the top five development issues as reported among *Emerging Trends* Respondents are construction material costs, construction labor costs, construction labor availability, land costs and state & local regulations. (Fourth Quarter 2021)

“2020 revealed that where people work and where people live can be very far apart,” says a development land participant. This philosophy is a driving force behind a resurgence of new-home construction in the United States. In the nonresidential sector, each segment reported year-over-year declines in spending as of March 2021. Over the next 12 months, surveyed investors are most optimistic regarding value trends for the national development land market. Their expectations range from a decline of 5.0% to growth of 25.0% with an average expected value change of +5.8%. This average is better than where it was six months ago (+4.9%), as well as a year ago (-6.9%). (Second Quarter 2021)

For 2021, most *Emerging Trends* respondents (53.0%) believe that debt capital for development and redevelopment will be undersupplied. This percentage is more than twice the figure from last year’s report and is likely due to the uncertainty tied to the pandemic. Interestingly, the percentage of respondents that feel debt capital for such projects will be “in balance” drops this year to 35.0% – down from 57.0% in 2020. (Fourth Quarter 2020)

Amid the COVID-19 crisis, participants in the national development land market are looking to reduce leverage, lessen their holding costs, and preserve cash flow. “These are highly uncertain times, and we are moving in a direction no one thought we’d be headed a few months ago,” shares a participant. Although some investors are looking to acquire distressed properties, it is difficult to ascertain pricing amid such uncertainty. For now, most investors are content to wait on the sidelines for a clearer path to emerge before they formulate new strategies for the rest of 2020 and beyond. (Second Quarter 2020)

<b>Project Yield Rate Survey</b>	
<b>Data Source</b>	<b>Yield / IRR Expectations (Inclusive of Profit)</b>
PwC Real Estate Investor Survey - Second Quarter 2023 (updated semi-annually)	Range of 12.0% to 30.0%, with an average of 19.20%, on an unleveraged basis, for land development (national average)
National Builder	20% to 25% for entitled lots
Regional Builder	18% to 25%. Longer term, higher risk projects on higher side of the range, shorter term, lower risk projects on the lower side of the range. Long term speculation properties (10 to 20 years out) often closer to 30%.
National Builder	18% minimum, 20% target
Developer	Minimum IRR of 20-25%; for an 8 to 10 year cash flow, mid to upper 20% range
Developer	25% IRR for land development is typical (no entitlements); slightly higher for properties with significant infrastructure costs
Land Management Company	20% to 30% IRR for land development deals on an unleveraged basis
Land Developer	35% for large land deals from raw unentitled to tentative map stage, unleveraged or leveraged. 25% to 30% from tentative map to pad sales to merchant builders, unleveraged
Land Developer	18% to 22% for land with some entitlements, unleveraged. 30% for raw unentitled land
Real Estate Consulting Firm	Low 20% range yield rate required to attract capital to longer-term land holdings
Land Developer	Merchant builder yield requirements in the 20% range for traditionally financed tract developments. Larger land holdings would require 25% to 30%. Environmentally challenged or politically risky development could well run in excess of 35%.
Regional Builder	10% discount rate excluding profit for single-family subdivisions
National Builder	10% to 40% for single-family residential subdivisions with 1-2 year development timelines
Regional Builder	15% to 20% IRR
Regional Builder	No less than 20% IRR for land development, either entitled or unentitled
Land Developer	20% to 30% for an unentitled property; the lower end of the range would reflect those properties close to tentative maps
Regional Builder	No less than 30% when typical entitlement risk exists

According to industry sources, project yield rates historically have ranged anywhere from 5% to 30%, with a predominate range of 10% to 20%. A yield rate is based on the perceived risk associated with the development.

Positive attributes of the subject property include its location within a new master planned community on Treasure Island, where there is no direct competition for market rate housing (except for projects within other Improvement Areas). The subject projects will also enjoy San Francisco Bay and skyline views and a suburban setting, while still maintaining proximity to downtown San Francisco and Oakland. Negative attributes are primarily associated with larger macroeconomic factors impacting the residential market (ex. continued high inflation, unemployment rates, interest rates, etc.). Based on the characteristics of the subject an internal rate of return (IRR) of 12% is used in our analysis.

## Conclusion

The land residual analyses are presented as follows:

<b>Land Residual Analysis - C2.3</b>																			
	6 Months	0	1	2	3	4	5	6	7	Total									
<b>REVENUE AND SALES</b>																			
Sales			0.0	0.0	10.0	21.0	21.0	21.0	12.0	85.0									
Unsold Inventory		85.0	85.0	85.0	75.0	54.0	33.0	12.0	0.0										
Close of Escrow			0.0	0.0	0.0	0.0	52.0	21.0	12.0	85.0									
Unclosed Inventory			85.0	85.0	85.0	85.0	33.0	12.0	0.0										
Base Revenue (Before Appreciation)		\$	-	\$	18,115,282	\$	38,042,093	\$	38,042,093	\$	21,738,339	\$	153,979,900						
Semi-Annual Appreciation Factor	1.0100		1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615										
Appreciated Contracted Home Revenue		\$	-	\$	18,479,400	\$	39,194,806	\$	39,586,754	\$	39,982,622	\$	23,075,685	\$	160,319,267				
Appreciated Closing Home Revenue		\$	-	\$	-	\$	-	\$	97,260,960	\$	39,982,622	\$	23,075,685	\$	160,319,267				
Model Revenue		\$	-	\$	-	\$	-	\$	-	\$	52,500	\$	-	\$	52,500				
<b>Total Sales Revenue (at Close of Escrow)</b>		\$	-	\$	-	\$	-	\$	97,260,960	\$	39,982,622	\$	23,128,185	\$	160,371,767				
<b>EXPENSES AND CASH FLOWS</b>																			
General and Administrative	3.0%	\$	(687,308)	\$	(687,308)	\$	(687,308)	\$	(687,308)	\$	(687,308)	\$	(687,308)	\$	(4,811,153)				
Marketing and Sales	6.0%	\$	-	\$	-	\$	-	\$	(5,835,658)	\$	(2,398,957)	\$	(1,387,691)	\$	(9,622,306)				
Ad Valorem Real Estate Taxes	\$3,800	\$	(161,506)	\$	(161,506)	\$	(164,736)	\$	(164,736)	\$	(65,210)	\$	(23,713)	\$	(741,408)				
CFD No. 2016-1 (Treasure Island)	\$8,335	\$	(354,224)	\$	(354,224)	\$	(361,308)	\$	(361,308)	\$	(143,023)	\$	(52,008)	\$	(1,626,095)				
Direct Charges	\$740	\$	(31,450)	\$	(31,450)	\$	(31,450)	\$	(31,450)	\$	(12,210)	\$	(4,440)	\$	(142,450)				
HOA per Month	\$1,500	\$	-	\$	-	\$	-	\$	(297,000)	\$	(108,000)	\$	-	\$	(405,000)				
Model Costs		\$	-	\$	(150,000)	\$	-	\$	-	\$	-	\$	-	\$	(150,000)				
Building Permits		\$	(850,000)	\$	(850,000)	\$	(850,000)	\$	(850,000)	\$	-	\$	-	\$	(3,400,000)				
Subtotal:		\$	(2,084,487)	\$	(2,234,487)	\$	(2,094,802)	\$	(2,094,802)	\$	(7,040,409)	\$	(3,274,426)	\$	(20,898,412)				
Direct Construction Costs (Before Appreciation)		\$	(19,247,363)	\$	(19,247,363)	\$	(19,247,363)	\$	(19,247,363)	\$	-	\$	-	\$	(76,989,450)				
Semi-Annual Appreciation Factor	1.0050		1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304										
Direct Construction Costs (After Appreciation)		\$	(19,247,363)	\$	(19,343,599)	\$	(19,440,317)	\$	(19,537,519)	\$	-	\$	-	\$	(77,568,798)				
Indirect Construction Costs	8.0%	\$	(1,539,789)	\$	(1,547,488)	\$	(1,555,225)	\$	(1,563,002)	\$	-	\$	-	\$	(6,205,504)				
Subtotal:		\$	(20,787,152)	\$	(20,891,087)	\$	(20,995,543)	\$	(21,100,520)	\$	-	\$	-	\$	(83,774,302)				
<b>Total Expenses</b>		\$	(22,871,639)	\$	(23,125,575)	\$	(23,090,345)	\$	(23,195,322)	\$	(7,040,409)	\$	(3,274,426)	\$	(2,074,999)	\$	(104,672,714)		
<b>NET INCOME BEFORE DISCOUNTING</b>		\$	(22,871,639)	\$	(23,125,575)	\$	(23,090,345)	\$	(23,195,322)	\$	90,220,552	\$	36,708,196	\$	21,053,186	\$	55,699,054		
<b>Internal Rate of Return</b>																			
Internal Rate of Return	12.0%		0.94340	0.89000	0.83962	0.79209	0.74726	0.70496	0.66506										
Discounted Cash Flow		\$	(21,577,018)	\$	(20,581,679)	\$	(19,387,099)	\$	(18,372,868)	\$	67,418,045	\$	25,877,830	\$	14,001,571	\$	27,378,782		
<b>Net Present Value</b>																	\$	27,380,000	
Per Unit																		\$	322,118



<b>Land Residual Analysis - C3.4 (Portico)</b>												
	<b>6 Months:</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>Total</b>
<b>REVENUE AND SALES</b>												
Sales			0.0	10.0	21.0	21.0	21.0	21.0	21.0	21.0	12.0	148.0
Unsold Inventory	148.0	148.0	138.0	117.0	96.0	75.0	54.0	33.0	12.0	0.0		
Close of Escrow		0.0	0.0	31.0	21.0	21.0	21.0	21.0	21.0	21.0	12.0	148.0
Unclosed Inventory		148.0	148.0	117.0	96.0	75.0	54.0	33.0	12.0	0.0		
Base Revenue (Before Appreciation)		\$ -	\$ 14,954,180	\$ 31,403,777	\$ 31,403,777	\$ 31,403,777	\$ 31,403,777	\$ 31,403,777	\$ 31,403,777	\$ 17,945,016	\$	\$ 221,321,860
Semi-Annual Appreciation Factor	1.0100	1.0000	1.0100	1.0201	1.0303	1.0406	1.0510	1.0615	1.0721	1.0829		
Appreciated Contracted Home Revenue		\$ -	\$ 15,103,722	\$ 32,034,993	\$ 32,355,343	\$ 32,678,897	\$ 33,005,686	\$ 33,335,743	\$ 33,669,100	\$ 19,431,881	\$	\$ 231,615,364
Appreciated Closing Home Revenue		\$ -	\$ -	\$ 47,138,715	\$ 32,355,343	\$ 32,678,897	\$ 33,005,686	\$ 33,335,743	\$ 33,669,100	\$ 19,431,881	\$	\$ 231,615,364
Model & Lot Premium Revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,500	\$	\$ 52,500
<b>Total Sales Revenue (at Closeof Escrow)</b>		\$ -	\$ -	\$ 47,138,715	\$ 32,355,343	\$ 32,678,897	\$ 33,005,686	\$ 33,335,743	\$ 33,669,100	\$ 19,484,381	\$	\$ 231,667,864
<b>EXPENSES AND CASH FLOWS</b>												
General and Administrative	3.0%	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (772,226)	\$ (6,950,036)
Marketing and Sales	6.0%	\$ -	\$ -	\$ (2,828,323)	\$ (1,941,321)	\$ (1,960,734)	\$ (1,980,341)	\$ (2,000,145)	\$ (2,020,146)	\$ (1,169,063)	\$	\$ (13,900,072)
Ad Valorem Real Estate Taxes	\$4,017	\$ (297,294)	\$ (297,294)	\$ (239,723)	\$ (196,696)	\$ (156,682)	\$ (112,811)	\$ (70,266)	\$ (25,551)	\$	\$	\$ (1,396,317)
CFD No. 2016-1 (Treasure Island)	\$6,757	\$ (500,035)	\$ (500,035)	\$ (403,204)	\$ (330,834)	\$ (263,532)	\$ (189,743)	\$ (118,184)	\$ (42,976)	\$	\$	\$ (2,348,544)
Direct Charges	\$740	\$ (54,760)	\$ (54,760)	\$ (43,290)	\$ (35,520)	\$ (27,750)	\$ (19,980)	\$ (12,210)	\$ (4,440)	\$	\$	\$ (252,710)
HOA per Month	\$1,500	\$ -	\$ -	\$ -	\$ (864,000)	\$ (675,000)	\$ (486,000)	\$ (297,000)	\$ (108,000)	\$	\$	\$ (2,430,000)
Model Costs		\$ -	\$ (150,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (150,000)
Building Permits		\$ (1,646,500)	\$ (1,646,500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,293,000)
Subtotal:		\$ (3,270,815)	\$ (3,420,815)	\$ (4,286,767)	\$ (4,140,597)	\$ (3,855,924)	\$ (3,561,101)	\$ (3,270,031)	\$ (2,973,339)	\$ (1,941,289)	\$	\$ (30,720,679)
Direct Construction Costs (Before Appreciation)		\$ (48,573,405)	\$ (48,573,405)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (97,146,810)
Semi-Annual Appreciation Factor	1.0050	1.0000	1.0050	1.0100	1.0151	1.0202	1.0253	1.0304	1.0355	1.0407		
Direct Construction Costs (After Appreciation)		\$ (48,573,405)	\$ (48,816,272)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (97,389,677)
Indirect Construction Costs	5.0%	\$ (2,428,670)	\$ (2,440,814)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,869,484)
Subtotal:		\$ (51,002,075)	\$ (51,257,086)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (102,259,161)
<b>Total Expenses</b>		\$ (54,272,891)	\$ (54,677,901)	\$ (4,286,767)	\$ (4,140,597)	\$ (3,855,924)	\$ (3,561,101)	\$ (3,270,031)	\$ (2,973,339)	\$ (1,941,289)	\$	\$ (132,979,840)
<b>NET INCOME BEFORE DISCOUNTING</b>		\$ (54,272,891)	\$ (54,677,901)	\$ 42,851,948	\$ 28,214,746	\$ 28,822,973	\$ 29,444,584	\$ 30,065,712	\$ 30,695,761	\$ 17,543,092	\$	\$ 98,688,024
<b>Internal Rate of Return</b>												
Internal Rate of Return	12.0%	0.94340	0.89000	0.83962	0.79209	0.74726	0.70496	0.66506	0.62741	0.59190		
Discounted Cash Flow		\$ (51,200,840)	\$ (48,663,137)	\$ 35,979,322	\$ 22,348,722	\$ 21,538,202	\$ 20,757,270	\$ 19,995,416	\$ 19,258,900	\$ 10,383,729	\$	\$ 50,397,583
<b>Net Present Value</b>												\$ 50,400,000
Per Unit												\$ 340,541



## Income Capitalization Approach – Mixed Use

The income capitalization approach converts anticipated economic benefits of owning real property into a value estimate through capitalization. The steps taken to apply the income capitalization approach are:

- Analyze the revenue potential of the property.
- Consider appropriate allowances for vacancy, collection loss, and operating expenses.
- Calculate net operating income by deducting vacancy, collection loss, and operating expenses from potential income.
- Apply the most appropriate capitalization method, either direct capitalization or discounted cash flow analysis, or both, to convert anticipated net income to an indication of value.

The two most common capitalization methods are direct capitalization and discounted cash flow analysis. In direct capitalization, a single year's expected income is divided by an appropriate capitalization rate to arrive at a value indication. In discounted cash flow analysis, anticipated future net income streams and a future resale value are discounted to a present value at an appropriate yield rate.

In this analysis, we use only direct capitalization to determine the market value as if stabilized of the proposed improvements for the subject's taxable multifamily (for rent) Parcels. Summaries of the subject's proposed multifamily improvements are recreated below. The subject's proposed unit mix is comparable to other newly constructed projects in San Francisco.

### Land Use Overview

Parcel	Name	Acreage	Use	For Sale/Rent	No. of Market Rate Units	No. of BMR Units	Total Units	Parking Spaces	Rentable Area - Residential	Rentable Area - Retail
Parcel C2.2	Hawkins	1.12	Multifamily/Retail	For Rent	169	9	178	92	141,422	1,555
Parcel C2.4	Isle House	0.84	Multifamily/Retail	For Rent	226	24	250	124	207,530	1,250
Parcel B1.1 & B1.2 ("B1")	-	1.02	Multifamily/Retail	For Rent	111	6	117	58	101,260	4,785

### Summary of Floor Plans - C2.2 (Hawkins) Multifamily Units

Floor Plan	Square Footage	Number of Units	Average Proposed Monthly Rent <sup>1</sup>
Studio	458	32	
One Bed	728	83	\$4,970
Two Bed	1,077	52	
Three Bed	1,648	2	
BMR	812	9	\$1,372
Retail	1,555	1	--
No. of Residential Units			178
No. of Commercial Units			1
Avg Unit Size - Market Rate			794

<sup>1</sup> Average monthly rent for all market rate units. BMR rent reported separately.

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**Summary of Floor Plans - C2.4 (Isle House) Multifamily Units**


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Floor Plan	Avg Square Footage	Number of Units	Average Proposed Monthly Rent <sup>1</sup>	Notes
Studio	530	25		500 to 550 SF
One Bed	701	86	\$5,750	650 to 725 SF
Two Bed	1,045	113		1,000 to 1,225 SF
Three Bed	1,465	2		1,250 to 1,600 SF
BMR	740	24	\$1,454	
Retail	1,250	1	--	
No. of Residential Units			250	
No. of Commercial Units			1	
Avg Unit Size - Market Rate			840	

<sup>1</sup> Average monthly rent for all market rate units. BMR rent reported separately.

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**Summary of Floor Plans - B1 Multifamily Units**


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Floor Plan	Square Footage	Number of Units	Average Proposed Monthly Rent <sup>1</sup>
Studio	400	2	
One Bed	818	83	NA
Two Bed	1,125	26	
BMR	553	6	\$1,239
Retail	4,785	1	--
No. of Residential Units			117
No. of Commercial Units			1
Avg Unit Size - Market Rate			882

<sup>1</sup> Average monthly rent for all market rate units. BMR rent reported separately.

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### Market Rent Analysis – Multifamily Space

Contract rents typically establish income for leased space, while market rent is the basis for estimating income for current vacant space and future speculative re-leasing of space due to expired leases.

The subject includes a mix of low-rise (Parcels C2.2 and B1) and mid-rise (Parcel C2.4) multifamily units, and there are multiple new and recently constructed multifamily projects in San Francisco available for comparison. The upcoming market rent analysis will consider current rents from these multifamily comparables. In addition, as a test of reasonableness, multifamily market trends from REIS will be presented as further support for our conclusions of market rent.

The same comparable set will be utilized to determine market rent for Parcels C2.2 and B1, which reflect low rise product. A separate set of comparables will be used in the following analysis of Parcel C2.4, which includes a 14 story tower over a five story podium. The same set of rent comparables and expense comparables are utilized across all Parcels. The direct capitalization analysis for Parcel C2.2 will be presented first.

### Market Rent Analysis – Parcel C2.2

It is common tenants to pay all utilities within new multifamily properties in the local market.

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#### Utilities Expenses

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Tenant-Paid Utilities	Owner-Paid-Utilities
Water	None
Sewer	
Trash	
In-Unit Electric	
Gas	

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### Market Rent Analysis

To estimate market rent, we analyze comparable rentals most relevant to the subject in terms of location, property type, building age, and quality. The comparables are summarized in the following table.



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**Summary of Comparable Rentals**


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No.	Property Name; Address	Survey Date	Yr Built; Stories	Unit Mix	# Units; % Occ.	Avg.	Avg.	Avg.
						Unit SF	Rent/ Month	Rent/ SF
1	The Brady 1 Brady St. San Francisco	8/10/2023	2022 8		444 76%			
				Studio		497	\$3,045	\$6.13
				1 BD/1 BA		666	\$4,020	\$6.04
				2 BD/2 BA		978	\$5,180	\$5.30
				2 BD/2 BA		1,575	\$6,785	\$4.31
	Tenant-Paid Utilities: Comments:		Trash, In-Unit Electric, Sewer, Water, Gas Recently constructed Class A mid/high rise in the Mission. Units have modern finishes and features, typical of brand new luxury apartments. Amenities include fitness center, lounge, business center, hot tub, bike storage, game room. Currently offering up to 10 weeks free and up to \$2,500 off for look and lease. The property opened in August 2022 and is 76% occupied, implying an absorption rate of 28 units per month.					
2	Astella 955-975 Bryant St. San Francisco	8/10/2023	2021 5		185 97%			
				Studio		429	\$2,641	\$6.16
				1 BD/1 BA		720	\$3,365	\$4.67
				2 BD/2 BA		902	\$4,280	\$4.75
				3 BD/2 BA		1,050	\$5,913	\$5.63
	Tenant-Paid Utilities: Unit Features:		Trash, In-Unit Electric, Sewer, Water, Gas In-Unit Washer/Dryer, LVP Flooring, Patio (Select), European Style Cabinetry, Quartz Counters, Full Tile Backsplash, Stainless Steel Appliances					
	Project Amenities:		Resident Lounge w/Kitchen, Fitness Center, Rooftop Deck, Co-Working Space w/Conference Rooms, Pet Grooming Station, Parcel Lockers					
	Comments:		Located in the Showplace Square neighborhood of San Francisco. Property began leasing in July 2021. Garage parking is available for an additional monthly fee of \$350/space for standard spaces and \$450/space for EV spaces. Property is currently offering six weeks of free rent. Tenants are responsible for all utilities.					
3	Hanover Soma West 1140 Harrison St. San Francisco	8/10/2023	2021 7		372 96%			
				Studio		526	\$3,183	\$6.05
				1 BD/1 BA		686	\$3,582	\$5.22
				2 BD/2 BA		922	\$4,210	\$4.57
				3 BD/2 BA		1,169	-	-
	Tenant-Paid Utilities: Comments:		Trash, In-Unit Electric, Sewer, Water, Gas Tenants are responsible for all utilities. Management is currently offering 6 weeks of free rent for 12-month leases. Garage parking is \$325 per month for an unreserved space and \$375 per month for a reserved space.					

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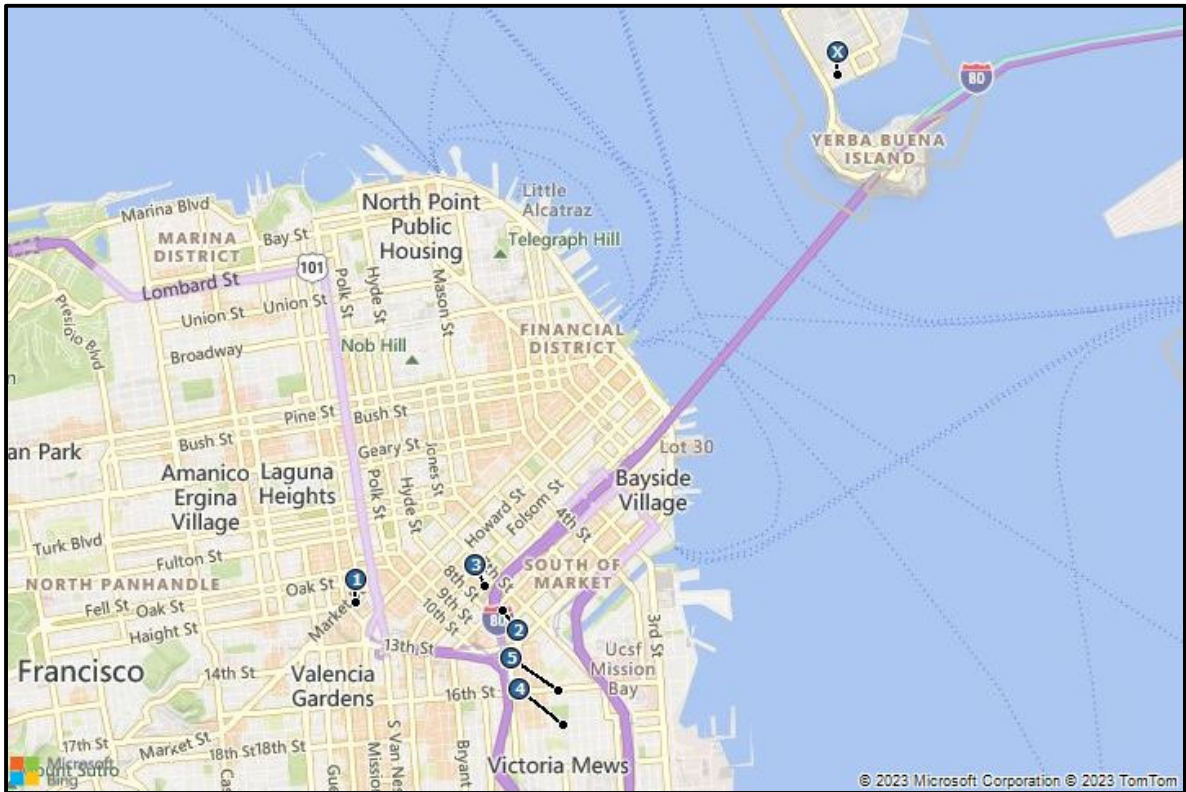
**Summary of Comparable Rentals**


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No.	Property Name; Address	Survey Date	Yr Built; Stories	Unit Mix	# Units; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
4	Mason on Mariposa 1601 Mariposa St. San Francisco	8/10/2023	2020 4		299 98%			
				Studio		496	\$2,995	\$6.04
				1 BD/1 BA		755	\$3,995	\$5.29
				2 BD/2 BA		1,125	\$5,195	\$4.62
				3 BD/2 BA		1,333	\$7,025	\$5.27
	Tenant-Paid Utilities:		Water, Sewer, Trash, In-Unit Electric, Gas					
	Unit Features:		In-Unit Washer/Dryer, LVP Flooring, Patio/Balcony, European-Style Cabinetry, Quartz Counters, Full Tile Backsplash, Stainless Steel Appliances					
	Project Amenities:		Resident Lounge, Fireside Library, Co-Working Space, Reservable Conference Rooms, Fitness Center, Rooftop Deck, Game Lounge w/Wet Bar, Pet Grooming Station, Bike Storage, Parcel Lockers					
	Comments:		Located in the Potrero Hill neighborhood of San Francisco. The units have good finishes throughout and there are several property amenities including an on-site gym, swimming pool, lounge, roof terrace and business center. Garage parking is available for an additional monthly fee of \$295/space. Property is currently offering up to 6 weeks free.					
5	Alta Potrero 1301 16th St. San Francisco	8/10/2023	2020 7		172 97%			
				Studio		450	\$3,437	\$7.64
				1Bd/1Ba		602	\$3,646	\$6.06
				2Bd/2Ba		966	\$5,260	\$5.45
				3Bd/2Ba		1,252	\$6,771	\$5.41
	Tenant-Paid Utilities:		Water, Sewer, Trash, In-Unit Electric, Gas					
	Unit Features:		In-Unit Washer/Dryer, LVP Flooring, Patio/Balcony (Select), European Style Cabinetry, Quartz Counters, Quartz Backsplash, Stainless Steel Appliances					
	Project Amenities:		Resident Lounge, Fitness Center, Rooftop Deck, Co-Working Space, Conference/Dining Room, Bike Storage, Parcel Lockers, Pet Grooming Station, Laundry Lockers					
	Comments:		Located in the Potrero Hill neighborhood of San Francisco. Garage parking is available for an additional monthly fee of \$300/space. No concessions offered as of the date of survey.					

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### Comparable Rentals Map

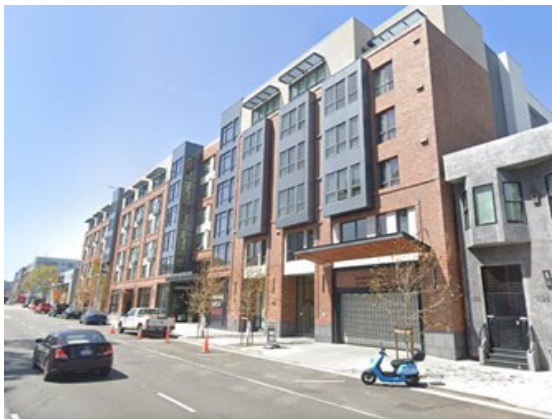




Rent Survey 1  
The Brady



Rent Survey 2  
Astella



Rent Survey 3  
Hanover Soma West



Rent Survey 4  
Mason on Mariposa



Rent Survey 5  
Alta Potrero

## Rental Analysis Factors

Our analysis of the comparable rentals considers the following elements of comparison.

Rental Analysis Factors	
Tenant Paid Utilities	Utilities costs for which tenants are responsible.
Unit Size	Floor area in square feet.
Location	Market or submarket area influences on rent; surrounding land use influences.
Age/Condition	Effective age; physical condition.
Quality	Construction quality, market appeal, functional utility.
Unit Features	Features included in individual residential units.
Project Amenities	Amenities available to the entire property.

Tenants are responsible for all utilities at each of the comparable properties. All comparables are adjusted for unit size utilizing value ratios of 15% to 30% depending on the layout. The high end of the value ratio range is applied to smaller units, while lower ratios are applied to larger units. The comparables are located in SOMA and Potrero Hill and generally require upward adjustments for location when compared to Treasure Island. In addition, adjustments for age/condition are applied as necessary; though the comparables were recently constructed, they do not reflect brand new construction as of the date of rent survey. For these reasons, the comparable set generally shifts upward after adjustment.

## Analysis of Comparable Rentals – C2.2

Rental Analysis Summary - Studio Units							
No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Brady	Studio	497	\$3,045	\$6.13	Inferior	Adjusted downward for size and upward for location and age/condition.
2	Astella	Studio	429	\$2,641	\$6.16	Inferior	Adjusted upward for size, location, and age/condition.
3	Hanover Soma West	Studio	526	\$3,183	\$6.05	Inferior	Adjusted downward for size and upward for location and age/condition.
4	Mason on Mariposa	Studio	496	\$2,995	\$6.04	Inferior	Adjusted downward for size and upward for location and age/condition.
5	Alta Potrero	Studio	450	\$3,437	\$7.64	Inferior	Adjusted upward for size, location, and age/condition.
Rental Ranges and Averages							
			Range	Average	Avg/SF		
Comparables			\$2,641 - \$3,437	\$3,060	–		
Concluded Market Rent				\$3,200	\$6.99		

**Rental Analysis Summary - 1 BD/1 BA Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Brady	1 BD/1 BA	666	\$4,020	\$6.04	Inferior	Adjusted upward for size, location, and age/condition.
2	Astella	1 BD/1 BA	720	\$3,365	\$4.67	Inferior	Adjusted upward for size, location, and age/condition.
3	Hanover Soma West	1 BD/1 BA	686	\$3,582	\$5.22	Inferior	Adjusted upward for size, location, and age/condition.
4	Mason on Mariposa	1 BD/1 BA	755	\$3,995	\$5.29	Inferior	Adjusted downward for size, location, and age/condition.
5	Alta Potrero	1Bd/1Ba	602	\$3,646	\$6.06	Inferior	Adjusted upward for size, location, and age/condition.
<b>Rental Ranges and Averages</b>							
			Range	Average	Avg/SF		
Comparables			\$3,365 - \$4,020	\$3,722	-		
Concluded Market Rent				\$4,300	\$5.91		

**Rental Analysis Summary - 2 BD/2 BA Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Brady	2 BD/2 BA	978	\$5,180	\$5.30	Inferior	Adjusted upward for size, location, and age/condition.
2	Astella	2 BD/2 BA	902	\$4,280	\$4.75	Inferior	Adjusted upward for size, location, and age/condition.
3	Hanover Soma West	2 BD/2 BA	922	\$4,210	\$4.57	Inferior	Adjusted upward for size, location, and age/condition.
4	Mason on Mariposa	2 BD/2 BA	1,125	\$5,195	\$4.62	Inferior	Adjusted downward for size, location, and age/condition.
5	Alta Potrero	2Bd/2Ba	966	\$5,260	\$5.45	Inferior	Adjusted upward for size, location, and age/condition.
<b>Rental Ranges and Averages</b>							
			Range	Average	Avg/SF		
Comparables			\$4,210 - \$5,260	\$4,825	-		
Concluded Market Rent				\$5,500	\$5.11		



**Rental Analysis Summary - 3 BD/2 BA Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	Astella	3 BD/2 BA	1,050	\$5,913	\$5.63	Inferior	Adjusted upward for size, location, and age/condition.
2	Mason on Mariposa	3 BD/2 BA	1,333	\$7,025	\$5.27	Inferior	Adjusted upward for size, location, and age/condition.
3	Alta Potrero	3Bd/2Ba	1,252	\$6,771	\$5.41	Inferior	Adjusted upward for size, location, and age/condition.
<b>Rental Ranges and Averages</b>							
			Range	Average	Avg/SF		
Comparables			\$5,913 - \$7,025	\$6,570	–		
Concluded Market Rent				\$7,500	\$4.55		

**Market Rent Conclusion**

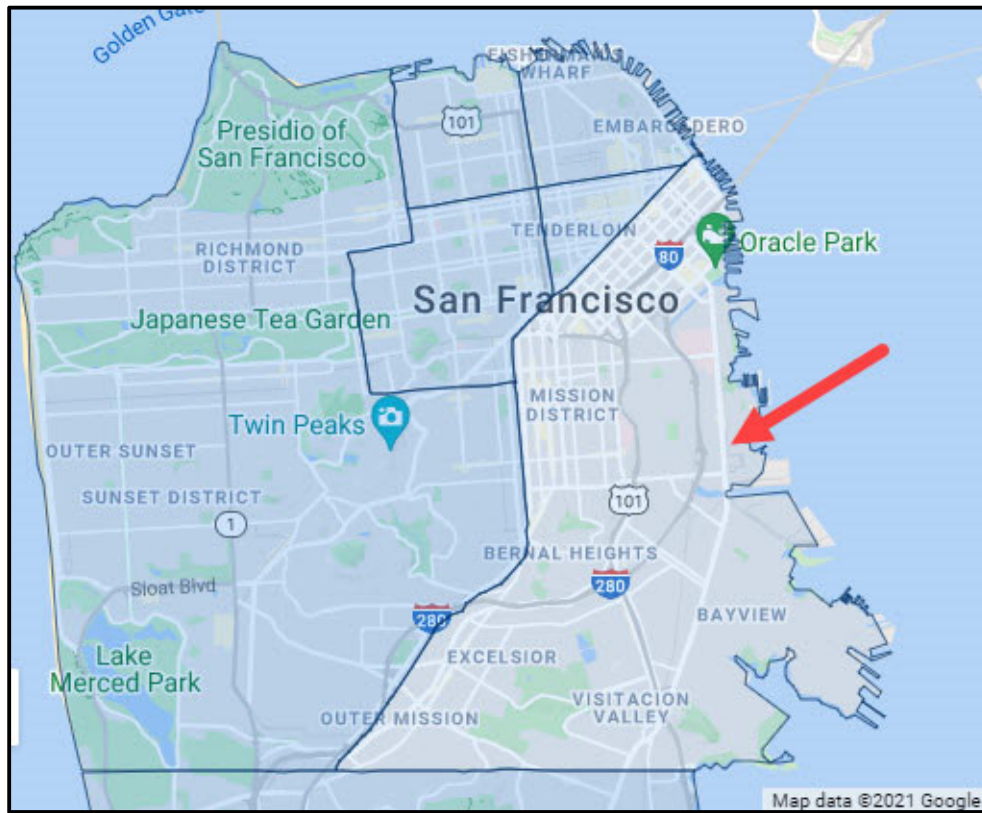
Based on the preceding analysis of comparable rentals and trends evident in the market, market rent is estimated for each unit type as shown in the table that follows. Market rent conclusions for Parcels B1 and C2.4 will be presented in upcoming sections.

**Market Rent Conclusions - Parcel C2.2**

Unit Type	Mkt. Rate Units	Avg. Unit Size	Market	
			Rent/ Month	Market Rent/SF
Studio	32	458	\$3,200	\$6.99
1 BD/1 BA	83	728	\$4,300	\$5.91
2 BD/2 BA	52	1,077	\$5,500	\$5.11
3 BD/2 BA	2	1,648	\$7,500	\$4.55
<b>Total/Avg.</b>	<b>169</b>	<b>795</b>	<b>\$4,499</b>	<b>\$5.66</b>
<b>Trended (1 year at 3.5% per year)</b>			<b>\$4,656</b>	<b>\$5.86</b>

Depending on the parcel, the subject units are expected to come to market in 2024 and 2026. Therefore, we utilize data from REIS to consider trending the market rent conclusions.

The following is a map of the “South of Market” submarket as determined by REIS. The submarket includes the SoMa, Mission, Dogpatch, Mission Bay, Bernal Heights, Potrero Hill, Bayview, and Excelsior neighborhoods, among others. We have selected this submarket for comparison to the subject due to prevalence of recent multifamily construction in SoMa, Mission Bay, and Dogpatch.



The following table depicts submarket trends over the past ten years.

South of Market Multifamily Submarket Trends and Forecasts									
Year	Inventory (Units)	Occupancy (Units)	Vacancy (Units)	Vacancy (%)	Completions (Units)	Absorption (Units)	Effective Rent (\$/Unit)	Effective Rental Rate (% Change)	Gross Revenue (\$/Unit)
2012	16,256	15,557	699	4.3%	163	107	\$2,692	6.1%	\$2,693
2013	17,428	16,592	836	4.8%	1,172	1,035	\$3,032	12.6%	\$3,016
2014	18,340	17,258	1,082	5.9%	912	666	\$3,437	13.4%	\$3,378
2015	19,568	17,729	1,839	9.4%	1,228	471	\$4,097	19.2%	\$3,864
2016	22,179	19,754	2,425	10.9%	2,670	2,025	\$3,673	-10.4%	\$3,542
2017	23,158	21,502	1,656	7.2%	979	1,748	\$3,731	1.6%	\$3,839
2018	24,327	23,176	1,151	4.7%	1,169	1,674	\$3,964	6.2%	\$4,099
2019	25,245	24,096	1,149	4.6%	918	920	\$4,223	6.5%	\$4,250
2020	26,414	24,821	1,593	6.0%	1,169	725	\$3,274	-22.5%	\$3,241
2021	27,720	26,280	1,440	5.2%	1,306	1,459	\$3,558	8.7%	\$3,524
2022	27,720	26,715	1,005	3.6%	0	435	\$3,779	6.2%	\$3,790
2023 Q2	27,720	26,733	987	3.6%	0	53	\$3,578	-3.1%	\$3,596
2023	28,197	27,013	1,184	4.2%	477	298	\$3,654	-3.3%	\$3,643
2024	28,197	27,126	1,071	3.8%	0	113	\$3,752	2.7%	\$3,754
2025	28,453	27,258	1,195	4.2%	256	132	\$3,826	2.0%	\$3,806
2026	29,188	27,787	1,401	4.8%	735	529	\$3,904	2.0%	\$3,892
2027	29,924	28,278	1,646	5.5%	736	491	\$4,003	2.5%	\$3,955
2012 - 2022 Average	22,578	21,225	1,352	6.1%	1,062	1,024	\$3,587	4.3%	\$3,567

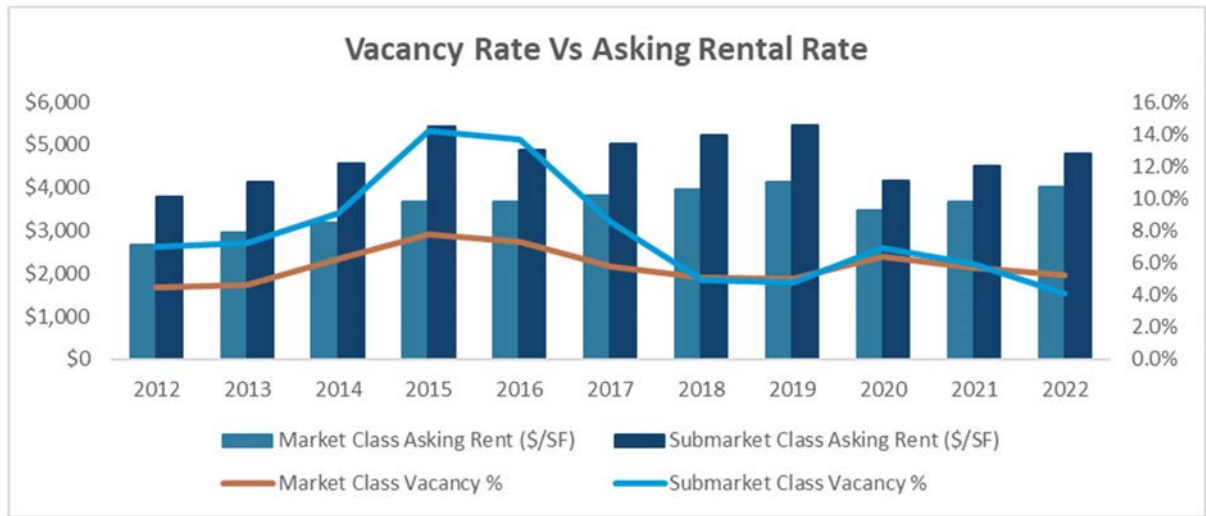
Source: Moody's Analytics REIS; compiled by Integra Realty Resources, Inc.





As indicated, average rental rates reached a ten-year high in 2019, with an average rate of \$4,223 per month. The pandemic drove rental rates to decline nearly 23% in 2020. Although rental rates rebounded in 2021 and 2022, the average for the SOMA submarket remains approximately 11% below 2019 rates. Rental rates are projected to show annual increases between 2% and 3% over the next five years. Average annual increases over the past ten years are 4.3%.

The following chart compares submarket effective rental and vacancy rates to the overall San Francisco market. As demonstrated, the submarket has reported slightly lower vacancy than the market overall in 2022, with consistently higher effective rental rates.



Also of note are Class A apartment statistics for the submarket; the subject will reflect Class A construction. Notably, 2022 asking rents are at \$4,807 for Class A properties, approximately 27% higher than those presented for all property classes. Rental rates for Class A properties have averaged \$4,723 over the past ten years with average annual increases of 3.17%.

**South of Market Multifamily Class A Submarket Trends**

Year	Inventory (Units)	Occupancy (Units)	Vacancy		Completions (Units)	Absorption (Units)	Asking Rental		Gross Revenue (\$/Unit)
			(Units)	Vacancy (%)			(\$/Unit)	Rate (% Change)	
2012	8,270	7,693	577	7.0%	163	77	\$3,783	3.80%	\$3,519
2013	9,419	8,743	676	7.2%	1,149	1,050	\$4,139	9.40%	\$3,842
2014	10,331	9,388	943	9.1%	912	645	\$4,564	10.30%	\$4,147
2015	11,559	9,917	1,642	14.2%	1,228	529	\$5,427	18.90%	\$4,656
2016	14,206	12,264	1,942	13.7%	2,647	2,347	\$4,867	-10.30%	\$4,202
2017	15,185	13,899	1,286	8.5%	979	1,635	\$5,018	3.10%	\$4,593
2018	16,354	15,553	801	4.9%	1,169	1,654	\$5,212	3.90%	\$4,957
2019	16,992	16,175	817	4.8%	638	622	\$5,444	4.50%	\$5,182
2020	18,161	16,899	1,262	6.9%	1,169	724	\$4,175	-23.30%	\$3,885
2021	19,425	18,271	1,154	5.9%	1,264	1,372	\$4,517	8.20%	\$4,249
2022	19,425	18,636	789	4.1%	0	365	\$4,807	6.40%	\$4,612
2023 Q2	19,425	18,671	754	3.9%	0	45	\$4,494	-4.40%	\$4,320
2012 - 2022 Average	14,484	13,403	1,081	7.8%	1,029	1,002	\$4,723	3.17%	\$4,349

Source: Moody's Analytics REIS; compiled by Integra Realty Resources, Inc.



Given this information, and the projected construction timeline for the subject product, we have elected to trend the market rent conclusions 3.5% annually. Parcels C2.2 and C2.4 are expected to come to market in 2024; market rent conclusions for these parcels will be trended 3.5%. Parcel B1 is projected to be finished in 2026 and market rent has been adjusted upward 10.5%.

### Units Subject to Rent Restrictions

#### Restricted Rents

Unit Type	Income Classification	Number of Units	Maximum Rent	Rent Applied
BMR	Below Market Rate	9	\$1,372	\$1,372
Total		9		

Each of the subject's Parcels will include below market rate units, with Parcel C2.2 offering 9 BMR units, Parcel C2.4 including 24, and Parcel B1 containing 6 BMR units. According to the Developer, final income and rental rate restrictions have not yet been determined by the Mayor's Office of Housing and Community Development. However, the Developer is estimating a BMR rental rate of \$1,372 per month for Parcel C2.2 and \$1,454 for Parcel C2.4, or \$1.77 to \$1.78 per square foot. Based on these projections, we estimate a BMR rent of \$1,239 for Parcel B1 units.

### Retail Market Rent Analysis – Parcel C2.2

To estimate market rent for the subject's retail space, we analyze comparable rentals most relevant to the subject in terms of property type, size, and transaction date. Comparables used in our analysis are summarized in the following table. Though an effort was made to focus on new or recent construction, due to the lack of available data it was necessary to also consider older properties.

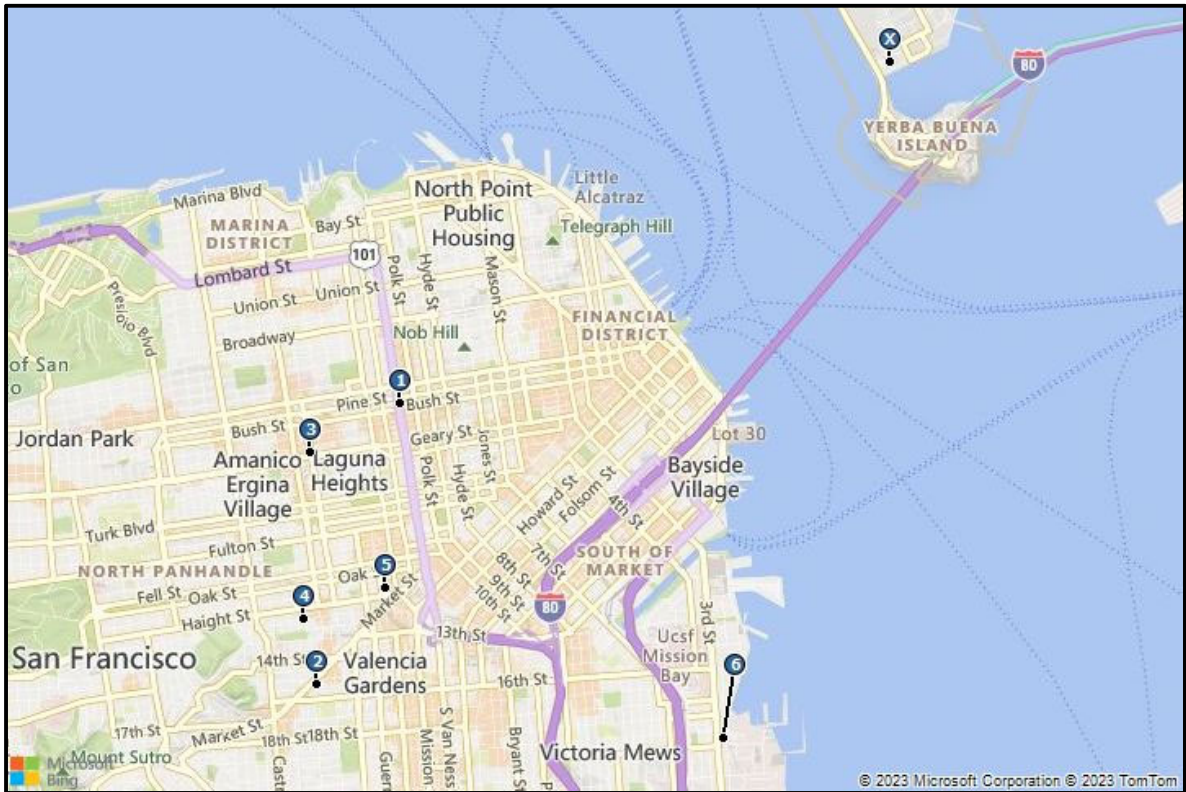
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**Summary of Comparable Rentals - Retail**


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No.	Property Information	Description	Tenant	SF	Lease Start	Term (Mos.)	Rent/SF	Escalations	Lease Type
1	1430 Van Ness Ave. 1430 Van Ness Ave. San Francisco CA	Yr Blt. Stories: RA:	1913 1 4,255	Active listing	4,255	Jul-23	– \$55.00	Fixed	Triple Net
<i>Comments: Active listing of street-level retail space located at the corner of Van Ness and Austin Alley.</i>									
2	2195-2199 Market Street 2195-2199 Market St. San Francisco CA	Yr Blt. Stories: RA:	1906 3 6,495	Custom Sofa Co.	1,510	Aug-22	36 \$49.32	Fixed Steps	Modified Gross
<i>Comments: New lease for a ground floor retail suite. The unit has a new paint job and new vinyl plank flooring. There is basement space for storage. The broker did not confirm if tenant improvements were built into the lease.</i>									
3	2301-2309 Webster St. 2301-2309 Webster St. San Francisco CA	Yr Blt. Stories: RA:	1900 2 4,147	Confidential	911	Jul-22	36 \$49.40	Fixed	Modified Gross
<i>Comments: Recent lease of a ground floor retail suite. The unit was in average condition. No TI allowance or free rent was included in the rent.</i>									
4	201-211 Steiner Street 201-211 Steiner St. San Francisco CA	Yr Blt. Stories: RA:	1900 3 12,410	MX3 Fitness	905	Sep-21	60 \$67.90	–	Modified Gross
<i>Comments: There was no TI allowance or free rent included in the lease.</i>									
5	188 Octavia Street 188 Octavia St. San Francisco CA	Yr Blt. Stories: RA:	2020 5 20,603	DM Development Partners,	1,037	Aug-21	60 \$48.00	–	Triple Net
6	Potrero Launch 2235 3rd St. San Francisco CA	Yr Blt. Stories: RA:	2012 4 242,185	Not Disclosed	1,840	Jul-21	– \$52.00	Fixed	Modified Gross
<i>Comments: New lease for ground floor commercial suite in the Potrero Launch mixed-use apartment/commercial building.</i>									

### Comparable Rentals Map







Lease 1  
1430 Van Ness Ave.



Lease 2  
2195-2199 Market Street



Lease 3  
2301-2309 Webster St.



Lease 4  
201-211 Steiner Street



Lease 5  
188 Octavia Street



Lease 6  
Potrero Launch

## Analysis of Comparable Rentals

The following elements of comparison are considered in our analysis of the comparable rentals.

<b>Rental Analysis Factors</b>	
Expense Structure	Division of expense responsibilities between landlord and tenants.
Conditions of Lease	Extraordinary motivations of either landlord or tenant to complete the transaction.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.
Location	Market or submarket area influences on rent; surrounding land use influences.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility from main thoroughfares; traffic counts.
Size	Difference in rental rates that is often attributable to variation in sizes of leased space.
Building Quality	Construction quality, amenities, market appeal, functional utility.
Age/Condition	Effective age; physical condition.
Economic Characteristics	Variations in rental rate attributable to such factors as free rent or other concessions, pattern of rent changes over lease term, or tenant improvement allowances.

### Expense Structure

Comparables will be adjusted to reflect a triple net expense structure in which tenants are responsible for all expenses. Comparables 2, 3, 4, and 6 are leased on a modified gross basis and are adjusted downward.

### Market Conditions

The comparable rents were signed from July 2021 and August 2022, with Comparable 1 reflecting an active listing. The rents are generally representative of current market rates as of the date signed. Market conditions have generally been stable over this time frame and no adjustments are applied for this factor.

## Analysis of Comparable Rentals

The following table summarizes our analysis of each comparable.

### Rental Analysis Summary - Retail

No.	Property Name; Tenant	Leased SF	Rent/SF	Overall Comparison to Subject	Comments
1	1430 Van Ness Ave. Active Listing	4,255	\$55.00	Superior	Adjusted downward for active listing status and upward for age/condition.
2	2195-2199 Market Street Custom Sofa Co.	1,510	\$49.32	Inferior	Adjusted downward for modified gross expense structure and upward for age/condition.
3	2301-2309 Webster St. Confidential	911	\$49.40	Inferior	Adjusted downward for modified gross expense structure and upward for age/condition.
4	201-211 Steiner Street MX3 Fitness	905	\$67.90	Superior	Adjusted downward for modified gross expense structure.
5	188 Octavia Street DM Development Partners,	1,037	\$48.00	Similar	Adjusted upward slightly for age/condition.
6	Potrero Launch Not Disclosed	1,840	\$52.00	Similar	Adjusted downward for modified gross expense structure and upward for age/condition.

### Retail Market Rent Conclusion

Based on the preceding analysis of comparable rentals and trends evident in the market, we conclude market lease terms for the subject as follows.

### Concluded Market Lease Terms

Space Type	Market			Rent	Lease Type	Lease	Free Rent	TI/SF
	SF	Rent	Measure	Escalations		Term (Mos.)	(Mos.)	New
Retail	1,555	\$45.00	\$/SF/Yr	3% annually	Triple Net	36	3	\$30.00

## Stabilized Income and Expenses – Parcel C2.2

### Potential Gross Rent - Apartments

The following table summarizes the potential gross rent from the apartment units based on market rent applied to vacant units. Figures presented below reflect the 12-month period following the effective date of the appraisal.

#### Potential Gross Rent

Unit Type	Total Units	Market Rent/Unit (1)	Potential Rent at Market (1)
<b>Market Rate Units</b>			
<b>Vacant Units</b>			
Studio	32	\$3,200	\$1,228,800
1 BD/1 BA	83	\$4,300	\$4,282,800
2 BD/2 BA	52	\$5,500	\$3,432,000
3 BD/2 BA	2	\$7,500	\$180,000
<b>Total Vacant</b>	<b>169</b>	<b>\$4,499</b>	<b>\$9,123,600</b>
<b>Total - Market Rate Units</b>	<b>169</b>	<b>\$4,499</b>	<b>\$9,123,600</b>
Trended (1 year at 3.5% per year)		\$4,656	\$9,442,926
<b>Restricted Units</b>			
<b>Leased Units</b>			
<b>Vacant Units</b>			
BMR-Below Market Rate	9	\$1,372	\$148,176
<b>Total Vacant</b>	<b>9</b>	<b>\$1,372</b>	<b>\$148,176</b>
<b>Total - Restricted Units</b>	<b>9</b>	<b>\$1,372</b>	<b>\$148,176</b>
<b>Grand Total</b>	<b>178</b>	<b>\$4,490</b>	<b>\$9,591,102</b>

<sup>1</sup> For restricted units, the figures in these columns are the lesser of maximum allowable rent, or market rent assuming no restrictions.

For purposes of the direct capitalization analysis that follows, potential gross rent for the apartment units is based on market rent.

### Concessions

Concessions have historically been uncommon in this market; however, new projects offering concessions during their initial lease-up phases in order to drive absorption tend to force stabilized projects to also offer some degree of concessions in order to maintain occupancy. Notably, there is no new market rate product in the subject's immediate submarket (Treasure Island) outside of the subject property.

While the subject property will offer concessions to drive lease-up during the initial absorption period, we anticipate that concessions will no longer be necessary at the subject property once the property has reached stabilization. As such, our market rent conclusions do not reflect ongoing concessions, nor



is there a deduction for concessions in the Year 1 income projections. Lease up costs are included as part of the Developer's costs in the upcoming analysis.

### Potential Gross Rent - Retail Space

Potential rental income from the retail space is summarized next.

#### Potential Gross Rent

Space Type	SF	Potential Rent at Contract (1)		Potential Rent at Market		Contract as % of Market
		Annual	\$/SF/Yr	\$/SF/Yr	Annual	
Retail	1,555	\$69,975	\$45.00	\$45.00	\$69,975	100%
Total Subject	1,555	\$69,975	\$45.00	\$45.00	\$69,975	100%

<sup>1</sup> Contract rent for leased space; vacant space at market.

For direct capitalization purposes, potential gross rent for the retail space is based on market rent.

### Expense Reimbursements - Apartments

Apartment tenants reimburse the owner for all utility expenses. Expense recoveries from the apartment tenants are estimated at \$369,735 based on our projected expenses for the subject.

### Expense Reimbursements - Retail

The retail tenants reimburse the owner for their pro-rata share of real estate taxes, insurance, common area maintenance, and general/administrative expenses. Retail reimbursement income is estimated at \$35,468 based projected expenses.

### Vacancy & Collection Loss

Please refer to the *Multifamily Market Overview* section for a detailed discussion of market and/or submarket vacancy factors. Market conditions have been improving over the past two years as the local market recovers from the pandemic. Based on the relative proportions of multifamily and retail space at the subject, an allowance for stabilized vacancy and collection loss is estimated at 5.0%.

### Other Income

The other income category includes any other income from the property including revenues from application fees and miscellaneous sources. Parcel C2.4 is expected to offer other amenities that will generate additional revenue. These include charges for electric vehicle parking, bike storage, roof top event space and solarium (available for rent), and a yoga room and office space, both of which may be privately reserved.

Other income is projected at \$200 per unit, net of vacancy and rent loss, based on comparable projects.

In addition, each of the multifamily properties have parking spaces available for rent. Based on parking rental rates at recently constructed multifamily projects in San Francisco, we have selected a monthly rental rate of \$375 per parking space. A summary of parking revenue by Parcel is provided below.

<b>Parking Revenue</b>			
Parcel	No. of Spaces	Monthly Rent	Total Revenue
Parcel C2.2	92	\$375	\$414,000
Parcel C2.4	124	\$375	\$558,000
Parcel B1	70	\$375	\$315,000

#### **Effective Gross Income**

Based on the preceding estimates of gross income less allowances if any for vacancy, collection loss, and concessions, effective gross income is calculated \$10,012,566 for Parcel C2.2.

#### **Operating Expenses**

Operating expenses are estimated based on expense data from comparable properties, as summarized in the following tables.

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**Operating History and Projections - Parcel C2.2**


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	IRR Projection
<b>Income</b>	
Rental Income - Apartments	\$9,591,102
Rental Income - Retail	69,975
Expense Reimbursements - Apartments	369,735
Expense Reimbursements - Retail	35,468
Potential Gross Income	\$10,066,280
Vacancy & Collection Loss @ 5.0%	-503,314
Net Parking Income	414,000
Other Income	35,600
Effective Gross Income	\$10,012,566
<b>Expenses</b>	
Real Estate Taxes	\$2,264,369
Insurance	133,500
Utilities	373,800
Repairs/Maintenance	356,000
Payroll/Benefits	231,400
Advertising & Marketing	71,200
General/Administrative	133,500
Management	200,251
Replacement Reserves	44,500
Total Expenses	\$3,808,520
<b>Net Operating Income</b>	<b>\$6,204,046</b>
Operating Expense Ratio**	37.6%

\*\*Replacement reserves, if any, are excluded from total expenses for purposes of determining the Operating Expense Ratio.

Please note, Special Taxes for the subject are included in the “Real Estate Taxes” line item; Special Tax amounts for each Parcel are detailed in the table on the following page.

<b>Expense Analysis per Unit</b>						
	Comp Data*					Subject
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Projected Expenses
Year Built	2016	2017	2016	2020	2022	–
Number of Units	75	87	121	172	116	178
					Pro-forma	
Operating Data Type	In Place	In Place	In Place	In Place	Owner	
Year	2021	2021	2021	2022	2022	IRR Projection
Real Estate Taxes	\$5,498	\$7,519	\$7,519	\$8,149	\$4,551	\$12,721
Insurance	\$671	\$792	\$720	\$1,434	\$187	\$750
Utilities	\$2,293	\$3,121	\$2,041	\$2,731	\$2,139	\$2,100
Repairs/Maintenance	\$2,368	\$2,124	\$3,335	\$2,114	\$1,889	\$2,000
Payroll/Benefits	\$171	\$3,358	\$2,400	\$3,083	\$0	\$1,300
Advertising & Marketing	\$296	\$382	\$350	\$934	\$103	\$400
General/Administrative Management	\$78	\$1,509	\$621	\$653	\$189	\$750
Replacement Reserves	\$1,045	\$1,379	\$681	\$1,047	\$1,462	\$1,125
	\$0	\$0	\$0	\$188	\$0	\$250
<b>Total</b>	<b>\$12,420</b>	<b>\$20,184</b>	<b>\$17,666</b>	<b>\$20,333</b>	<b>\$10,520</b>	<b>\$21,396</b>
Operating Expense Ratio	45.8%	44.4%	61.4%	52.2%	28.7%	37.6%

The above comparables are each located within the City of San Francisco and reflect multifamily properties with ground floor retail. Management is estimated at 2.0% of effective gross income, while replacement reserves are projected at \$250 per unit. As the definition of market value presumes a sale, ad valorem taxes are calculated by applying the subject's tax rate to the conclusion of market value. Direct assessments and special taxes as a result of CFD No. 2016-1 (Treasure Island) are also considered. A summary of Special Taxes by Parcel is provided below.

<b>Calculation of CFD Tax - Multifamily Residential / Mixed Use</b>									
Parcel	Residential	No. of	Total SF	Retail Tax		Annual Tax - Retail	Total Units (All)	Total Tax per Unit (All)	
	Tax per SF (2023)	Units (Market)		Annual Tax - Residential	per SF (2023)				
Parcel C2.2	\$3.21	169	134,115	\$431,156	\$1.73	1,555	\$2,686	178	<b>\$2,437</b>
Parcel C2.4	\$3.21	226	189,765	\$610,061	\$1.73	1,250	\$2,159	250	<b>\$2,449</b>
Parcel B1	\$3.21	111	97,942	\$314,866	\$1.73	4,785	\$8,264	117	<b>\$2,762</b>

### Capitalization Rate Selection

A capitalization rate is used to convert net income into an indication of value. Selection of an appropriate capitalization rate considers the future income pattern of the property and investment risk associated with ownership. Information from the overall capitalization rate comparables is presented in the following table.

### Capitalization Rate Comparables

No.	Property Name	City	Year Built	Sale Date	No. Units	Price/Unit	Cap Rate
1	Scotia Apartments	San Jose	2020	March-23	55	\$568,182	4.25%
2	Alice House	Oakland	2020	December-22	79	\$500,000	3.75%
3	The Edge	Oakland	2022	December-22	91	\$516,484	3.55%
4	Santana Terrace	Santa Clara	2020	October-22	114	\$576,087	3.60%
5	Bell South City	South San Francisco	2019	May-22	260	\$792,308	3.25%
6	Bell Mt Tam	Corte Madera	2019	December-21	180	\$866,667	3.00%
Indicated Cap Rate Range:						3.00% - 4.25%	
Average (Mean) Cap Rate:						3.57%	

The overall capitalization rate is the rate at which an investor of an income-producing property will see a return on capital used to buy a particular property/investment. Thus, the capitalization rate can reasonably be viewed as a function of risk. A high risk implies a high possibility of investment loss; a property with high risk will have a high capitalization rate causing a lower selling price or value than one with a relatively low risk factor, all else being equal.

Attributes such as location, building area, visibility/accessibility, condition, effective age and overall quality are taken into account when determining a capitalization rate for the subject property. Also considered when deriving a capitalization rate for an income-producing property is deferred maintenance, security of the income stream (terms of leases and strength of tenants), as well as general economic conditions and local market conditions.

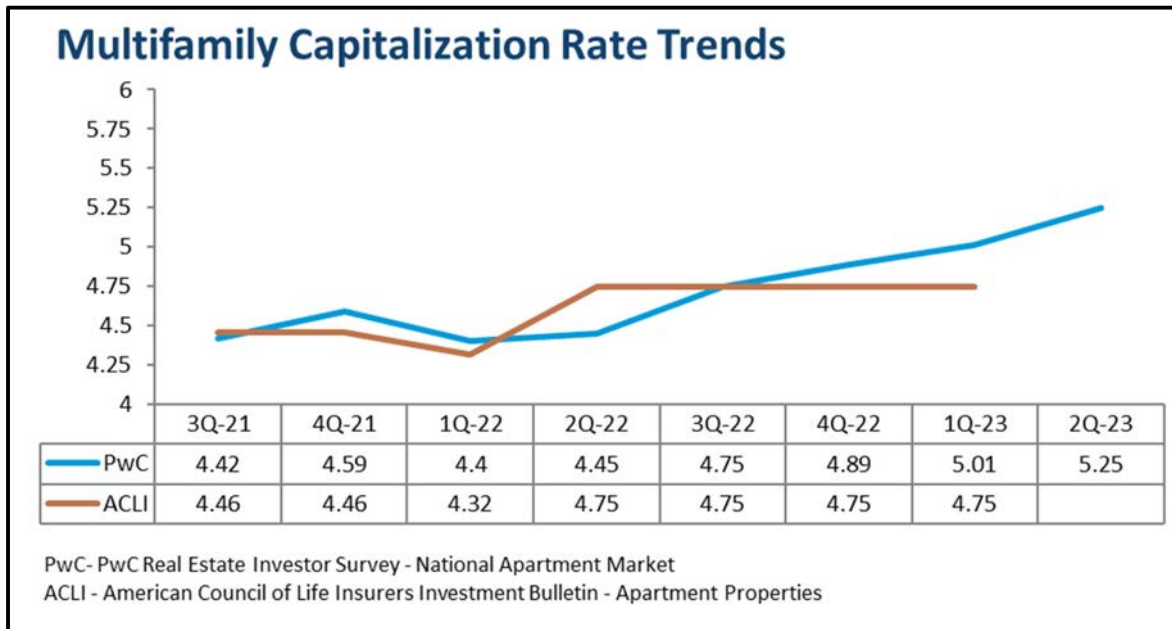
Our search for comparables focused on recently constructed properties in the Bay Area. Sales 5 and 6 traded with notable loss to lease, and the stabilized capitalization rates for these properties were trending towards the mid- to high-3.00% range. The subject will reflect new construction on Treasure Island. While the subject will have no immediate competition (it is the only newly constructed market rate product on the island), this product is also new to Treasure Island. Considering current macroeconomic conditions, a proforma capitalization rate toward the higher end of the range is appropriate.

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

### Capitalization Rate Surveys – Multifamily Properties

	IRR-ViewPoint National Urban Multifamily	IRR-ViewPoint National Suburban Multifamily	PwC 2Q-23 National Apartment	ACLI 1Q-23 National Apartment
Range	3.50% - 6.50%	3.50% - 7.25%	3.75% – 8.00%	NA
Average	4.85%	4.98%	5.25%	5.09%

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment

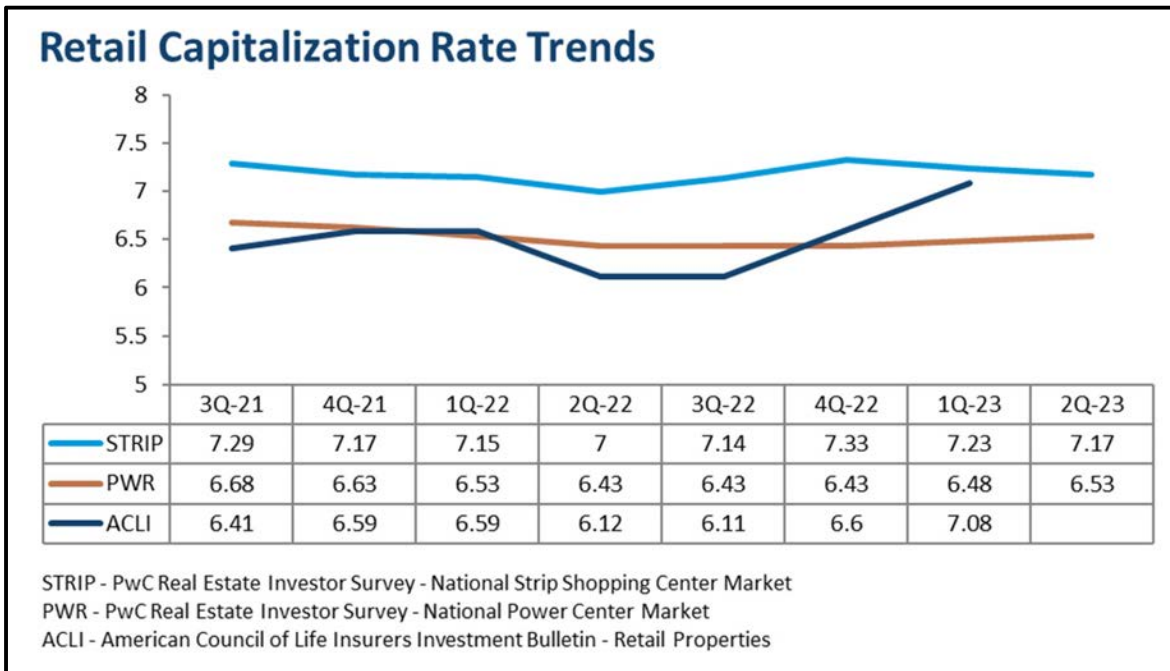


#### Capitalization Rate Surveys – Retail Properties

	IRR-ViewPoint Natl Regional Mall	IRR-ViewPoint Natl Neighborhood Retail	IRR-ViewPoint Natl Community Retail Center	PwC 2Q-23 National Strip Shopping Center	PwC 2Q-23 National Power Center	ACLI 1Q-23 National Retail
Range	5.25% - 9.75%	4.75% - 9.00%	4.75% - 8.75%	5.00% – 10.00%	5.50% – 7.50%	NA
Average	7.31%	7.00%	6.95%	7.17%	6.53%	7.08%

Source: IRR-Viewpoint 2023; PwC Real Estate Investor Survey; American Council of Life Insurers Investment Bulletin.





It should be noted that Bay Area capitalization rates often trend lower than national indicators.

### Market Participant Interviews

Over the course of our research, we have conducted interviews with market participants familiar with the subject and competitive properties, and broader market.

#### Market Participant Survey - Capitalization Rates

Respondent	Cap Rate	Comments
Institutional Property Advisors	4.50% - 5.00%	Capitalization rates for institutional grade assets in the Bay Area have returned to the 4.00% range due to aggressive interest rate hikes implemented by the Federal Reserve. With fixed rate debt in the mid 5.00%, activity has slowed significantly, and deals that were negotiated earlier this year could not be replicated at the same terms today. Oversupplied urban core areas were hit hard operationally during the pandemic, resulting in further price impairment. Most sellers are expected to hold if possible, opting instead to refinance, recapitalize, or seek loan extensions. Those who are forced to sell will have to accept discounts. This is a transitional market which is not expected to stabilize for at least 6 to 12 months in the future. Lay-offs and hiring freezes in the technology sector are likely to spread to other sectors, impacting renter income. Buyers have a low threshold for negative leverage, and are looking for positive leverage by Year 3. As a result, there is minimal buyer interest in unstabilized or operationally-troubled assets. It is possible, however, to generate buyer interest in a basis play. Activity will likely pick up again in the second half of 2023, as owners are beginning to express interest in selling this year. Cap rates have increased 100 basis points over the past year, and buyers are targeting capitalization rates in the low 5.00% range, but expects rates to settle in the mid- to upper-4.00% range for the foreseeable future.
JLL	4.75% - 5.00%	There is minimal interest from institutional buyers presently, and the buyer pool for sub-\$50 million deals is wider. Capitalization rates for Class A urban core and core plus deals currently range from 4.75% to 5.00%, with properties in Oakland expected to achieve rates at the higher end of this range due to oversupply issues and political headwinds. Rent growth is expected to be flat in the coming year, with gradual increases back to normal trends in 2025.
JLL	4.50% - 5.00%	Capitalization rates have increased significantly over the past 6 to 12 months, concurrent with increases in interest rates. Buyers are willing to tolerate negative leverage for one or two years, but are targeting a 5.50% by Year 2 or 3. The going in rate can in the mid- to high 4.00% range if there is a compelling value-add story that will get the property to a 5.00% at the end of Year 1, and 5.50% by Year 2.
Indicated Cap Rate Range	4.50% - 5.00%	



To reach a capitalization rate conclusion, we consider each of the following investment risk factors to gauge its impact on the rate. The direction of each arrow in the following table indicates our judgment of an upward, downward, or neutral influence of each factor.

### Capitalization Rate Summary and Conclusions

Risk Factor	Issues	Impact on Rate
Income Characteristics	Stability of occupancy, above/below market rents, rent control. Market rent is utilized in this analysis. Though there is near term risk associated with ground floor retail space, the retail component is minimal compared to multifamily space.	↔
Competitive Market Position	Construction quality, appeal, condition, effective age, functional utility. The subject will reflect new, Class A construction.	↓
Location	Market area demographics and life cycle trends; proximity issues; access and support services. The subject is located on Treasure Island, which is undergoing major redevelopment (of which the subject is a part).	↓↔
Market	Vacancy rates and trends; rental rate trends; supply and demand. Macroeconomic factors increase risk. Rental rates are recovering but remain below 2019 highs.	↑↔
Highest & Best Use	Upside potential from redevelopment, adaptation, expansion. The subject will reflect new construction consistent with the highest and best use of the property.	↔
Overall Impact		↔

We summarize the capitalization rate indicators derived from the preceding data below.



### Capitalization Rate Conclusion

Method	Capitalization Rate Indication
Analysis of Comparable Sales	3.00% - 4.25%
National Investor Surveys	3.50% - 6.50%
Market Participant Interviews	4.50% - 5.00%
Primary Weight	Market Participant Interviews
Secondary Weight	Comparable Sales
Conclusion	4.00%

### Direct Capitalization Analysis – Parcel C2.2

Net operating income is divided by the capitalization rate to indicate the stabilized value of the subject. Valuation of the subject by direct capitalization is shown in the table that follows.

### Direct Capitalization Analysis - Parcel C2.2

		Annual	\$/Unit
<b>INCOME</b>			
Rental Income - Apartments		\$9,591,102	\$53,883
Rental Income - Retail		\$69,975	\$393
Expense Reimbursements - Apartments		\$369,735	\$2,077
Expense Reimbursements - Retail		\$35,468	\$199
Potential Gross Income		\$10,066,280	\$56,552
Vacancy & Collection Loss	5.00%	-\$503,314	-\$2,828
Net Parking Income		\$414,000	\$2,326
Other Income		\$35,600	\$200
Effective Gross Income		\$10,012,566	\$56,250
<b>EXPENSES</b>			
Real Estate Taxes		\$2,264,369	\$12,721
Insurance		\$133,500	\$750
Utilities		\$373,800	\$2,100
Repairs/Maintenance		\$356,000	\$2,000
Payroll/Benefits		\$231,400	\$1,300
Advertising & Marketing		\$71,200	\$400
General/Administrative		\$133,500	\$750
Management	2.00%	\$200,251	\$1,125
Replacement Reserves		\$44,500	\$250
Total Expenses		\$3,808,520	\$21,396
NET OPERATING INCOME		\$6,204,046	\$34,854
Capitalization Rate		4.00%	
<b>Indicated Value</b>		\$155,101,139	\$871,355
<b>Rounded</b>		<b>\$155,100,000</b>	<b>\$871,348</b>

Lease up costs, including concessions, will be considered as part of the developer's costs in the upcoming extraction analysis.

Utilizing the same methodology as Parcel C2.2, direct capitalization analyses for Parcels B1 and C2.4 are provided on the following pages.



### Direct Capitalization – Parcel B1

The same comparable set is utilized for Parcel B1. Location and age/condition adjustments are consistent with those applied to Parcel C2.2, while adjustments for unit size are specific to B1 units. The following table summarizes our conclusions of market rent. It is noted Parcel B1 will enjoy a location proximate to the ferry, as well as excellent views of the of San Francisco Bay; these factors have been considered in our market rent conclusion.

#### Market Rent Conclusions - Parcel B1

Unit Type	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	2	400	\$3,100	\$7.75
1 BD/1 BA	83	818	\$4,500	\$5.50
2 BD/2 BA	26	1,125	\$5,650	\$5.02
Total/Avg.	111	882	\$4,744	\$5.38
<b>Trended (3 years at 3.5% per year)</b>			<b>\$5,260</b>	<b>\$5.96</b>

As noted, an updated unit mix was requested but not provided. The above square footages for the one and two bedroom floor plans are appraiser assumptions based upon the total taxable residential square footage for Parcel B1. If additional information is provided, these assumptions may change.

As discussed, construction of Parcel B1 is expected to be complete in 2026. Market rent is trended upward 3.5% per year over three years.

#### Restricted Rents

Unit Type	Income Classification	Number of Units	Maximum Rent	Rent Applied
BMR	Below Market Rate	6	\$1,239	\$1,239
Total		6		

Market rent for retail space is consistent with the analysis for Parcel C2.2 at \$45 per square foot, per year, triple net.

**Direct Capitalization Analysis - Parcel B1**

		Annual	\$/Unit
<b>INCOME</b>			
Rental Income - Apartments		\$7,095,418	\$60,645
Rental Income - Retail		\$215,325	\$1,840
Expense Reimbursements - Apartments		\$234,613	\$2,005
Expense Reimbursements - Retail		\$108,410	\$927
Potential Gross Income		\$7,653,767	\$65,417
Vacancy & Collection Loss	5.00%	-\$382,688	-\$3,271
Net Parking Income		\$315,000	\$2,692
Other Income		\$23,400	\$200
Effective Gross Income		\$7,609,478	\$65,038
<b>EXPENSES</b>			
Real Estate Taxes		\$1,747,387	\$14,935
Insurance		\$87,750	\$750
Utilities		\$245,700	\$2,100
Repairs/Maintenance		\$234,000	\$2,000
Payroll/Benefits		\$152,100	\$1,300
Advertising & Marketing		\$46,800	\$400
General/Administrative		\$87,750	\$750
Management	2.00%	\$152,190	\$1,301
Replacement Reserves		\$29,250	\$250
Total Expenses		\$2,782,926	\$23,786
NET OPERATING INCOME		\$4,826,552	\$41,253
Capitalization Rate		4.00%	
<b>Indicated Value</b>		\$120,663,808	\$1,031,315
<b>Rounded</b>		<b>\$120,700,000</b>	<b>\$1,031,624</b>

**Direct Capitalization – Parcel C2.4**

Finally, the direct capitalization approach is presented for Parcel C2.4.

**Market Rent Analysis**

Because Parcel C2.4 is a 14-story tower over a five story podium with excellent views of the San Francisco Bay and skyline, a separate comparable set is utilized to determine market rent for this parcel. Our search for comparables focused on mid-to-high rise newly constructed Class A properties. The most relevant comparables are summarized in the following table.

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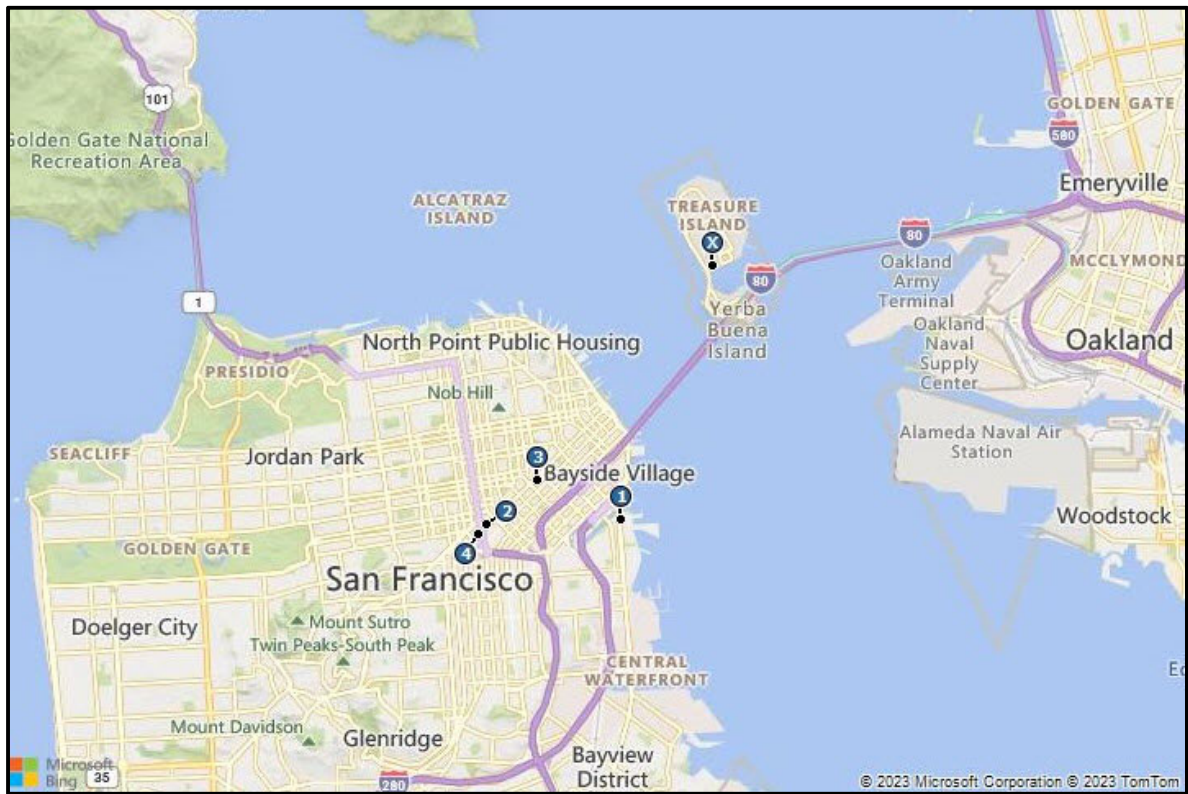
**Summary of Comparable Rentals**

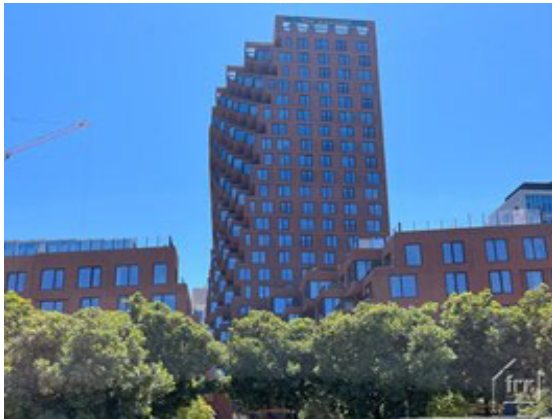

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No.	Property Name; Address	Survey Date	Yr Built; Stories	Unit Mix	# Units; % Occ.	Avg. Unit SF	Avg. Rent/ Month	Avg. Rent/ SF
1	The Canyon 1023 3rd St. San Francisco	8/14/2023	2023 23		283 10%			
				Studio		549	\$3,534	\$6.44
				1 BD/1 BA		605	\$4,569	\$7.55
				2 BD/2 BA		903	\$6,500	\$7.20
				3 BD/2 BA		1,262	\$7,750	\$6.14
	Tenant-Paid Utilities:		Trash, In-Unit Electric, Sewer, Water, Gas					
	Project Amenities:		Bike Storage Room, Co-Working Space, Dog Run/Spa, Electric Car Charging Station, Fitness Center, Resident Lounge, Roofdeck/Sundeck, Security/Door Staff					
	Comments:		Class A mixed use property with 283 residential units, approximately 85,000 SF of office space, and 58,000 SF of retail space; 102 of the apartments are BMR units. The property is currently in lease-up, with the first move-in occurring on 6/1/23. Management is offering 8 weeks of free rent plus \$1,500 for a look and lease.					
2	Fifteen Fifty 1500 Mission St. San Francisco	8/11/2023	2020 40		550 98%			
				Studio		416	\$3,325	\$7.99
				1 BD/1 BA		650	\$4,300	\$6.62
				2 BD/ 2 BA		1,105	\$6,500	\$5.88
				3 BD/2 BA		1,445	\$8,200	\$5.67
	Tenant-Paid Utilities:		Trash, In-Unit Electric, Sewer, Water, Gas					
	Unit Features:		Dishwasher, Granite/Quartz Counters, Range - Gas, Refrigerator, Stainless Steel Appliances, Washer/Dryer In Unit, Window Blinds/Shades, Wood Floors					
	Project Amenities:		BBQ Grill/Picnic Area, Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Recreational Amenities, Resident Lounge, Roofdeck/Sundeck, Swimming Pool, Library, Screening Room					
	Comments:		Management is offering 6 weeks free plus 2 additional weeks for a look and lease. Tenant is responsible for all utilities.					
3	The George 434 Minna St. San Francisco	8/11/2023	2022 20		302 95%			
				Studio		467	\$2,860	\$6.12
				1 BD/ 1 BA		885	\$4,445	\$5.02
				2 BD/2 BA		983	\$5,210	\$5.30
	Tenant-Paid Utilities:		Water, Sewer, Trash, In-Unit Electric, Gas					
	Unit Features:		Dishwasher, Granite/Quartz Counters, Microwave, Patio/Balcony/Deck, Range - Gas, Refrigerator, Stainless Steel Appliances, Vinyl Plank Floors (LVT/LVP), Washer/Dryer In Unit, Window Blinds/Shades					
	Project Amenities:		Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Resident Lounge, Pet Grooming Stations, Clubroom, Private Bar, Library					
	Comments:		Management is offering up to two months of free rent for move-ins before the end of August. Garage parking is \$500 per month.					
4	Chorus 30 Otis St. San Francisco	8/10/2023	2021 20		416 94%			
				Studio		467	\$3,130	\$6.70
				1 BD/1 BA		692	\$3,679	\$5.32
				2 BD/2 BA		999	\$6,837	\$6.84
				3 BD/2 BA		1,146	\$6,495	\$5.67
	Tenant-Paid Utilities:		Trash, In-Unit Electric, Sewer, Water, Gas					
	Comments:		New Class A high-rise luxury property with good quality, modern finishes and features. Amenities include rooftop terrace and pool, hot tub, fitness center, outdoor training area, lobby restaurant/cafe, coworking space, lounge, game room, rooftop solarium, valet parking, on-demand housekeeping, concierge. Currently offering \$2,000 look and lease special. The property opened in August 2021.					

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### Comparable Rentals Map





Rent Survey 1  
The Canyon



Rent Survey 2  
Fifteen Fifty



Rent Survey 3  
The George



Rent Survey 4  
Chrous



## Rental Analysis Factors

Our analysis of the comparable rentals considers the following elements of comparison.

Rental Analysis Factors	
Tenant Paid Utilities	Utilities costs for which tenants are responsible.
Unit Size	Floor area in square feet.
Location	Market or submarket area influences on rent; surrounding land use influences.
Age/Condition	Effective age; physical condition.
Quality	Construction quality, market appeal, functional utility.
Unit Features	Features included in individual residential units.
Project Amenities	Amenities available to the entire property.

The comparables are located in the SOMA and Mission Bay neighborhoods, with upward location adjustments required for those in SOMA. In addition, comparables are adjusted for unit size and age/condition. Overall, the Canyon in Mission Bay is the most similar comparable to the subject project in terms of community appeal, quality, and views.

## Analysis of Comparable Rentals – C2.4

### Rental Analysis Summary - Studio Units

No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall Comparison to Subject	Comment
1	The Canyon	Studio	549	\$3,534	\$6.44	Similar	Adjusted slightly downward for size.
2	Fifteen Fifty	Studio	416	\$3,325	\$7.99	Inferior	Adjusted upward for size, location, and age/condition.
3	The George	Studio	467	\$2,860	\$6.12	Inferior	Adjusted upward for size, location, and age/condition.
4	Chorus	Studio	467	\$3,130	\$6.70	Inferior	Adjusted upward for size, location, and age/condition.
Rental Ranges and Averages							
			Range	Average	Avg/SF		
Comparables			\$2,860 - \$3,534	\$3,212	–		
Concluded Market Rent				\$3,500	\$6.60		

**Rental Analysis Summary - 1 BD/1 BA Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall	
						Comparison to Subject	Comment
1	The Canyon	1 BD/1 BA	605	\$4,569	\$7.55	Similar	Adjusted upward for size.
2	Fifteen Fifty	1 BD/1 BA	650	\$4,300	\$6.62	Inferior	Adjusted upward for size, location, and age/condition.
3	The George	1 BD/ 1 BA	885	\$4,445	\$5.02	Inferior	Adjusted downward for size and upward for location and age/condition.
4	Chorus	1 BD/1 BA	692	\$3,679	\$5.32	Inferior	Adjusted upward slightly for size and upward for location and age/condition.
Rental Ranges and Averages							
			Range	Average	Avg/SF		
Comparables			\$3,679 - \$4,569	\$4,248	-		
Concluded Market Rent				\$4,500	\$6.38		

**Rental Analysis Summary - 2 BD/2 BA Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall	
						Comparison to Subject	Comment
1	The Canyon	2 BD/2 BA	903	\$6,500	\$7.20	Similar	Adjusted upward for size.
2	Fifteen Fifty	2 BD/ 2 BA	1,105	\$6,500	\$5.88	Inferior	Adjusted downward for size and upward for location and age/condition.
3	The George	2 BD/2 BA	983	\$5,210	\$5.30	Inferior	Adjusted slightly upward for size and upward for location and age/condition.
4	Chorus	2 BD/2 BA	999	\$6,837	\$6.84	Inferior	Adjusted slightly upward for size and upward for location and age/condition.
Rental Ranges and Averages							
			Range	Average	Avg/SF		
Comparables			\$5,210 - \$6,837	\$6,262	-		
Concluded Market Rent				\$6,800	\$6.79		

**Rental Analysis Summary - 3 BD/2 BA Units**

No.	Property Name	Unit Type	Avg Unit SF	Avg Rent/Mo	Avg Rent/SF	Overall	
						Comparison to Subject	Comment
1	The Canyon	3 BD/2 BA	1,262	\$7,750	\$6.14	Similar	Adjusted upward for size.
2	Fifteen Fifty	3 BD/2 BA	1,445	\$8,200	\$5.67	Inferior	Adjusted downward slightly for size and upward for location and age/condition.
3	Chorus	3 BD/2 BA	1,146	\$6,495	\$5.67	Inferior	Adjusted upward for size, location, and age/condition.
Rental Ranges and Averages							
			Range	Average	Avg/SF		
Comparables			\$6,495 - \$8,200	\$7,482	-		
Concluded Market Rent				\$8,000	\$5.71		

**Market Rent Conclusion**

Based on the preceding analysis of comparable rentals and trends evident in the market, market rent is estimated for each unit type as shown in the table that follows.

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**Market Rent Conclusions - Parcel C2.4**


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Unit Type	Mkt. Rate Units	Avg. Unit Size	Market Rent/ Month	Market Rent/SF
Studio	25	530	\$3,500	\$6.60
1 BD/1 BA	86	705	\$4,500	\$6.38
2 BD/2 BA	113	1,001	\$6,800	\$6.79
3 BD/2 BA	2	1,400	\$8,000	\$5.71
Total/Avg.	226	840	\$5,570	\$6.63
<b>Trended (1 year at 3.5% per year)</b>			\$5,765	\$6.87

As the project will be complete in 2024, our market rent conclusions are trended upward 3.5%.

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**Restricted Rents**


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Unit Type	Income Classification	Number of Units	Maximum Rent	Rent Applied
BMR	Below Market Rate	24	\$1,454	\$1,454
Total		24		

Based on the preceding analyses, market rent for the retail space is determined to be \$45 per square foot, per year, triple net.

### Direct Capitalization Analysis - Parcel C2.4

		Annual	\$/Unit
<b>INCOME</b>			
Rental Income - Apartments		\$16,054,290	\$64,217
Rental Income - Retail		\$56,250	\$225
Expense Reimbursements - Apartments		\$521,857	\$2,087
Expense Reimbursements - Retail		\$30,609	\$122
Potential Gross Income		\$16,663,006	\$66,652
Vacancy & Collection Loss	5.00%	-\$833,150	-\$3,333
Net Parking Income		\$558,000	\$2,232
Other Income		\$50,000	\$200
Effective Gross Income		\$16,437,856	\$65,751
<b>EXPENSES</b>			
Real Estate Taxes		\$3,712,465	\$14,850
Insurance		\$187,500	\$750
Utilities		\$525,000	\$2,100
Repairs/Maintenance		\$500,000	\$2,000
Payroll/Benefits		\$325,000	\$1,300
Advertising & Marketing		\$100,000	\$400
General/Administrative		\$187,500	\$750
Management	2.00%	\$328,757	\$1,315
Replacement Reserves		\$62,500	\$250
Total Expenses		\$5,928,723	\$23,715
NET OPERATING INCOME		\$10,509,133	\$42,037
Capitalization Rate		4.00%	
<b>Indicated Value</b>		\$262,728,327	\$1,050,913
<b>Rounded</b>		<b>\$262,700,000</b>	<b>\$1,050,800</b>

Lease up costs, including concessions, will be considered as part of the developer's costs in the upcoming extraction analysis.

A summary of the market value, as if stabilized, of the subject's proposed residential/retail improvements via the direct capitalization analyses is provided below.

### Summary of Direct Capitalization Analyses - Multifamily Residential/Retail

Parcel	Stabilized Value	No. of Units	\$/Unit
Parcel C2.2	\$155,100,000	178	\$871,348
Parcel C2.4	\$262,700,000	250	\$1,050,800
Parcel B1	\$120,700,000	117	\$1,031,624

As further support for our improved value conclusions, we searched for multifamily residential transactions in Bay Area within the past four years. Our search included properties with at least 50 units.

As will be demonstrated, our value conclusion for Parcel C2.2 falls within the comparable range, while the conclusions for Parcels B1 and C2.4 fall just above the top of the comparable range. Given the subject will reflect new construction with significant views of the San Francisco Bay, City skyline, Alcatraz, and Golden Gate Bridge, and considering the prospective dates of completion, our value conclusions appear reasonable.

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**Summary of Comparable Improved Sales**


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No.	Name/Address	Sale Date; Status	Yr. Blt.; # Stories; % Occ.	# Units; Rentable SF; Avg Unit SF	Sale Price	\$/Unit; \$/SF	Cap Rate
1	Bell South City 400 Cypress Ave. South San Francisco San Mateo County CA	May-22 Closed	2019 6 93%	260 233,543 898	\$206,000,000	\$792,308 \$882.06	3.25%
<p><i>Comments: May 2022 sale of a 260-unit Class A apartment property in South San Francisco previously marketed as Cadance and renamed to Bell South City upon sale. Property does not have a ground floor commercial or BMR/affordable housing requirement. Broker reports the property went into contract prior to the significant increases in interest rates; however, the buyer did not want to risk compromising their reputation by re-trading. Property was reportedly stabilized and had some upside. Buyer was reportedly willing to pay a slightly above-market price given recent changes to market conditions. The going-in capitalization rate for the transaction was in the low 3.00% range (the broker did not confirm the actual rate), trending towards a mid-3.00% capitalization rate after correction of loss-to-lease.</i></p>							
2	Hillside Village 1797-1801 Shattuck Ave. Berkeley Alameda County CA	Jan-22 Closed	2005 4 97%	94 65,865 691	\$66,675,000	\$709,309 \$1,012.30	–
<p><i>Comments: Sale of a mixed-use building located immediately northwest of the University of California Berkeley campus. Property includes 94 apartment units and 9,863 SF of ground floor commercial. The capitalization rate for the transaction was not disclosed.</i></p>							
3	Bell Mt. Tam 199 Tamal Vista Blvd. Corte Madera Marin County CA	Dec-21 Closed	2017 4 95%	180 186,520 1,036	\$156,000,000	\$866,667 \$836.37	3.00%
<p><i>Comments: December 2021 sale of a 180-unit Class A mixed-use property in Corte Madera. The property had a 3,100 SF retail space occupied by a local and boutique grocery store. There are 18 BMRs (10%). The broker opined that the grocery store was an amenity to the building, and added minimal value to the property overall. The going in capitalization rate was 3.00%; however, this was trending towards a 3.60% - 3.65% after correction of loss to lease.</i></p>							
4	Mosso 900 Folsom St. San Francisco San Francisco County CA	Oct-19 Closed	2014 8 94%	463 364,485 799	\$310,500,000	\$670,626 \$851.89	3.90%
<p><i>Comments: October 2019 sale of a 463-unit apartment property with 8,000 SF of ground floor retail space. There are 69 affordable units at the property (15%). According to a broker familiar with the transaction, this was considered a core-plus asset with some upside associated with interior upgrades and loss to lease capture that influenced the in-place capitalization rate. The pro-forma cap rate at stabilization was closer to 4.45% to 4.50%.</i></p>							
5	O&M 680 Indiana St. San Francisco San Francisco County CA	Sep-19 Closed	2017 5 99%	116 107,379 926	\$80,340,000	\$692,586 \$748.19	3.95%
<p><i>Comments: Sale of a mixed-use building located in the Dogpatch neighborhood of San Francisco. The building includes 116 apartment units (17 units of which are BMR units due to a 15% BMR requirement) and 1,900 square feet of ground floor commercial. The broker reports the building is a boutique property that was acquired by a private exchange buyer. Economic indicators are based on in-place income and expenses at the time of sale. Contract rents were slightly below market and the transaction supports a proforma capitalization rate of 4.2% after accounting for the loss to lease capture.</i></p>							
6	Jasper 45 Lansing St. San Francisco San Francisco County CA	May-19 Closed	2016 40 97%	320 303,826 949	\$306,500,000	\$957,813 \$1,008.80	3.40%
<p><i>Comments: May 2019 sale of a Class A, 40-story, 320-unit multifamily project in the SoMa district. The project was constructed in 2016 and was 97% occupied at the time of sale. Community amenities include a swimming pool, lounge, movie theater, business center, fitness center, valet, and pet care station. The broker opines that the rate was low because there are very few opportunities to purchase an asset of this one's type, scale, and location. There was no retail space and no affordable component. There were no conditions that impacted the sale price, and there was no financing.</i></p>							

## Extraction Analysis

Extraction (residual) analyses are employed to determine the market value of the subject's multifamily land by Parcel. An extraction (residual) analysis takes into account revenue, direct and indirect construction costs, accrued depreciation, and developer's incentive in order to arrive at an estimate of land value. The elements of the extraction technique are discussed below.

### Revenue

The market value as if stabilized was provided in the previous sections for Parcels B1, C2.2, and C2.4. A summary of the market value conclusions is provided below.

#### Summary of Direct Capitalization Analyses - Multifamily Residential/Retail

Parcel	Stabilized Value	No. of Units	\$/Unit
Parcel C2.2	\$155,100,000	178	\$871,348
Parcel C2.4	\$262,700,000	250	\$1,050,800
Parcel B1	\$120,700,000	117	\$1,031,624

### Direct and Indirect Construction Costs

The next step in the extraction technique is to estimate typical costs associated with the construction of multifamily improvements.

Construction costs are generally classified into direct and indirect costs. Direct costs reflect the cost of labor and materials to build the project. Direct costs generally are lower per square foot for larger floor plans, all else being equal, due to economies of scale. Indirect items are the carrying costs and fees incurred in developing the project and during the construction cycle. Construction quality and market-segment are significant factors that affect direct construction costs. In addition, national/public builders, which are able to achieve lower costs due to the larger scale in which orders are placed, routinely achieve lower direct costs. Recent conversations with builders confirm construction costs have increased over the last several years.

Regarding indirect costs, the following list itemizes some of the typical components that generally comprise indirect costs:

- Architectural and engineering fees for plans, plan checks, surveys and environmental studies;
- Appraisal, consulting, accounting, and legal fees;
- The cost of carrying the investment in land and contract payments during construction. If the property is financed, the points, fees or service charges and interest on construction loans are considered;
- All-risk insurance;
- The cost of carrying the investment in the property after construction is complete, but before sell-out is achieved.

Indirect costs can vary widely as a percentage of the direct costs, as indicated in the comparable expense tables below and on the following page.

The developer's budget best considers the intricacies of the subject proposal. However, Bay Area cost comparables will be presented for comparison purposes, followed by the developer's budget.

<b>Multifamily Cost Comparables</b>						
Location	Size (Gross SF)	Direct Costs	Indirect Costs	% of Direct Costs	Total Cost	Product Type
Alameda	70,000 - 79,999	\$379	\$104	27%	\$483	LIHTC
Oakland	120,000 - 129,999	\$359	\$131	36%	\$490	LIHTC
San Jose	20,000 - 29,999	\$354	\$149	42%	\$503	LIHTC
Cupertino	10,000 - 19,999	\$342	\$206	60%	\$548	LIHTC
Redwood City	130,000 - 139,000	\$416	\$153	37%	\$569	LIHTC
San Jose	100,000 - 109,999	\$463	\$109	24%	\$572	LIHTC
Oakland	30,000 - 39,999	\$462	\$184	40%	\$646	LIHTC
San Francisco	110,000 - 119,999	\$438	\$145	33%	\$583	LIHTC
Fairfax	40,000 - 49,999	\$582	\$111	19%	\$693	LIHTC
San Francisco	100,000 - 109,999	\$509	\$134	26%	\$643	LIHTC
San Francisco	140,000 - 149,999	\$795	\$150	19%	\$945	Market
San Francisco	300,000 - 309,999	\$410	NA	NA	NA	Market
San Carlos	30,000 - 39,999	\$428	\$42	10%	\$470	Market
San Jose	190,000 - 199,999	\$641	\$159	25%	\$800	Market

The previous comparables reflect a mix of for-rent and for-sale attached product. Direct costs vary substantially, with a median of \$433 per square foot. Indirect costs range from 10% to 60%, with a median of 30%.

The developer's budget was provided by parcel. Depending on the use, the developer's direct cost estimates range from approximately \$675 to \$825 per square foot. Based on the comparable data previously presented, and our review of the developer's budget, we have selected a market driven direct cost of **\$790** per square foot for the subject's multifamily residential/retail space on Parcel B1, **\$755** per square foot for Parcel C2.2, and **\$760** per square foot on Parcel C2.4.

The developer's estimate of indirect costs as a percentage of direct costs also varies by Parcel but generally range from approximately 15% to 30%. Based upon the developer's budget, which best considers the intricacies of the subject property, and the cost comparables previously presented, we estimate indirect costs at **20%** of direct costs. Please note, indirect costs are inclusive of lease up costs.

### Accrued Depreciation

For new construction on the subject, an allocation for depreciation (physical, functional, or economic) is not applicable.



### Developer's Incentive

According to industry sources, developer's incentive (profit) historically has ranged anywhere from 5% to 25%. Profit is based on the perceived risk associated with the development. Low profit expectations are typical for projects focused on more affordable product with faster sales rates. Higher profit expectations are common in projects with more risk such as developments where sales rates are slower, project size produces an extended holding period, or the product type is considered weak or untested.

Elements affecting profit include location, supply/demand, anticipated risk, construction time frame and project type. Another element considered in profit expectations is for the development stage of a project. First phases typically generate a lower profit margin due to cautious or conservative pricing, as new projects in competitive areas must become established to generate a fair market share. Additionally, up front development costs on first phases can produce lower profit margins.

Positive attributes of the subject property include approved entitlements and a suburban location with San Francisco Bay and Skyline views.

There are generally few "negative" attributes associated with the subject property, other than the potential for further deterioration in market conditions in the retail and multifamily sector that would result from a change in macroeconomic factors (e.g., unemployment rates, interest rates, etc.). The San Francisco multifamily market continues to recover from the pandemic, though rental rates remain below 2019 highs. Recovery has also varied greatly by neighborhood, with projects located in residential areas outside of the downtown core faring the best. In addition, construction costs have recently been outpacing gains in multifamily rental rates. Based on the characteristics of the subject property, we estimate developer's incentive of **15%** of the value as if at stabilized occupancy.

### Conclusion

Our estimates of finished lot value for the subject's multifamily Parcels via the extraction analysis are presented below and on the following page.

#### Cost Analysis Parcel B1

Direct Costs	94,499	at	\$790	\$74,654,210
Indirect Costs		at	20%	\$14,930,842
Total Direct & Indirect Costs				<b>\$89,585,052</b>
Developer's Incentive		at	15% of MV	\$18,105,000
Total Project Costs				\$107,690,052
Rounded				<b>\$107,700,000</b>

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**Extraction Analysis - Parcel B1 - Multifamily Use**


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Market Value as if Stabilized	\$120,700,000
Less: Construction & Lease up Costs	<u>(\$107,700,000)</u>
<b>Indicated Land Value</b>	<b>\$13,000,000</b>

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Construction is well underway on Parcel C2.2; the following analysis considers direct and indirect costs incurred to date.

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**Cost Analysis Parcel C2.2 (Hawkins)**


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Direct Costs	142,959	at	\$755	\$107,934,045
<u>Indirect Costs</u>		at	20%	<u>\$21,586,809</u>
Total Direct & Indirect Costs				\$129,520,854
<u>Less: Costs Spent to Date</u>				<u>(\$37,757,750)</u>
<b>Remaining Costs</b>				<b>\$91,763,104</b>
Developer's Incentive		at	15% of MV	\$23,265,000
Total Remaining Project Costs				\$115,028,104
<b>Rounded</b>				<b>\$115,000,000</b>

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**Extraction Analysis - Parcel C2.2 (Hawkins) - Multifamily Use**


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Market Value as if Stabilized	\$155,100,000
Less: Construction & Lease up Costs	<u>(\$115,000,000)</u>
<b>Indicated Land Value</b>	<b>\$40,100,000</b>

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Construction costs incurred to date are also considered in the analysis for Parcel C2.4

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**Cost Analysis Parcel C2.4 (Isle House)**


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Direct Costs	215,356	at	\$760	\$163,670,560
<u>Indirect Costs</u>		at	20%	<u>\$32,734,112</u>
Total Direct & Indirect Costs				\$196,404,672
<u>Less: Costs Spent to Date</u>				<u>(\$75,060,000)</u>
<b>Remaining Costs</b>				<b>\$121,344,672</b>
Developer's Incentive		at	15% of MV	\$39,405,000
Total Remaining Project Costs				\$160,749,672
<b>Rounded</b>				<b>\$160,700,000</b>

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**Extraction Analysis - Parcel C2.4 (Isle House) - Multifamily Use**


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Market Value as if Stabilized	\$262,700,000
Less: Construction & Lease up Costs	<u>(\$160,700,000)</u>
<b>Indicated Land Value</b>	<b>\$102,000,000</b>

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A summary of our land value conclusions is provided below.

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**Summary of Land Residual Values**


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Parcel	Land Residual	Use	Units	\$/Unit
Parcel C2.2	\$40,100,000	Multifamily	178	\$225,281
Parcel C2.3	\$27,380,000	Condominium	85	\$322,118
Parcel C2.4	\$102,000,000	Multifamily	250	\$408,000
Parcel C3.4	\$49,770,000	Condominium	148	\$336,284
Parcel B1	\$13,000,000	Multifamily	117	\$111,111

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With the exception of Parcels C2.4 and C2.2, which are substantially under construction, the above conclusions are compared to comparable land sales in San Francisco. Our search focused on sales for projects with more than 50 units proposed.

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**Summary of Comparable Land Sales - Residential use**


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No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/Unit	\$/SF Land
1	Proposed Residential 135 Kissling St. San Francisco San Francisco County CA	Jan-21 In-Contract	\$25,000,000	48,337 1.11	Residential Enclave / West SOMA Mixed Use	\$125,000	\$517.20
<i>Comments: Four contiguous parcels improved with industrial buildings are reportedly in-contract. The property is marketed as a redevelopment opportunity with potential for 200 residential units, equating to an asking price of \$125,000 per unit.</i>							
2	988 Harrison St. San Francisco San Francisco County CA	Nov-20 Closed	\$11,000,000	12,990 0.30	Mixed Use Residential	\$122,222	\$846.81
<i>Comments: Property was entitled for 90 multifamily units at the time of sale, 13 of which are expected to be affordable (14%). Project will also include 3,000 SF of ground floor retail. Construction is expected to be finished in early 2023.</i>							
3	1939 Market Site 1939 Market St. San Francisco San Francisco County CA	Mar-20 Closed	\$12,000,000	11,761 0.27	NCT	\$150,000	\$1,020.32
<i>Comments: March 2020 sale of a redevelopment site at Market and Guerrero Streets. The property is improved with a 13,300 SF meeting hall that will be leased back by the seller for 24 months. The City of San Francisco purchased the property with the intent to develop a mixed-use development with at least 80 multifamily units. The property will be 100% affordable upon completion; however, was not encumbered by affordable housing restrictions as of the date of sale and sold for a unrestricted market-rate sales price. It appears that the project was not yet entitled at time of sale.</i>							
4	2918-2922 Mission Street 2918-2922 Mission St. San Francisco San Francisco County CA	Apr-19 Closed	\$13,500,000	11,653 0.27	NCT	\$180,000	\$1,158.50
<i>Comments: Sale of a redevelopment site that was fully entitled for redevelopment with an 8-story apartment building with 75 units (8 of which will be BMR units). At the time of sale, the property was improved with a 5,220 SF laundromat that no longer contributed value to the site and will be demolished. Seller took the property through the entitlement process, which took over 5 years due to resistance from neighborhood groups wanting the existing laundromat designated as a historic resource.</i>							
5	321 Florida Street 309-367 Florida St. San Francisco San Francisco County CA	Dec-18 Closed	\$11,200,000	19,998 0.46	Urban Mixed Use	\$74,172	\$560.06
<i>Comments: Property was not entitled at the time of sale and is currently a parking lot. Buyer is proposing to construct a mixed use project which would include 151 apartment units within 9 stories with 1,577 SF of ground floor retail space. The proposal includes a density bonus which would apply a 35% increase in density over the base project (112 units). As of January 2020, the proposal is under review with the planning and zoning department.</i>							

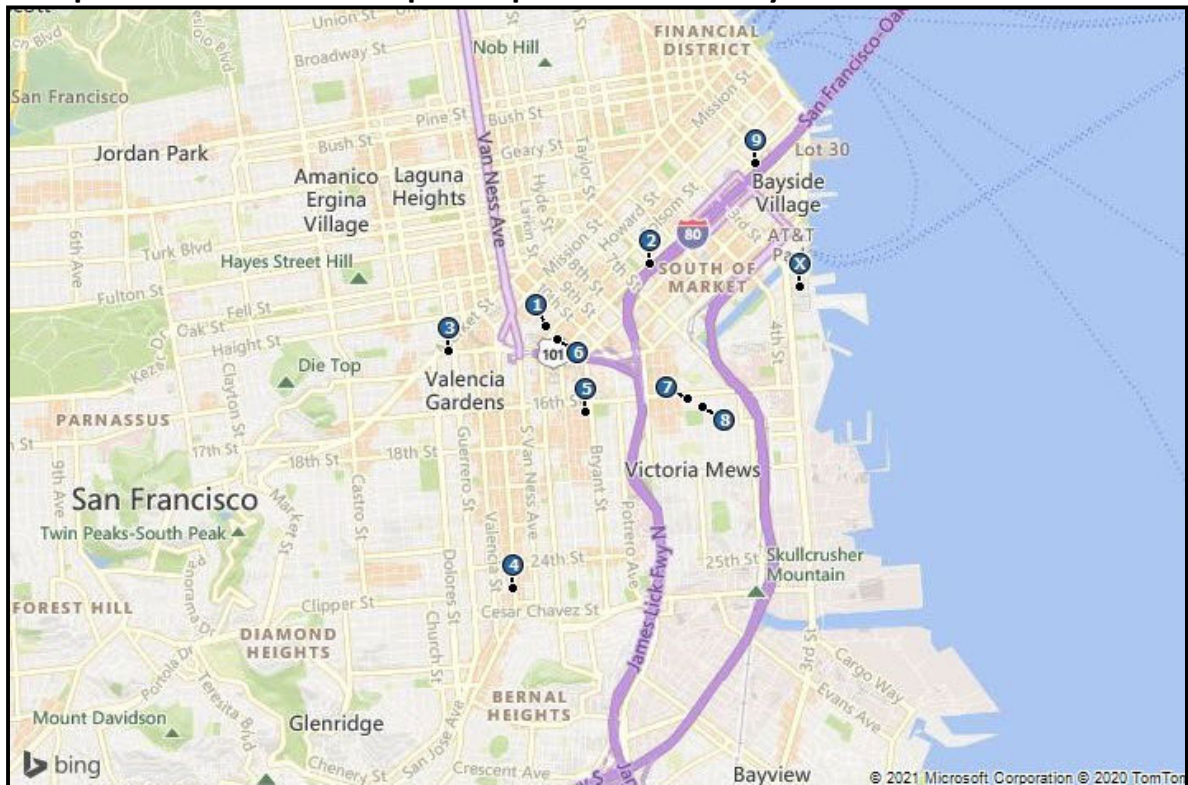
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**Summary of Comparable Land Sales**


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No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/Unit	\$/SF Land
6	333 12th St San Francisco San Francisco County CA	Apr-18 Closed	\$17,500,000	30,056 0.69	Wsoma Mixed Use - General	\$87,500	\$582.25
<i>Comments: Buyer is proposing 200 apartment units and took the property through the entitlement process prior to sale. The buyer exercised an option and the contract price was set in 2016. The project, known as City Gardens, will include a mix of two and four bedroom apartments. There was a 21,630 SF industrial improvement on the property at the time of sale which will be demolished.</i>							
7	Potrero Flats 1301 16th St. San Francisco San Francisco County CA	Dec-17 Closed	\$28,280,000	38,600 0.89	Urban Mixed Use	\$94,582	\$732.64
<i>Comments: Property was entitled at the time of sale. Buyer constructed 299 apartment units within a 4-story improvement; 60 of the units are affordable (20%). The project is known as Mason at Mariposa and includes a mix of studios and one, two, and three-bedroom units.</i>							
8	88 Arkansas St San Francisco San Francisco County CA	Jan-17 Closed	\$26,000,000	19,998 0.46	Urban Mixed Use	\$204,724	\$1,300.13
<i>Comments: The property was entitled at the time of sale for 127 apartment units and two commercial units within a 5-story improvement. The project will include 25 affordable units (20%). There was a 13,000 SF industrial building on the property at the time of sale which will be demolished.</i>							
9	525 Harrison St San Francisco San Francisco County CA	Jan-17 Closed	\$36,000,000	12,998 0.30	Rincon Hill Downtown Residential	\$175,610	\$2,769.66
<i>Comments: True buyer is Zhuguang Properties US, LLC, a subsidiary of Zhuguang Group which is based in Guangzhou China. At the time of sale, the property was fully entitled for 205 apartments, 15% of which will be affordable. The project will have a four-level subterranean parking garage with 103 parking spaces which will rely on mechanical lifts and car elevators. There is an existing 16,000 SF improvement on the property which will be demolished. The site is adjacent to Interstate 80.</i>							

### Comparable Land Sales Map – Proposed Multifamily Use



The comparable land sales range from \$74,172 to \$204,724, unadjusted. Typical inclusionary housing for the comparable sales ranges from 15% to 20%, while the subject BMR component is between 5% and 10%.

Construction costs have recently been rising at a faster pace than rental rates. Conversations with the local developers confirm that it is very difficult to justify the feasibility of multifamily residential construction in the current market. However, the subject is entitled for a mix of for sale and for rent housing, and the land values of each parcel are positive.

## Market Value by Parcel

The preceding analyses derived estimates of residual land value, as if all infrastructure was in place and available to serve the developable Parcels. In order to estimate the market value of each Parcel, the remaining infrastructure costs to be completed will be deducted on a pro rata share basis of each Parcel's improved land value; this will result in a residual market value for each Parcel.

According to the development budget provided by the Master Developer, total infrastructure needed for TCO for Improvement Areas No. 1, 2, and 3 is \$390,887,368, of which \$24,953,757 in costs remain. The Master Developer has allocated \$12,837,669 in remaining costs specifically to Improvement Area 2, given that Improvement Areas 1 and 3 each contribute payments to such costs. The following table provides an allocation of Improvement Area No. 2's backbone infrastructure costs by Parcel based on pro rata share of acreage.

Pro Rata Share of Infrastructure			
Parcel	Acreage	Pro Rata Share	Remaining Costs
Parcel C2.2	1.12	21.5%	\$2,763,746
Parcel C2.3	0.83	15.9%	\$2,040,479
Parcel C2.4	0.84	16.1%	\$2,070,422
Parcel C3.4	1.41	26.9%	\$3,457,973
Parcel B1	1.02	19.5%	\$2,505,049
	<b>5.22</b>	<b>100.0%</b>	<b>\$12,837,669</b>

Based previous table, the estimates of market value, by Parcel, are shown as follows:

Market Value by Parcel					
Parcel	Owner	Use	Improved Land Value	Infrastructure Cost Allocation	Residual Market Value (Rd.)
Parcel C2.2	TI Lot 8, LLC	Multifamily	\$40,100,000	(\$2,763,746)	\$37,300,000
Parcel C2.3	Poly (USA) Real Estate Development Corp.	Condominium	\$27,380,000	(\$2,040,479)	\$25,300,000
Parcel B1	Poly (USA) Real Estate Development Corp.	Multifamily	\$13,000,000	(\$2,505,049)	\$10,500,000
Parcel C2.4	TI Lot 10, LLC	Multifamily	\$102,000,000	(\$2,070,422)	\$99,900,000
Parcel C3.4	TI Lots 3-4, LLC	Condominium	\$50,400,000	(\$3,457,973)	\$46,900,000
			\$232,880,000	(\$12,837,669)	\$219,900,000

## Final Opinion of Value

Based on the preceding valuation analysis and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value, as of August 4, 2023, is as follows:

<b>Value Conclusion</b>			
Appraised Property	Ownership	Appraisal Premise	Value Conclusion
Parcel C2.2 (178 multifamily units)	TI Lot 8, LLC	Market Value, subject to a Hypothetical Condition	\$37,300,000
Parcel C2.3 (85 condominium units)	Poly (USA) Real Estate Development Corp.	Market Value, subject to a Hypothetical Condition	\$25,300,000
Parcel B1 (117 multifamily units, retail)	Poly (USA) Real Estate Development Corp.	Market Value, subject to a Hypothetical Condition	\$10,500,000
Parcel C2.4 (250 multifamily units)	TI Lot 10, LLC	Market Value, subject to a Hypothetical Condition	\$99,900,000
Parcel C3.4 (148 condominium units)	TI Lots 3-4, LLC	Market Value, subject to a Hypothetical Condition	\$46,900,000
Total Aggregate, or Cumulative, Value, subject to a Hypothetical Condition, of CFD No. 2016-1, Improvement Area 2			\$219,900,000

Please note, the above values presume the Parcels are not marketed concurrently.

## Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The valuation analysis presented herein uses estimates of average rentable or developable square footage for each Parcel. Further, while below market rate (BMR) units (for sale and for rent) are not subject to the Lien of the Special Taxes securing the Bonds, the units and unit square footages are included in the estimation of residual land values, as they remain a cost obligation (either construction cost for the for-sale Parcels or an operating cost for the for-rent Parcels).

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 4, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.

## Exposure Time

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal. Based on our review of recent sales transactions for similar properties and our analysis of supply and demand in the local residential land market, it is our opinion that the probable exposure time for the subject at the concluded market values stated previously is 9 - 12 months.



**Marketing Time**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. As we foresee no significant changes in market conditions in the near term, it is our opinion that a reasonable marketing period for the subject in bulk is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 9 - 12 months.

## Certification

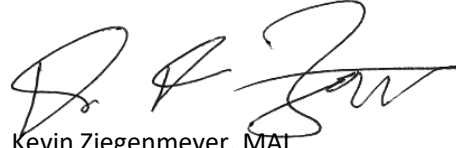
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, made a personal inspection of the property that is the subject of this report. Kevin Ziegenmeyer, MAI, and Laura Diaz, MAI, have also personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Eric Segal, MAI, and Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.


15. As of the date of this report, Laura Diaz, MAI, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.



Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567



Laura Diaz, MAI  
Certified General Real Estate Appraiser  
California Certificate # 3005037

## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

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**Extraordinary Assumptions and Hypothetical Conditions**

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The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. The valuation analysis presented herein uses estimates of average rentable or developable square footage for each Parcel. Further, while below market rate (BMR) units (for sale and for rent) are not subject to the Lien of the Special Taxes securing the Bonds, the units and unit square footages are included in the estimation of residual land values, as they remain a cost obligation (either construction cost for the for-sale Parcels or an operating cost for the for-rent Parcels).

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. We have been requested to provide an opinion of market value, by ownership, of the subject property as of August 4, 2023. It is a hypothetical condition of the Appraisal that proceeds from the Bonds are available to reimburse for certain public improvements completed to date.
-



**Addendum A**  
**Appraiser Qualifications**



## Eric Segal, MAI

### Experience

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

### Professional Activities & Affiliations

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

### Licenses

California, Certified General Real Estate Appraiser, AG026558, Expires February 2023

Nevada, Certified General, A.0207666-CG, Expires January 2025

Arizona, Certified General, CGA - 1006422, Expires January 2024

Washington, Certified General, 20100611, Expires June 2023

### Education

Academic:

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

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice

Appraisal Principles

Basic Income Capitalization

Highest & Best Use and Market Analysis

Advanced Income Capitalization

Report Writing and Valuation Analysis

Self-Storage Economics and Appraisal Seminar

Appraisal Litigation Practice and Courtroom Management

Hotel Valuations: New Techniques for today's Uncertain Times

Computer Enhanced Cash Flow Modeling

Advanced Sales Comparison & Cost Approaches

Advanced Applications

Supervisor-Trainee Course for California

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Eric A. Segal**

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

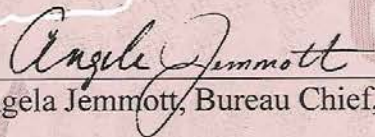
“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 026558

Effective Date: February 19, 2023

Date Expires: February 18, 2025

  
Angela Jemmott, Bureau Chief, BREA

3069186

# Kevin Ziegenmeyer, MAI

## Experience

Mr. Ziegenmeyer is a Certified General real estate appraiser and holds the Appraisal Institute's MAI designation. In 1989, Mr. Ziegenmeyer began his career in real estate as a controller for a commercial and residential real estate development corporation. In 1991 he began appraising and continued to be involved in appraisal assignments covering a wide variety of properties, including office, retail, industrial, residential income and subdivisions throughout the state of California, and Northern Nevada. Mr. Ziegenmeyer handles many of the firm's master-planned property appraisals and over the past two decades has developed expertise in the valuation of Community Facilities Districts and Assessment Districts. In fact, Mr. Ziegenmeyer was one of five appraisers to collaborate with other professionals in developing the appraisal guidelines for the California Debt and Investment Advisory Commission (Recommended Practices in the Appraisal of Real Estate for Land-Secured Financing - 2004). He has developed the experience and background necessary to deal with complex assignments covering an array of property types, with a particular focus on urban redevelopment in the cities and counties of San Francisco, Dublin, Monterey, Newport Beach, Alameda, Napa and San Mateo. In early 2015, Mr. Ziegenmeyer obtained the Appraisal Institute's MAI designation.

## Licenses

California, California Certified General Real Estate Appraiser, AG013567, Expires June 2025

## Education

Academic:

Bachelor of Science in Accounting, Azusa Pacific University, California

Appraisal and Real Estate Courses:

Standards of Professional Practice, Parts A, B & C

Basic Valuation Procedures

Real Estate Appraisal Principles

Capitalization Theory and Techniques, Part A

Advanced Income Capitalization

Report Writing and Valuation Analysis

Advanced Applications

IRS Valuation Summit I & II

2008, 2009, 2010 & 2011 Economic Forecast

Business Practices and Ethics

Contemporary Appraisal Issues with Small Business Administration Financing

General Demonstration Appraisal Report Writing Seminar

7-Hour National USPAP Update Course

Valuation of Easements and Other Partial Interests

2009 Summer Conference

Uniform Appraisal Standards for Federal Land Acquisitions (Yellowbook)

2008 Economic Update

Valuation of Conservation Easements

Subdivision Valuation

2005 Annual Fall Conference

General Comprehensive Exam Module I, II, III & IV

Advanced Income Capitalization

[kziegenmeyer@irr.com](mailto:kziegenmeyer@irr.com) - 916.435.3883 x224

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Suite 1  
Rocklin, CA 95765

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F 916.435.4774

[irr.com](http://irr.com)



## Kevin Ziegenmeyer, MAI

### Education (Cont'd)

Advanced Sales Comparison & Cost Approaches  
2004 Central CA Market Update  
Computer-Enhanced Cash Flow Modeling  
Forecast 2000, 2001, 2002, 2003 & 2004  
Land Valuation Assignments  
Land Valuation Adjustment Procedures  
Highest & Best Use and Market Analysis  
Entitlements, Land Subdivision & Valuation  
Real Estate Value Cycles  
El Dorado Hills Housing Symposium  
Federal Land Exchanges  
M & S Computer Cost-Estimating, Nonresidential

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**REAL ESTATE APPRAISER LICENSE**

**Kevin K. Ziegenmeyer**

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

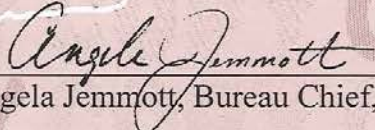
“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 013567

Effective Date: June 5, 2023

Date Expires: June 4, 2025

  
Angela Jemmott, Bureau Chief, BREA

3070756

# Laura Diaz, MAI

## Experience

Ms. Diaz is a licensed certified general real estate appraiser. She began her career in real estate in 2013 as a research analyst with Integra - Kentucky-Southern Indiana as she pursued her Master of Urban Planning degree. In 2017, Ms. Diaz relocated to the San Francisco Bay Area and joined the Integra - San Francisco office. She has experience writing narrative appraisal reports for a variety of property types, including office, retail, industrial, multifamily housing, and commercial and agricultural land. She has also worked with special-purpose properties, including self-storage facilities, religious facilities, student housing projects, data centers, hotels, and airport properties. In addition, Ms. Diaz has experience in multifamily market analysis, including development and analysis of survey techniques and models of demand for proposed multifamily projects. She specializes in the appraisal of residential subdivisions and master planned communities, as well as Mello Roos and Assessment Districts for land-secured municipal financings.

## Licenses

California, Certified General Real Estate Appraiser, 3005037, Expires January 2024  
Kentucky, Certified General Real Estate Appraiser, 5233, Expires June 2023

## Education

Academic:

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

Appraisal and Real Estate Courses:

Uniform Standards of Professional Appraisal Practice  
Basic Appraisal Principles  
Basic Appraisal Procedures  
Real Estate Finance Statistics and Valuation Modeling  
Site Valuation and Cost Approach  
General Market Analysis and Highest and Best Use  
Sales Comparison Approach  
Basics Income Capitalization  
General Appraiser Report Writing and Case Studies  
Expert Witness for Commercial Appraisers  
Quantitative Analysis  
Advanced Market Analysis and Highest and Best Use  
Advanced Income Capitalization  
Advanced Concepts and Case Studies  
Business Practice and Ethics

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Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Laura B. Diaz**

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: 3005037

Effective Date: January 3, 2022

Date Expires: January 2, 2024

Loretta Dillon, Deputy Bureau Chief, BREA

3061654



## About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

*Local Expertise...Nationally!*

# irr.com



## **Addendum B**

### **Definitions**



## Definitions

The source of the following definitions is the Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), unless otherwise noted.

### **As Is Market Value**

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

### **Disposition Value**

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. An adequate marketing effort will be made during the exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.

### **Effective Date**

1. The date on which the appraisal or review opinion applies.
2. In a lease document, the date upon which the lease goes into effect.

### **Entitlement**

In the context of ownership, use, or development of real estate, governmental approval for annexation, zoning, utility extensions, number of lots, total floor area, construction permits, and occupancy or use permits.

### **Entrepreneurial Incentive**

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's*

*profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. The amount of entrepreneurial incentive required for a project represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through to completion.

#### **Entrepreneurial Profit**

1. A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses.
2. In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.

#### **Exposure Time**

1. The time a property remains on the market.
2. The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

#### **Fee Simple Estate**

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

#### **Floor Area Ratio (FAR)**

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

#### **Highest and Best Use**

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (ISV)

3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)

**Investment Value**

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market.
2. The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

**Lease**

A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Leased Fee Interest**

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.

**Leasehold Interest**

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

**Liquidation Value**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms.



### **Marketing Time**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

### **Market Value**

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their own best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

### **Prospective Opinion of Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

## **Addendum C**

### **Comparable Data**



# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name:	The Canyon
Sub-Property Type:	Mixed Use
Address:	1023 3rd St.
City/State/Zip:	San Francisco, CA 94158
County:	San Francisco
Submarket:	South Park/Bayview
Market Orientation:	Urban
IRR Event ID:	3037140



## Property Data

Survey Date:	08/14/2023
No. of Buildings/Stories:	1/23
No. of Units/Unit Type:	283/Apt. Units
Multi-Tenant/Condo.:	Yes/No
Property Class:	A
Vacancy @ Survey:	90.00%
Yr. Built/Yr. Renov.:	2023/
Land Size (Ac.):	0.97

## Project & Unit Amenities

Project Amenities:	Bike Storage Room, Co-Working Space, Dog Run/Spa, Electric Car Charging Station, Fitness Center, Resident Lounge, Roofdeck/Sundeck, Security/Door Staff
Tenant Pays:	Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0	17	INA	549	\$3534	\$6.44	
1 BD/1 BA	/1/1.0	155	INA	605	\$4569	\$7.55	
2 BD/2 BA	/2/2.0	93	INA	903	\$6500	\$7.20	
3 BD/2 BA	/3/2.0	18	INA	1,262	\$7750	\$6.14	

## Comments

Class A mixed use property with 283 residential units, approximately 85,000 SF of office space, and 58,000 SF of retail space; 102 of the apartments are BMR units. The property is currently in lease-up, with the first move-in occurring on 6/1/23. Management is offering 8 weeks of free rent plus \$1,500 for a look and lease.



# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name:	Fifteen Fifty
Sub-Property Type:	Mixed Use
Address:	1500 Mission St.
City/State/Zip:	San Francisco, CA 94103
County:	San Francisco
Submarket:	SOMA
Market Orientation:	Urban
IRR Event ID:	3036756



## Property Data

Survey Date:	08/11/2023
No. of Buildings/Stories:	1/40
Property Class:	A
Vacancy @ Survey:	2.00%
Yr. Built/Yr. Renov.:	2020/
Land Size (Ac.):	2.57

## Project & Unit Amenities

Project Amenities:	BBQ Grill/Picnic Area, Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Recreational Amenities, Resident Lounge, Roofdeck/Sundeck, Swimming Pool, Library, Screening Room
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Unit Amenities:	Dishwasher, Granite/Quartz Counters, Range - Gas, Refrigerator, Stainless Steel Appliances, Washer/Dryer In Unit, Window Blinds/Shades, Wood Floors
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Tenant Pays:	Trash, In-Unit Electric, Sewer, Water, Gas
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## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	416	\$3325	\$7.99	
1 BD/1 BA	/1/1.0		INA	650	\$4300	\$6.62	
2 BD/ 2 BA	/2/2.0		INA	1,105	\$6500	\$5.88	
3 BD/2 BA	/3/2.0		INA	1,445	\$8200	\$5.67	

# Multifamily Rent Survey Profile

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## Comments

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Management is offering 6 weeks free plus 2 additional weeks for a look and lease. Tenant is responsible for all utilities. Project includes approximately 38,000 SF of ground floor retail space. Twenty percent of the residential units are affordable.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: The George  
 Sub-Property Type: Conventional  
 Address: 434 Minna St.  
 City/State/Zip: San Francisco, CA 94103  
 County: San Francisco  
 Submarket: SOMA  
 Market Orientation: Urban  
 IRR Event ID: 3036707



## Property Data

Survey Date: 08/11/2023  
 No. of Buildings/Stories: 1/20  
 No. of Units/Unit Type: 302/Apt. Units  
 Multi-Tenant/Condo.: Yes/No  
 Property Class: A  
 Vacancy @ Survey: 5.00%  
 Yr. Built/Yr. Renov.: 2022/  
 Land Size (Ac.): 5.13

## Project & Unit Amenities

Project Amenities: Bike Storage Room, Co-Working Space, Electric Car Charging Station, Fitness Center, Garage/In Building, Package System/Lockers/Rm, Resident Lounge, Pet Grooming Stations, Clubroom, Private Bar, Library

Unit Amenities: Dishwasher, Granite/Quartz Counters, Microwave, Patio/Balcony/Deck, Range - Gas, Refrigerator, Stainless Steel Appliances, Vinyl Plank Floors (LVT/LVP), Washer/Dryer In Unit, Window Blinds/Shades

Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	467	\$2860	\$6.12	
1 BD/ 1 BA	/1/1.0		INA	885	\$4445	\$5.02	
2 BD/2 BA	/2/1.0		INA	983	\$5210	\$5.30	

## Comments

# Multifamily Rent Survey Profile

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## Comments (Cont'd)

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Management is offering up to two months of free rent for move-ins before the end of August. Garage parking is \$500 per month.

New 20-story Class A apartment building in SOMA within the 5M development. The project includes 4,600 SF of ground floor retail and two levels of below grade garage parking with 52 spaces. There are 91 BMR units.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: The Brady  
Sub-Property Type: Conventional, Mid/High-Rise  
Address: 1 Brady St.  
City/State/Zip: San Francisco, CA 94103  
Submarket: SOMA  
Market Orientation: Urban  
IRR Event ID: 3036447



## Property Data

Survey Date: 08/10/2023  
No. of Buildings/Stories: 3/8  
No. of Units/Unit Type: 444/Apt. Units  
Property Class: A  
Vacancy @ Survey: 24.00%  
Yr. Built/Yr. Renov.: 2022/  
Land Size (Ac.): 1.00

## Project & Unit Amenities

Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	497	\$3045	\$6.13	
1 BD/1 BA	/1/1.0		INA	666	\$4020	\$6.04	
2 BD/2 BA	/2/2.0		INA	978	\$5180	\$5.30	
2 BD/2 BA	/2/2.0		INA	1,575	\$6785	\$4.31	

## Comments

Recently constructed Class A mid/high rise in the Mission. Units have modern finishes and features, typical of brand new luxury apartments. Amenities include fitness center, lounge, business center, hot tub, bike storage, game room. Currently offering up to 10 weeks free and up to \$2,500 off for look and lease. The property opened in August 2022 and is 76% occupied, implying an absorption rate of 28 units per month.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: Astella  
 Sub-Property Type: Conventional, Mid/High-Rise  
 Address: 955-975 Bryant St.  
 City/State/Zip: San Francisco, CA 94103  
 County: San Francisco  
 Submarket: SOMA  
 Market Orientation: Urban  
 IRR Event ID: 3036445



## Property Data

Survey Date: 08/10/2023  
 No. of Buildings/Stories: 1/5  
 No. of Units/Unit Type: 185/Apt. Units  
 Property Class: A  
 Vacancy @ Survey: 3.00%  
 Yr. Built/Yr. Renov.: 2021/  
 Land Size (Ac.): 1.11

## Project & Unit Amenities

Project Amenities: Resident Lounge w/Kitchen, Fitness Center, Rooftop Deck, Co-Working Space w/Conference Rooms, Pet Grooming Station, Parcel Lockers  
 Unit Amenities: In-Unit Washer/Dryer, LVP Flooring, Patio (Select), European Style Cabinetry, Quartz Counters, Full Tile Backsplash, Stainless Steel Appliances  
 Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	3/0/1.0	30	INA	429	\$2641	\$6.16	
1 BD/1 BA	4/1/1.0	54	INA	720	\$3365	\$4.67	
2 BD/2 BA	6/2/2.0	56	INA	902	\$4280	\$4.75	
3 BD/2 BA	/3/2.0	9	INA	1,050	\$5913	\$5.63	

## Comments

# Multifamily Rent Survey Profile

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## Comments (Cont'd)

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Located in the Showplace Square neighborhood of San Francisco. Property began leasing in July 2021 and as of the date of the survey, was still in initial lease-up. Garage parking is available for an additional monthly fee of \$350/space for standard spaces and \$450/space for EV spaces. Property is currently offering six weeks of free rent. Tenants are responsible for all utilities.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: Hanover Soma West  
 Sub-Property Type: Mixed Use, Multifamily-Retail  
 Address: 1140 Harrison St.  
 City/State/Zip: San Francisco, CA 94103  
 County: San Francisco  
 Submarket: SOMA  
 Market Orientation: Suburban  
 IRR Event ID: 3036436



## Property Data

Survey Date: 08/10/2023  
 No. of Buildings/Stories: 1/7  
 No. of Units/Unit Type: 372/Apt. Units  
 Property Class: A  
 Vacancy @ Survey: 3.70%  
 Yr. Built/Yr. Renov.: 2021/  
 Construction Type: Steel frame  
 Land Size (Ac.): 1.74

## Project & Unit Amenities

Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	526	\$3183	\$6.05	
1 BD/1 BA	/1/1.0		INA	686	\$3582	\$5.22	
2 BD/2 BA	/2/2.0		INA	922	\$4210	\$4.57	
3 BD/2 BA	/3/2.0		INA	1,169			

## Comments

Tenants are responsible for all utilities. Management is currently offering 6 weeks of free rent for 12-month leases. Garage parking is \$325 per month for an unreserved space and \$375 per month for a reserved space.



# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: Chorus  
 Sub-Property Type: Conventional, Mid/High-Rise  
 Address: 30 Otis St.  
 City/State/Zip: San Francisco, CA 94103  
 Submarket: SOMA  
 Market Orientation: Urban  
 IRR Event ID: 3036411



## Property Data

Survey Date: 08/10/2023  
 No. of Buildings/Stories: 1/20  
 No. of Units/Unit Type: 416/Apt. Units  
 Property Class: A  
 Vacancy @ Survey: 6.00%  
 Yr. Built/Yr. Renov.: 2021/  
 Land Size (Ac.): 0.82

## Project & Unit Amenities

Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	/0/1.0		INA	467	\$3130	\$6.70	
1 BD/1 BA	/1/1.0		INA	692	\$3679	\$5.32	
2 BD/2 BA	/2/2.0		INA	999	\$6837	\$6.84	
3 BD/2 BA	/3/2.0		INA	1,146	\$6495	\$5.67	

## Comments

New Class A high-rise luxury property with good quality, modern finishes and features. Amenities include rooftop terrace and pool, hot tub, fitness center, outdoor training area, lobby restaurant/cafe, coworking space, lounge, game room, rooftop solarium, valet parking, on-demand housekeeping, concierge. Currently offering \$2,000 look and lease special. The property opened in August 2021.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: Mason on Mariposa  
 Sub-Property Type: Mixed Use, Multifamily-Retail  
 Address: 1601 Mariposa St.  
 City/State/Zip: San Francisco, CA 94107  
 County: San Francisco  
 Submarket: South Park/Bayview  
 Market Orientation: Urban  
 IRR Event ID: 3036390



## Property Data

Survey Date: 08/10/2023  
 No. of Buildings/Stories: 2/4  
 No. of Units/Unit Type: 299/Apt. Units  
 Property Class: A  
 Vacancy @ Survey: 2.00%  
 Yr. Built/Yr. Renov.: 2020/  
 Land Size (Ac.): 3.36

## Project & Unit Amenities

Project Amenities: Resident Lounge, Fireside Library, Co-Working Space, Reservable Conference Rooms, Fitness Center, Rooftop Deck, Game Lounge w/Wet Bar, Pet Grooming Station, Bike Storage, Parcel Lockers  
 Unit Amenities: In-Unit Washer/Dryer, LVP Flooring, Patio/Balcony, European-Style Cabinetry, Quartz Counters, Full Tile Backsplash, Stainless Steel Appliances  
 Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	3/0/1.0		INA	496	\$2995	\$6.04	
1 BD/1 BA	4/1/1.0		INA	755	\$3995	\$5.29	
2 BD/2 BA	6/2/2.0		INA	1,125	\$5195	\$4.62	
3 BD/2 BA	7/3/2.0		INA	1,333	\$7025	\$5.27	

## Comments

# Multifamily Rent Survey Profile

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## Comments (Cont'd)

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Located in the Potrero Hill neighborhood of San Francisco. The units have good finishes throughout and there are several property amenities including an on-site gym, swimming pool, lounge, roof terrace and business center. Garage parking is available for an additional monthly fee of \$295/space. Property is currently offering up to 6 weeks free.

# Multifamily Rent Survey Profile

## Location & Property Identification

Property Name: Alta Potrero  
 Sub-Property Type: Mixed Use, Multifamily-Retail  
 Address: 1301 16th St.  
 City/State/Zip: San Francisco, CA 94103  
 County: San Francisco  
 Submarket: SOMA  
 Market Orientation: Urban  
 IRR Event ID: 3036295



## Property Data

Survey Date: 08/10/2023  
 No. of Buildings/Stories: 1/7  
 No. of Units/Unit Type: 172/Apt. Units  
 Property Class: A  
 Vacancy @ Survey: 3.00%  
 Yr. Built/Yr. Renov.: 2020/  
 Land Size (Ac.): 0.89

## Project & Unit Amenities

Project Amenities: Resident Lounge, Fitness Center, Rooftop Deck, Co-Working Space, Conference/Dining Room, Bike Storage, Parcel Lockers, Pet Grooming Station, Laundry Lockers  
 Unit Amenities: In-Unit Washer/Dryer, LVP Flooring, Patio/Balcony (Select), European Style Cabinetry, Quartz Counters, Quartz Backsplash, Stainless Steel Appliances  
 Tenant Pays: Trash, In-Unit Electric, Sewer, Water, Gas

## Unit Mix

Unit Information	Rms/BR/Bth	No. of Units	Vacant Units	SF Per Unit	Base Rent	\$/SF Effective	Unit Comments
Studio	3/0/1.0		INA	450	\$3437	\$7.64	
1Bd/1Ba	4/1/1.0		INA	602	\$3646	\$6.06	
2Bd/2Ba	6/2/2.0		INA	966	\$5260	\$5.45	
3Bd/2Ba	7/3/2.0		INA	1,252	\$6771	\$5.41	

# Multifamily Rent Survey Profile

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## Comments

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Located in the Potrero Hill neighborhood of San Francisco. Garage parking is available for an additional monthly fee of \$300/space. No concessions offered as of the date of survey.

**Integra Realty Resources**  
**San Francisco**

**Appraisal of Real Property**

**City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island)  
Improvement Area No. 2 Special Tax Bonds, Series 2023**

Residential Project

San Francisco County, California 94130

**Prepared For:**

City and County of San Francisco

**Report Format:**

Appraisal Report – Bring Forward Letter

**IRR - San Francisco**

File Number: 192-2023-0173



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November 29, 2023

Ms. Anna Van Degna  
Director  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Pl.  
San Francisco, CA 94102

SUBJECT: Market Value Appraisal – Bring Forward Letter  
City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Improvement Area No. 2 Special Tax Bonds, Series 2023  
San Francisco, California 94130  
IRR - San Francisco File No. 192-2023-0173

Dear Ms. Van Degna:

Integra Realty Resources – San Francisco has prepared an update to our Appraisal Report of the above-referenced property. The original Appraisal Report, dated September 20, 2023, was prepared conforming to the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt and Investment Advisory Commission (CDIAC) (2004). The Original Appraisal Report provides the market values (*fee simple estate*) of certain properties within the boundaries of Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) (the “Improvement Area No. 2”), under the assumptions and conditions contained in this Appraisal Report, as of August 4, 2023. This Update Appraisal Report may only be used in conjunction with the Original Appraisal Report.

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

In connection with the issuance of the Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2023A (the “Bonds”) pursuant to a Fiscal Agent Agreement, dated as of February 1, 2022, as supplemented (the “Fiscal Agent Agreement”), we have been requested to ascertain (a) whether the cumulative, or aggregate, value of the appraised properties in Improvement Area No. 2, as of November 1, 2023, is not less than the cumulative, or aggregate, value estimated as of the original date of value August 4, 2023, and (b) whether the market value of each of the appraised properties, as of November 1, 2023, is not less than the value as of the original date of value August 4, 2023.

Since the original date of value August 4, 2023, the total remaining infrastructure required for TCO for Improvement Area No. 2 has been substantially reduced and Parcels under construction have continued, reducing the remaining costs to complete.





As a result of our analysis, it is our opinion the cumulative, or aggregate, value, derived in the Original Appraisal Report, as of August 4, 2023, in accordance with the assumptions and conditions set forth in the attached document, as of November 1, 2023, is not less than the **\$219,900,000** reported in the Original Appraisal Report. In addition, we have determined the market value of each of the appraised properties, as of November 1, 2023, is not less than the value as of the original date of value of August 4, 2023. In so concluding, we note that Parcel B1 is currently comprised of two legal parcels identified by two Assessor Parcel Numbers (APN 8901-003 (0.507 acres) and APN 8901-004 (0.51 acres)), with a site permit for development across both such legal parcels and therefore referenced collectively as Parcel B1, and that for purposes of allocating the \$10,500,000 Parcel B1 value between the two parcels, the appraisers have concluded the most appropriate method of such allocation is on the basis of their acreage; although, the appraisers have assumed the parcels would not be sold separately because of the nature of the site permit and highest and best use.

**Type and Definition of Value:**

Market value is defined as “The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

**Client and Intended Users:**

The client is City and County of San Francisco. The intended users are City and County of San Francisco and its associated finance team.

**Intended Use:**

The intended use of the appraisal is for bond underwriting purposes. The appraisers understand and agree this Update





Appraisal Report, and Original Appraisal Report, is expected to be, and may be, utilized in the marketing of the Bonds and to satisfy certain legal requirements in connection with issuing the Bonds.

**Purpose:**

The purpose of this Update Appraisal Report, dated November 29, 2023, is to ascertain whether the current estimate (November 1, 2023) of cumulative, or aggregate, value of the District is not less than the value derived in the Original Appraisal Report, dated September 20, 2023, with a date of value of August 4, 2023.

The cumulative, or aggregate, value of the appraised properties in the CFD account for the impact of the Lien of the Special Tax securing the Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) Special Tax Bonds, Series 2023A.

In addition, we have determined the market value of each of the appraised properties, as of November 1, 2023, is not less than the value as of the original date of value of August 4, 2023.

**Scope of Work:**

In preparing this Update Appraisal Report, we analyzed market data presented in our Original Appraisal Report dated September 20, 2023 (as of the August 4, 2023 date of value). In addition, we analyzed current market conditions and considered any changes in the condition of the subject properties since the date of value above. This Update Appraisal Report sets forth only the appraiser's conclusions. Supporting documentation is retained in the appraiser's work file.

**Date of Inspection:**

The subject was not re-inspected.

**Current Date of Value:**

November 1, 2023

**Date of Report:**

November 29, 2023

This Update Appraisal Report has been performed in accordance with the requirements of USPAP, the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute and the Appraisal Standards for Land Secured Financing, published by the California Debt and Investment

Advisory Commission (2004). Additionally, this valuation is offered in accordance with the limiting conditions and assumptions set forth in this Appraisal Report.

This Update Appraisal Report dated November 29, 2023, which contains 11 pages, must remain attached to the original appraisal dated September 20, 2023, which contains 147 pages, plus related exhibits and Addenda, in order for the value opinions set forth herein to be considered valid.




## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have previously appraised the property that is the subject of this report for the current client within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Eric Segal, MAI, and Kevin Ziegenmeyer, MAI, made a personal inspection of the property that is the subject of this report. Laura Diaz, MAI, also personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Eric Segal, MAI, Kevin Ziegenmeyer, MAI, have completed the continuing education program for Designated Members of the Appraisal Institute.





Eric Segal, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG026558



Kevin Ziegenmeyer, MAI  
Certified General Real Estate Appraiser  
California Certificate # AG013567



## Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.

7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.

18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – San Francisco, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
22. Integra Realty Resources – San Francisco is not a building or environmental inspector. Integra San Francisco does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.

25. Integra Realty Resources – San Francisco, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.







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