

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications, under existing law, the interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is required to be taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2016 Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$45,000,000

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2016 Series B
Tax Allocation Bonds
(Mission Bay South Redevelopment Project)**

\$73,230,000

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2016 Series C
Tax Allocation Refunding Bonds
(Mission Bay South Redevelopment Project)**

Dated: Date of Delivery**Due: August 1, as shown on the inside front cover**

This cover page contains information for quick reference only. It is not intended to be a complete summary of all factors relevant to an investment in the 2016 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2016 Series B Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the "2016B Bonds") and the 2016 Series C Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project) (the "2016C Bonds" and together with the 2016B Bonds, the "2016 Bonds" and individually, each a "Series") are being issued by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") pursuant to an Indenture of Trust, dated as of March 1, 2014, as amended and supplemented by a First Supplemental Indenture of Trust, dated as of April 1, 2016, each by and between the Successor Agency and U.S. Bank National Association, as trustee (the "Trustee").

Interest on the 2016 Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2017. Principal of the 2016 Bonds will be payable on the dates and in the respective principal amounts set forth on the inside cover page. The scheduled payment of principal of and interest on the Insured 2016B Term Bonds (defined herein) when due will be guaranteed under a municipal bond insurance policy (the "2016B Insurance Policy") and the scheduled payment of principal of and interest on the Insured 2016C Term Bonds (defined herein) when due will be guaranteed under a municipal bond insurance policy (the "2016C Insurance Policy"), each to be issued, concurrently with the delivery of the 2016 Bonds, by National Public Finance Guarantee Corporation (the "Insurer"). *No 2016 Bonds, other than the Insured 2016B Term Bonds and the Insured 2016C Term Bonds will be insured. See "BOND INSURANCE."*



The 2016 Bonds of each Series will be issued in book-entry form, without coupons, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2016 Bonds. Beneficial ownership interests in the 2016 Bonds may initially be purchased, in denominations of \$5,000 or any integral multiple thereof, in book-entry only form as described herein. So long as Cede & Co. is the registered owner of the 2016 Bonds, payments of principal and interest will be made to Cede & Co., as nominee for DTC. DTC is required in turn to remit such payments to DTC Participants for subsequent disbursements to Beneficial Owners. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Direct Participants and Indirect Participants as more fully described herein. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The 2016 Bonds of each Series are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE 2016 BONDS – Redemption Provisions."

The proceeds of the 2016B Bonds will be used to (i) finance or refinance certain redevelopment activities of the Successor Agency in the Project Area, (ii) pay the premium for a debt service reserve fund surety bond from the Insurer to satisfy the Reserve Requirement for the 2016B Bonds, and (iii) pay costs associated with the issuance of the 2016B Bonds, including the premium for the 2016B Insurance Policy to be issued by the Insurer insuring the Insured 2016B Term Bonds. The 2016C Bonds are being issued for the purpose of providing funds, together with certain other available monies, to (i) refund certain obligations of the Former Agency, as described herein under "INTRODUCTION," (ii) pay the premium for a debt service reserve fund surety bond from the Insurer to satisfy the Reserve Requirement for the 2016C Bonds, and (iii) pay costs associated with the issuance of the 2016C Bonds, including the premium for the 2016C Insurance Policy issued by the Insurer insuring the Insured 2016C Term Bonds. See "PLAN OF FINANCE," "THE REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS." See also "MATURITY SCHEDULES" and "INTRODUCTION – Bond Insurance."

The 2016 Bonds are payable from and secured by Tax Revenues (defined herein), consisting primarily of certain revenues generated from taxes on the property within the Mission Bay South Redevelopment Project Area on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll. No funds or properties of the Successor Agency, other than the Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the 2016 Bonds. The Successor Agency has outstanding indebtedness and may incur additional indebtedness that is payable, on an equal priority basis, from the same tax revenues as the 2016 Bonds so long as certain conditions precedent have been met at the time such indebtedness is incurred, as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Limitations on Additional Indebtedness – Parity Debt."

The 2016 Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2016 Bonds are not a debt of the City and County of San Francisco (the "City"), the State of California (the "State") or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2016 Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues or property or its full faith and credit to the payment of debt service on the 2016 Bonds. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power.

The 2016 Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and certain other conditions. Curls Bartling P.C., Oakland, California is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by its General Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the 2016 Bonds will be delivered to the Underwriters through the facilities of DTC in New York, New York on or about April 21, 2016.

Stifel**Backstrom McCarley Berry & Co., LLC****Blaylock Beal Van, LLC**

MATURITY SCHEDULES

\$45,000,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2016 Series B Tax Allocation Bonds
(Mission Bay South Redevelopment Project)

\$29,705,000 Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <u>(Base: 79770G)[†]</u>
2017	\$ 370,000	2.00%	0.74%	CC8
2018	990,000	3.00	0.93	CD6
2019	1,020,000	4.00	1.07	CE4
2020	1,055,000	5.00	1.22	CF1
2021	1,115,000	5.00	1.42	CG9
2022	1,165,000	5.00	1.54	CH7
2023	1,225,000	5.00	1.74	CJ3
2024	1,285,000	5.00	1.92	CK0
2025	1,350,000	5.00	2.10	CL8
2026	1,420,000	5.00	2.21	CM6
2027	1,485,000	5.00	2.36 ^c	CN4
2028	1,560,000	5.00	2.47 ^c	CP9
2029	1,640,000	5.00	2.55 ^c	CQ7
2030	1,720,000	5.00	2.61 ^c	CR5
2031	1,810,000	5.00	2.69 ^c	CS3
2032	1,900,000	5.00	2.76 ^c	CT1
2033	1,995,000	5.00	2.82 ^c	CU8
2034	2,095,000	5.00	2.88 ^c	CV6
2035	2,200,000	5.00	2.93 ^c	CW4
2036	2,305,000	5.00	2.98 ^c	CX2

\$15,295,000 5.00% Insured Term Bonds due August 1, 2043, Yield 3.02%^c, CUSIP[†] No. 79770GCY0

^c Priced to the first optional redemption date of August 1, 2026 at par.

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\$73,230,000
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY AND COUNTY OF SAN FRANCISCO
2016 Series C Tax Allocation Refunding Bonds
(Mission Bay South Redevelopment Project)

\$49,420,000 Serial Bonds

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u> <u>(Base: 79770G)[†]</u>
2017	\$ 630,000	2.00%	0.74%	CZ7
2018	1,640,000	3.00	0.93	DA1
2019	1,690,000	4.00	1.07	DB9
2020	1,760,000	5.00	1.22	DC7
2021	1,845,000	5.00	1.42	DD5
2022	1,940,000	5.00	1.54	DE3
2023	2,040,000	5.00	1.74	DF0
2024	2,140,000	5.00	1.92	DG8
2025	2,245,000	5.00	2.10	DH6
2026	2,355,000	5.00	2.21	DJ2
2027	2,480,000	5.00	2.36 ^c	DK9
2028	2,600,000	5.00	2.47 ^c	DL7
2029	2,730,000	5.00	2.55 ^c	DM5
2030	2,865,000	5.00	2.61 ^c	DN3
2031	3,005,000	5.00	2.69 ^c	DP8
2032	3,160,000	5.00	2.76 ^c	DQ6
2033	3,315,000	5.00	2.82 ^c	DR4
2034	3,480,000	5.00	2.88 ^c	DS2
2035	3,655,000	5.00	2.93 ^c	DT0
2036	3,845,000	5.00	2.98 ^c	DU7

\$23,810,000 5.00% Insured Term Bonds due August 1, 2041, Yield 2.99%^c, CUSIP[†] No. 79770GDV5

^c Priced to the first optional redemption date of August 1, 2026 at par.

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2009 Aerial View – MB South Outline



2014 Aerial View – MB South Outline



2015 Aerial View – MB South Outline

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

Commission Members

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

Successor Agency Staff

Tiffany Bohee, *Executive Director*
Bree Mawhorter, *Deputy Director, Finance and Administration*
James Morales, *Deputy Director and General Counsel*
Sally Oerth, *Deputy Director, Projects and Programs*

CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee, *Mayor*

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

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Eric Mar, *District 1*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
Scott Wiener, *District 8*
Norman Yee, *District 7*

SPECIAL SERVICES

Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

Disclosure Counsel

Curls Bartling P.C.
Oakland, California

Fiscal Consultant

Urban Analytics LLC
San Francisco, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the Successor Agency or the City to give any information or to make any representations in connection with the offer or sale of the 2016 Bonds other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2016 Bonds by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful. This Official Statement is not to be construed as a contract with the purchasers of the 2016 Bonds.

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

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking” statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions. The achievement of certain results or other expectations contained in such forward-looking statements are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. No assurance is given that actual results will meet the forecasts of the Successor Agency in any way, regardless of the optimism communicated in the information, and such statements speak only as of the date of this Official Statement. The Successor Agency disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Successor Agency with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

The Successor Agency and the City maintain a website. However, the information presented therein is not a part of this Official Statement and must not be relied upon in making an investment decision with respect to the 2016 Bonds.

The issuance and sale of the 2016 Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR AFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$45,000,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2016 Series B
Tax Allocation Bonds
(Mission Bay South Redevelopment Project)

\$73,230,000
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2016 Series C
Tax Allocation Refunding Bonds
(Mission Bay South Redevelopment Project)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the 2016 Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the 2016 Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions of such documents. Capitalized terms used in this Official Statement and not defined herein shall have the meanings assigned to them in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Authority and Purpose

The purpose of this Official Statement, which includes the cover page, table of contents and appendices hereto (collectively, the “**Official Statement**”), is to provide certain information in connection with the offering by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “**Successor Agency**”) of its \$45,000,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series B Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the “**2016B Bonds**”) and its \$73,230,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series C Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project) (the “**2016C Bonds**” and together with the 2016B Bonds, the “**2016 Bonds**” and individually, each a “**Series**”). The 2016 Bonds are being issued in accordance with a resolution of the Successor Agency adopted October 20, 2015 (the “**Resolution**”), and an Indenture of Trust, dated as of March 1, 2014 as amended and supplemented by a First Supplemental Indenture of Trust, dated as of April 1, 2016 (the “**First Supplemental Indenture of Trust**” and together with the Indenture of Trust, the “**Indenture**”), each by and between the Successor Agency and U.S. Bank National Association, as trustee (the “**Trustee**”), and, as applicable, pursuant to authority contained in Section 34177.5(a)(4) of the California Health and Safety Code and the Community Redevelopment Law, being Part 1 (commencing with Section 33000 of Division 24 of the California Health and Safety Code) (collectively, the “**Bond Law**”), Section 34177.5(a)(1) of the Dissolution Act (defined below), and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “**Refunding Law**”).

The Successor Agency will use the proceeds of the 2016B Bonds to: (i) finance or refinance certain redevelopment activities of the Successor Agency in the Project Area, (ii) pay the premium for a debt service reserve fund surety bond from the National Public Finance Guarantee Corporation (the “**Insurer**”) to satisfy the Reserve Requirement for the 2016B Bonds (the “**2016B Reserve Surety**”), and (iii) pay costs associated with the issuance of the 2016B Bonds, including the premium for a municipal bond insurance policy to be issued by the Insurer insuring the Insured 2016B Term Bonds (defined herein) (the “**2016B Insurance Policy**”). The 2016C Bonds are being issued for the purpose of providing funds, together with certain other available monies,

to (i) refund certain obligations of the Former Agency, as described herein (ii) pay the premium for a debt service reserve fund surety bond from the Insurer to satisfy the Reserve Requirement for the 2016C Bonds (the “**2016C Reserve Surety**”), and (iii) pay costs associated with the issuance of the 2016C Bonds, including the premium for a municipal bond insurance policy issued by the Insurer insuring the Insured 2016C Term Bonds (defined herein) (the “**2016C Insurance Policy**”). See “PLAN OF FINANCE,” “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.” See also “- Reserve Account” and “- Bond Insurance.”

The City and County of San Francisco

The City and County of San Francisco (referred to herein as the “**City**”) is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay. The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the San Francisco Bay to the east, the entrance to the San Francisco Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour’s drive to the north. The California Department of Finance Demographic Research Unit estimated the City’s population at 845,602 as of January 1, 2015.

The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the 2016 Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the 2016 Bonds. The 2016 Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City.

The Successor Agency

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

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

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

Under Section 34177.5(a)(4) of the Dissolution Act, a successor agency is authorized to issue bonds and other indebtedness to fund redevelopment activities if certain criteria are met, subject to the approval

of such successor agency's oversight board and the approval by the Department of Finance of the State of California (the "**California Department of Finance**"). The Successor Agency is issuing the 2016B Bonds to provide funds to reimburse the master developer within the Project Area for a portion of its expenditures for infrastructure within the Project Area. Under Section 34177.5(a)(1) of the Dissolution Act, a successor agency is authorized to issue bonds and other indebtedness for refunding purposes, if certain criteria are met. The Successor Agency is issuing the 2016C Bonds to refund certain loan agreements entered into in connection with bonds issued by the City and County of San Francisco Redevelopment Financing Authority in order to reimburse the master developer within the Project Area for a portion of its expenditures for infrastructure within the Project Area. See "PLAN OF FINANCE," "THE REFUNDING PLAN" and "THE PROJECT AREA – Mission Bay South Owner Participation Agreement."

The issuance of the 2016B Bonds was subject to the approval of the Board of Supervisors pursuant to the Redevelopment Law. The issuance of the 2016 Bonds is also subject to the approval of the Successor Agency's Oversight Board and the California Department of Finance pursuant to the Dissolution Act. All such approvals have been obtained. See "THE 2016 BONDS – Authority for Issuance."

The Project Area

The Redevelopment Plan for the Mission Bay South Redevelopment Project Area (the "**Project Area**") was adopted by the Board of Supervisors on November 2, 1998. The Project Area is an approximately 238-acre area located approximately two (2) miles south of the financial district of the City, not all of which generates tax revenue. See "– Tax Allocation Financing" below.

Tax Allocation Financing

Prior to the enactment of AB 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations. Tax Revenues (as defined under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Security of Bonds; Equal Security") consist of a portion of such incremental tax revenues, and are generated from approximately 51.4 acres out of the approximately 238 acres that make up the Project Area. See "THE PROJECT AREA."

The Dissolution Act authorizes refunding bonds, including the 2016C Bonds, to be secured by a pledge of the same revenues pledged to the bonds or obligations being refunded, and to be payable from and further secured by moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency (the "**Redevelopment Property Tax Trust Fund**"), which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND.**

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

Security and Sources of Payment for the 2016 Bonds

The 2016 Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and payable from and secured by the Tax Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Security for the 2016 Bonds; Equal Security.” Tax Revenues do not include the 20% of gross tax increment revenue from the Project Area that, prior to the Dissolution Act, was required to be deposited in the Low and Moderate Income Housing Fund of the Former Agency.

The Dissolution Act requires the auditor-controller of the City and County of San Francisco (the “**City Controller**”) to determine the amount of property taxes that would have been allocated to the Former Agency had it not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit such amount in the Redevelopment Property Tax Trust Fund in accordance with the Dissolution Act. The Dissolution Act further provides that bonds authorized thereunder issued by a successor agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax increment revenues under the Redevelopment Law. Section 34177.5(g) of the Dissolution Act provides that any bonds authorized to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if such bonds had been issued prior to the effective date of AB 26 and in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, will be included in the Successor Agency’s Recognized Obligation Payment Schedule (defined herein) and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Recognized Obligation Payment Schedule.”

The Dissolution Act requires compliance by the Successor Agency with a procedure for preparation of a Recognized Obligation Payment Schedule in order to receive funds for payment of debt service and submission thereof to its Oversight Board and the California Department of Finance for approval. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Allocation of Taxes Pursuant to the Dissolution Act.” Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various properties within the Project Area, to the extent that such taxes constitute tax revenues, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year (adjusted for weekends) to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Recognized Obligation Payment Schedule.” Moneys deposited by the City Controller into the Successor Agency’s Redevelopment Obligation Retirement Fund (the “**Retirement Fund**”) representing Tax Revenues will first be deposited by the Successor Agency in the Special Fund and will then be transferred by the Successor Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The 2016 Bonds are secured by and payable solely from the Tax Revenues and moneys on deposit in the Special Fund and the Funds and Accounts established under the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Allocation of Taxes Pursuant to the Dissolution Act” and “TAX REVENUES AND DEBT SERVICE.” The Project Area, and the real and personal property therein, do not serve as security for the 2016 Bonds.

The 2016 Bonds are limited obligations of the Successor Agency, the principal of, premium, if any, and interest on which are payable solely from Tax Revenues and certain other amounts on deposit in the funds and accounts held under the Indenture. The 2016 Bonds are not a debt of the City, the State or any of their political subdivisions (other than the Successor Agency and only to the limited extent set forth in the Indenture), and none of the City, the State or any of their political subdivisions other than the Successor Agency is liable therefor. The 2016 Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Successor Agency has not pledged any other tax revenues, property or its full faith and credit to the payment of debt service on the 2016 Bonds. Although the Successor Agency receives certain tax increment revenues, the Successor Agency has no taxing power. See “TAX REVENUES AND DEBT SERVICE.”

Limited Obligation; Parity Debt

The 2016 Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture and are payable solely from and secured by a pledge of Tax Revenues derived from the Project Area and amounts on deposit in the Special Fund and the Funds and Accounts established under the Indenture.

The pledge of Tax Revenues to secure the 2016 Bonds is on a parity with the pledge thereof to pay debt service on the Successor Agency’s 2014 Series A Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the “**2014 Bonds**”).

The Successor Agency has the right to issue additional indebtedness payable on a parity with the 2016 Bonds and 2014 Bonds from Tax Revenues, assuming certain conditions are satisfied. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Limitations on Additional Indebtedness – *Parity Debt*.” The Successor Agency currently anticipates issuing additional bonds on a parity with the 2016 Bonds and the 2014 Bonds within the next five (5) years. See “THE PROJECT AREA – Mission Bay South Owner Participation Agreement.”

Reserve Account

The Indenture established a Reserve Account for all bonds issued thereunder to be held by the Trustee and to be maintained in an amount at least equal to the Reserve Requirement as defined therein. The First Supplemental Indenture also establishes a 2016 Reserve Subaccount within the Reserve Account. Amounts in the 2016 Reserve Subaccount and amounts in the 2014 Reserve Subaccount of the Reserve Account shall be used to meet the Reserve Requirement (defined herein) for the 2016 Bonds and the 2014 Bonds, respectively. The Insurer has committed to issue, simultaneously with the issuance of the 2016 Bonds, the 2016B Reserve Surety and the 2016C Reserve Surety (and together with the 2016B Reserve Surety, the “**Reserve Sureties**”) for deposit in the 2016 Reserve Subaccount. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Special Fund; Deposit of Tax Revenues – *Reserve Account*” and “– *Reserve Sureties*.”

Bond Insurance

The Insurer has committed to issue, simultaneously with the issuance of the 2016 Bonds, the 2016B Insurance Policy to insure the principal of and interest on the 2016B Term Bonds maturing on August 1, 2043 (the “**Insured 2016B Term Bonds**”) and to issue the 2016C Insurance Policy to insure the principal of and interest on the 2016C Term Bonds maturing on August 1, 2041 (the “**Insured 2016C Term Bonds**”) and, together with the Insured 2016B Term Bonds, the “**2016 Insured Bonds**”). Together, said the 2016B Insurance Policy and the 2016C Insurance Policy are referred to as the “**Insurance Policies**.” *No 2016*

Bonds other than the 2016 Insured Bonds will be insured by the Insurance Policies. See “BOND INSURANCE.”

Risk Factors

Certain events could affect the ability of the Successor Agency to pay debt service on the 2016 Bonds when due. See “CERTAIN RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2016 Bonds.

Continuing Disclosure

The Successor Agency has covenanted for the benefit of Owners and Beneficial Owners to provide certain financial information and operating data relating to the Successor Agency not later than six (6) months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2016 (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices of the specified events will be filed with the Municipal Securities Rulemaking Board (the “**MSRB**”) through the Electronic Municipal Market Access website (“**EMMA**”) of the MSRB. The specific nature of the information to be contained in the Annual Report and the notice of events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

See “CONTINUING DISCLOSURE” for additional information.

Available Information

This Official Statement contains brief descriptions of the 2016 Bonds, the security for the 2016 Bonds, the Indenture, the Successor Agency, the Former Agency, the City, the Project Area and certain other information relevant to the issuance of the 2016 Bonds. All references herein to the Indenture, the Bond Law, the Refunding Law, the Redevelopment Law, the Dissolution Act, the Constitution and laws of the State are qualified in their entirety by reference to the complete text thereof and all references to the 2016 Bonds are further qualified by reference to the form thereof contained in the Indenture.

The Successor Agency’s audited financial statements for the period ended June 30, 2015 are included in APPENDIX A – “SUCCESSOR AGENCY’S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015.” Urban Analytics, LLC, San Francisco, California (the “**Fiscal Consultant**”) is providing consulting services to the Successor Agency with respect to the Project Area and their projected taxable values and anticipated tax increment revenues. The Fiscal Consultant will provide a report in substantially the form attached hereto as APPENDIX B – “REPORT OF FISCAL CONSULTANT.” The proposed form of legal opinion of Bond Counsel relating to the 2016 Bonds is set forth in APPENDIX E – “FORM OF BOND COUNSEL FINAL OPINION.”

The information set forth herein and in the Appendices hereto has been furnished by the Successor Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Successor Agency or the Underwriters and is not to be construed as a representation by the Underwriters. Copies of documents referred to herein and information concerning the 2016 Bonds are available upon written request from the Trustee, U.S. Bank National Association, One California Street, Suite 1000, Mail Code: SF-CA-SFCT, San Francisco, California 94111. Within the City, the Successor Agency, which is constituted as the Office of Community Investment and Infrastructure or “OCII,” may be contacted at: Office of Community Investment and Infrastructure, One South Van Ness Avenue, 5th Floor, San Francisco, California 94103; telephone: (415)

749-2465. The Successor Agency will respond to requests by any Bondowner for public information. The Successor Agency may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

A portion of the net proceeds from the sale of the 2016B Bonds will be used to reimburse FOCIL-MB, LLC (“**FOCIL**”), the master developer within the Project Area, for a portion of its costs in constructing Infrastructure within the Project Area, including (but not limited to) public streets, sidewalks, utilities, parks and open space, and administrative and financing costs of public infrastructure construction. See “THE PROJECT AREA.” Such reimbursement is required pursuant to an owner participation agreement (the “**OPA**”) between the Successor Agency, as successor to the Former Agency, and FOCIL, as successor developer. See “THE PROJECT AREA – Mission Bay South Owner Participation Agreement.” Proceeds of the 2016B Bonds will also be used to purchase a reserve surety bond or make a deposit to the 2016 Reserve Subaccount and to pay costs of issuance of the 2016B Bonds. Proceeds of the 2016C Bonds are being issued to refund all of the Existing Loan Agreements (see “THE REFUNDING PLAN”), to purchase a reserve surety bond or make a deposit to the 2016 Reserve Subaccount and to pay costs of issuance of the 2016C Bonds.

THE REFUNDING PLAN

General. The proceeds of the 2016C Bonds will be applied, together with certain other available funds, to pay all of the Existing Loan Agreements (defined below) entered into by the Former Agency and the City and County of San Francisco Redevelopment Financing Authority (the “**Authority**”) reflecting loans from the Authority to the Former Agency of the proceeds of certain bonds issued by the Authority for the benefit of the Former Agency in connection with the Project Area, as described further below. The Former Agency used such loaned bond proceeds to finance or refinance its redevelopment activities in the Project Area. The “**Existing Loan Agreements**” are as follows:

(i) Loan Agreement dated as of August 1, 2009 (the “**2009 Loan Agreement**”) among the Former Agency, U.S. Bank National Association, as trustee, and the Authority related to the Authority’s 2009 Series D Bonds issued on September 3, 2009 in the original amount of \$49,810,000; and

(ii) Loan Agreement dated as of March 1, 2011 (the “**2011 Loan Agreement**”) among the Former Agency, U.S. Bank National Association, as trustee, and the Authority related to the Authority’s 2011 Series D Bonds issued on March 21, 2011 in the original amount of \$36,485,000.

Payment of Existing Loan Agreements and Refunding of the Related Outstanding Authority Bonds. The following table details the series, issue dates and principal amounts of the outstanding bonds of the Authority (“**Authority Bonds**”) and related Existing Loan Agreements (together with the Authority Bonds, the “**Refunded Obligations**”), all of which will be refunded with the proceeds of the 2016C Bonds.

Refunded Obligations				
Series Designation	Issue Date	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date
2009 Series D ⁽¹⁾	09/03/2009	\$44,985,000	\$44,985,000	08/01/2019
2011 Series D ⁽²⁾	03/18/2011	\$34,930,000	\$34,930,000	02/01/2021
Total		\$79,915,000	\$79,915,000	

⁽¹⁾ Debt service on this series of bonds is payable from loan payments pursuant to the 2009 Loan Agreement.

⁽²⁾ Debt service on this series of bonds is payable from loan payments pursuant to 2011 Loan Agreement.

The refunding of each series of Refunded Obligations will be effected by depositing a portion of the proceeds of the 2016C Bonds, together with other available monies, into a special and irrevocable escrow fund (each, an “**Escrow Fund**”) established for such series of Refunded Obligations in accordance with an Agreement regarding Redemption, Defeasance and Payment of such Refunded Obligations (each, a “**Redemption Agreement**”). Each Redemption Agreement will be dated as of April 1, 2016 and will be by and between the Authority, the Successor Agency and the trustee for the applicable series of Refunded Obligations, as escrow trustee thereunder (the “**Escrow Trustee**”). The amounts deposited in each Escrow Fund will be held as cash or will be invested in direct noncallable obligations of, or unconditionally guaranteed by, the United States of America (“**Escrowed Securities**”). The Escrowed Securities will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that such amounts together with any amounts held as cash in such Escrow Funds, will provide sufficient monies to pay interest on the series of Refunded Obligations to which it relates as the same shall become due and to pay the redemption price (i.e., 100% of the principal amount of such series of Authority Bonds) so refunded on the redemption date therefor.

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

Verification. Causey Demgen & Moore P.C., independent certified public accountants, will verify, from the information provided to them, the mathematical accuracy, as of the date of delivery of the 2016C Bonds, of computations relating to the adequacy of the maturing principal amounts of the Escrowed Securities deposited into an Escrow Fund pursuant to each Redemption Agreement and the interest to be earned thereon, together with any amounts held as cash in such Escrow Fund, to pay the interest coming due on the related series of Refunded Obligations and to pay, on the redemption date therefor, the redemption price of such Refunded Obligations. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2016 Bonds are as follows:

<i>Sources:</i>	<i>2016B Bonds</i>	<i>2016C Bonds</i>	<i>Total</i>
Par Amount	\$ 45,000,000.00	\$73,230,000.00	\$118,230,000.00
Plus Original Issue Premium	8,461,027.25	13,860,589.75	22,321,617.00
Plus Other Money ⁽¹⁾	-	11,340,467.27	11,340,467.27
Total Sources	<u>\$53,461,027.25</u>	<u>\$98,431,057.02</u>	<u>\$151,892,084.27</u>
<i>Uses:</i>			
2016 Series B Project Fund	\$52,928,580.86	-	\$ 52,928,580.86
2009 Series D Escrow Fund	-	\$53,241,077.38	53,241,077.38
2011 Series D Escrow Fund	-	44,311,862.47	44,311,862.47
Costs of Issuance ⁽²⁾	532,446.39	878,117.17	1,410,563.56
Total Uses	<u>\$53,461,027.25</u>	<u>\$98,431,057.02</u>	<u>\$151,892,084.27</u>

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

⁽²⁾ Includes legal, financing and consultant fees, rating agency fee, verification agent fees, underwriters' discount, the fees for the reserve sureties and bond insurance policies, and other miscellaneous expenses.

THE 2016 BONDS

Authority for Issuance

The 2016 Bonds were authorized for issuance pursuant to the Indenture, the Refunding Law, the Redevelopment Law and the Dissolution Act. Issuance of the 2016 Bonds and the execution of the related documents was authorized by the Successor Agency pursuant to the Resolution, and approved by the Successor Agency's Oversight Board pursuant to the a resolution of the Oversight Board adopted on December 14, 2015 (the "**Oversight Board Resolution**").

Written notice of the Oversight Board Resolution was provided to the California Department of Finance, as required by the Dissolution Act, on December 14, 2015. On February 19, 2016, which is within the time period allotted under the Dissolution Act for the California Department of Finance to review the Oversight Board Resolution, the California Department of Finance provided a letter to the Successor Agency stating that, based on the California Department of Finance's review of the Oversight Board Resolution and application of applicable law, the California Department of Finance approved of the issuance of the 2016 Bonds. A copy of the California Department of Finance's letter is set forth in APPENDIX G.

Description of the 2016 Bonds

The 2016 Bonds of each Series will be issued in the form of fully registered bonds without coupons and in principal denominations of \$5,000 or any integral multiple thereof.

The 2016 Bonds of each Series will be dated, and shall bear interest from their date of delivery to the original purchasers thereof. The 2016 Bonds of each Series will be issued in the respective aggregate amounts, will bear interest at the respective rates and will mature, subject to redemption provisions set forth hereinafter, on the respective dates and in the amounts all as set forth on the inside cover page hereof. See APPENDIX F – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on each Series of the 2016 Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2017 (each, an “**Interest Payment Date**”). Interest on the 2016 Bonds will be computed on the basis of a 360-day year comprised of twelve 30-day months. Each 2016 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after the close of business on the fifteenth (15th) day of the month preceding an Interest Payment Date (the “**Record Date**”) and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or prior to January 15, 2017, in which event it shall bear interest from the date of delivery of the 2016 Bonds to the original purchasers thereof, provided, however, that if at the time of authentication of a 2016 Bond, interest thereon is in default, such 2016 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Book-Entry Only System

Each Series of 2016 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), New York, New York. DTC will act as a securities depository for the 2016 Bonds. Individual purchases may be made in book-entry only form. Purchasers will not receive certificates representing their beneficial ownership interest in the 2016 Bonds so purchased. So long as DTC, or its nominee, Cede & Co., is the registered owner of the 2016 Bonds, payments of principal, premium, if any, and interest evidenced by the 2016 Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the 2016 Bonds and references herein and in the Indenture to the Owners or Bondowners mean Cede & Co. and do not mean the Beneficial Owners of the 2016 Bonds. In this Official Statement, the term “**Beneficial Owner**” means the person for whom the DTC Participant acquires an interest in the 2016 Bonds.

Each such payment to DTC or its nominee will be valid and effective to fully discharge all liability of the Successor Agency or the Trustee with respect to the principal or redemption price of or interest on the 2016 Bonds to the extent of the sum or sums so paid. The Successor Agency and the Trustee cannot and do not give any assurance that DTC’s Direct Participants or Indirect Participants will distribute to Beneficial Owners (i) payments of interest, principal or premium, if any, with respect to the 2016 Bonds, (ii) confirmation of ownership interests in the 2016 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as registered owner of the 2016 Bonds, or that DTC’s Direct Participants or Indirect Participants will do so on a timely basis.

Neither the Successor Agency nor the Trustee will have any responsibility or obligation to DTC Participants, Indirect Participants or Beneficial Owners with respect to the payments or the providing of notice to DTC Participants, Indirect Participants or Beneficial Owners or the selection of the 2016 Bonds for redemption. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption Provisions

Optional Redemption. The 2016 Bonds maturing on or prior to August 1, 2026, are not subject to optional redemption. The 2016 Bonds maturing on or after August 1, 2027, are subject to redemption at the option of the Successor Agency, prior to their maturity dates, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot, within a maturity on any date on or after August 1, 2026, from any source of available funds. Such optional redemption shall be at a redemption price equal to 100% of the principal amount of the 2016 Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2016B Bonds that are Term Bonds maturing on August 1, 2043, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2037 and on August 1 in each year thereafter as set forth below, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the date of redemption, without premium; provided, however, that in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below.

2016B Term Bonds maturing on August 1, 2043

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2037	\$2,425,000
2038	2,545,000
2039	2,670,000
2040	2,060,000
2041	2,160,000
2042	1,675,000
2043*	1,760,000

* Maturity.

The 2016C Bonds that are Term Bonds maturing on August 1, 2041, are also subject to mandatory sinking fund redemption in part by lot on August 1, 2037 and on August 1 in each year thereafter as set forth below, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued interest thereon to the date of redemption, without premium; provided, however, that in lieu of mandatory sinking fund redemption thereof, such Term Bonds may be purchased by the Successor Agency as described below.

2016C Term Bonds maturing on August 1, 2041

Sinking Account Redemption Date (August 1)	Principal Amount to be Redeemed
2037	\$4,030,000
2038	4,235,000
2039	4,445,000
2040	5,415,000
2041*	5,685,000

* Maturity.

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

Selection of Bonds for Redemption. Whenever any 2016 Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent 2016 Bonds are no longer

held in book-entry form. In the event of redemption by lot of 2016 Bonds, the Trustee shall assign to each 2016 Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such 2016 Bond. The 2016 Bonds to be redeemed shall be the 2016 Bonds that were assigned the numbers so selected, but only so much of the principal amount of each such 2016 Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

Notice of Redemption; Rescission. Notice of redemption will be mailed by first class mail no less than thirty (30) and nor more than sixty (60) days prior to the redemption date (i) to any Insurer and the Bondowners (i.e., Cede & Co. as nominee of DTC) or in the event that the book-entry only system is discontinued, to the respective registered owners of the 2016 Bonds designated for redemption at their addresses appearing on the registration books for the 2016 Bonds, and (ii) to the Securities Depositories and one or more Information Services. Neither failure to receive such notice nor any defect in the notice so mailed nor any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner to notify the Beneficial Owner so affected will affect the sufficiency of the proceedings for redemption of such 2016 Bonds or the cessation of accrual of interest thereon on the redemption date.

The Successor Agency may rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2016 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. If any redemption is rescinded or canceled in accordance with the Indenture, the Trustee will mail notice of such rescission or cancellation in the same manner and to the same recipients as the original notice of such redemption was sent, and neither the Successor Agency nor Trustee shall have any liability to Owners or any other party related to or arising from such rescission of redemption.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and premium, if any, and interest on, the 2016 Bonds so called for redemption shall have been duly deposited with the Trustee, such 2016 Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Transfer and Exchange. If the 2016 Bonds are not in book-entry form, then the 2016 Bonds may be transferred or exchanged at the Principal Corporate Trust Office of the Trustee, provided that the Trustee shall not be required to register the transfer or exchange of (i) any 2016 Bonds during the period established by the Trustee for selection of the 2016 Bonds for redemption, or (ii) any 2016 Bonds selected by the Trustee for redemption pursuant to the Indenture. So long as Cede & Co. is the registered owner of the 2016 Bonds, transfers and exchanges of the 2016 Bonds will be subject to book-entry procedures. See APPENDIX F – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Mutilated, Lost, Destroyed or Stolen Bonds. The Successor Agency and the Trustee will, under certain circumstances, replace 2016 Bonds which have been mutilated, lost, destroyed or stolen. The Successor Agency may require payment of a reasonable fee and of the expenses which may be incurred by the Successor Agency and the Trustee in connection with the issuance of a new 2016 Bond to replace a 2016 Bond which has been mutilated, lost, destroyed or stolen.

DEBT SERVICE SCHEDULE

Set forth below is a table showing scheduled principal, interest and total debt service for each Series of the 2016 Bonds and debt service on the 2014 Bonds.

Bond Year Ending August 1	2014 Bonds Debt Service ⁽¹⁾	2016B Bonds			2016C Bonds ⁽²⁾			Total Debt Service
		Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2017	\$ 3,496,500.00	\$ 370,000	\$ 2,822,483.33	\$ 3,192,483.33	\$ 630,000	\$ 4,590,927.77	\$ 5,220,927.77	\$ 11,909,911.10
2018	3,498,750.00	990,000	2,201,500.00	3,191,500.00	1,640,000	3,580,300.00	5,220,300.00	11,910,550.00
2019	3,499,000.00	1,020,000	2,171,800.00	3,191,800.00	1,690,000	3,531,100.00	5,221,100.00	11,911,900.00
2020	3,502,250.00	1,055,000	2,131,000.00	3,186,000.00	1,760,000	3,463,500.00	5,223,500.00	11,911,750.00
2021	3,498,250.00	1,115,000	2,078,250.00	3,193,250.00	1,845,000	3,375,500.00	5,220,500.00	11,912,000.00
2022	3,497,250.00	1,165,000	2,022,500.00	3,187,500.00	1,940,000	3,283,250.00	5,223,250.00	11,908,000.00
2023	3,494,000.00	1,225,000	1,964,250.00	3,189,250.00	2,040,000	3,186,250.00	5,226,250.00	11,909,500.00
2024	3,498,500.00	1,285,000	1,903,000.00	3,188,000.00	2,140,000	3,084,250.00	5,224,250.00	11,910,750.00
2025	3,500,250.00	1,350,000	1,838,750.00	3,188,750.00	2,245,000	2,977,250.00	5,222,250.00	11,911,250.00
2026	3,499,250.00	1,420,000	1,771,250.00	3,191,250.00	2,355,000	2,865,000.00	5,220,000.00	11,910,500.00
2027	3,495,500.00	1,485,000	1,700,250.00	3,185,250.00	2,480,000	2,747,250.00	5,227,250.00	11,908,000.00
2028	3,499,000.00	1,560,000	1,626,000.00	3,186,000.00	2,600,000	2,623,250.00	5,223,250.00	11,908,250.00
2029	3,499,250.00	1,640,000	1,548,000.00	3,188,000.00	2,730,000	2,493,250.00	5,223,250.00	11,910,500.00
2030	3,501,250.00	1,720,000	1,466,000.00	3,186,000.00	2,865,000	2,356,750.00	5,221,750.00	11,909,000.00
2031	3,499,750.00	1,810,000	1,380,000.00	3,190,000.00	3,005,000	2,213,500.00	5,218,500.00	11,908,250.00
2032	3,494,750.00	1,900,000	1,289,500.00	3,189,500.00	3,160,000	2,063,250.00	5,223,250.00	11,907,500.00
2033	3,501,250.00	1,995,000	1,194,500.00	3,189,500.00	3,315,000	1,905,250.00	5,220,250.00	11,911,000.00
2034	3,498,500.00	2,095,000	1,094,750.00	3,189,750.00	3,480,000	1,739,500.00	5,219,500.00	11,907,750.00
2035	3,496,750.00	2,200,000	990,000.00	3,190,000.00	3,655,000	1,565,500.00	5,220,500.00	11,907,250.00
2036	3,495,750.00	2,305,000	880,000.00	3,185,000.00	3,845,000	1,382,750.00	5,227,750.00	11,908,500.00
2037	3,500,250.00	2,425,000	764,750.00	3,189,750.00	4,030,000	1,190,500.00	5,220,500.00	11,910,500.00
2038	3,494,750.00	2,545,000	643,500.00	3,188,500.00	4,235,000	989,000.00	5,224,000.00	11,907,250.00
2039	3,499,500.00	2,670,000	516,250.00	3,186,250.00	4,445,000	777,250.00	5,222,250.00	11,908,000.00
2040	3,498,750.00	2,060,000	382,750.00	2,442,750.00	5,415,000	555,000.00	5,970,000.00	11,911,500.00
2041	3,502,500.00	2,160,000	279,750.00	2,439,750.00	5,685,000	284,250.00	5,969,250.00	11,911,500.00
2042	10,060,250.00	1,675,000	171,750.00	1,846,750.00	-	-	-	11,907,000.00
2043	10,059,000.00	1,760,000	88,000.00	1,848,000.00	-	-	-	11,907,000.00
Total	\$107,580,750.00	\$45,000,000	\$36,920,533.33	\$81,920,533.33	\$73,230,000	\$58,823,577.77	\$132,053,577.77	\$321,554,861.10

⁽¹⁾ Table does not include the debt service payable on the bonds for the bond year ending August 1, 2016.

⁽²⁾ The proceeds of the 2016C Bonds will be used to pay all of the Existing Loan Agreements and refund the related Authority Bonds.

Source: Stifel, Nicolaus & Company, Incorporated.

SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS

General

Under the Indenture, the Successor Agency has pledged all of its right, title and interest in and to the Tax Revenues to payment of the 2016 Bonds, subject to a parity pledge thereof to secure the 2014 Bonds and Parity Debt, if any, described herein. See “– Parity Debt.” The 2016 Bonds are limited obligations of the Successor Agency entitled to the benefits of the Indenture, and are payable solely from and secured by a pledge of, security interest in and lien on (a) all the Tax Revenues and amounts in the Special Fund, (b) all other moneys deposited with the Trustee from time to time in the funds and accounts established under the Indenture, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account; and (c) investment income with respect to any moneys held by the Trustee in such funds and accounts established under the Indenture. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The 2016 Bonds are not a debt of the City, the State, or any of its political subdivisions, and neither the City, the State, nor any of its political subdivisions is liable therefor, nor in any event will the 2016 Bonds be payable out of any funds or properties other than those of the Successor Agency and only to the limited extent set forth in the Indenture.

The principal of, premium, if any, and interest on the 2016 Bonds are payable solely from Tax Revenues and certain other funds pledged therefor under the Indenture. The 2016 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. None of the members of the Successor Agency, the City, or any persons executing the 2016 Bonds are liable personally on the 2016 Bonds by reason of their issuance. The Successor Agency has no taxing power.

Tax Increment Financing Generally

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

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

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

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

Allocation of Taxes Pursuant to the Dissolution Act

Prior to the enactment of the Dissolution Act, the Redevelopment Law authorized the financing of redevelopment projects by permitting the pledge of tax increment revenues derived from the applicable project area to repayment of tax allocation bonds. The Dissolution Act requires that all property tax increment derived from all former project areas be deposited in a Redevelopment Property Tax Trust Fund for the Successor Agency held and maintained by the City Controller. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT REVENUES OR TAX REVENUES REFER TO THOSE MONEYS DEPOSITED BY THE CITY CONTROLLER INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND.** Pursuant to the Dissolution Act the pledge of the Tax Revenues as defined herein, to pay the 2016 Bonds is made as if the 2016 Bonds had been issued prior to the effective date of Dissolution Act, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date.

The Dissolution Act authorizes bonds, including the 2016 Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency (the “**Redevelopment Property Tax Trust Fund**”), which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the city controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

The Dissolution Act requires the City Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the City Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Successor Agency in such amounts and on such dates to ensure the timely payment of debt service on the 2016 Bonds. Pursuant to the Dissolution Act, the Successor Agency has covenanted to take all actions necessary to ensure that the 2016 Bonds will be included in each of the Successor Agency’s Recognized Obligation Payment Schedule as prepared from time to time under the Dissolution Act. See “– Recognized Obligation Payment Schedule” below.

The Successor Agency tax rate calculated by the City is one percent (1.000%) for the secured roll and the unsecured roll. See APPENDIX B – “REPORT OF FISCAL CONSULTANT” for more information. In accordance with Section 33670(e) of the Redevelopment Law, the Successor Agency tax rate excludes taxes related to bonded indebtedness of the City approved by the voters of the City on or after January 1, 1989, and issued for the acquisition or improvement of real property. The Successor Agency does not receive, on an annual basis, all allocable tax revenues, unless required to pay debt service or other enforceable obligations. See the tables for the Project Area under “TAX REVENUES AND DEBT SERVICE – Historical and Current Assessed Valuation and Tax Revenues for the Project Area.”

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute tax revenues, less administrative costs, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund established pursuant to

the Dissolution Act each year to the extent required for payments listed in the Successor Agency's Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See "– Recognized Obligation Payment Schedule" below.

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

To the extent that tax increment revenue generated from project areas other than the Project Area is available after payment of all obligations required to be paid from such amounts, the excess tax increment revenue might, under the Dissolution Act, also be available to pay debt service on the 2016 Bonds.

Teeter Plan. The City has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et. seq.* of the State Revenue and Taxation Code. Generally, under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the county would receive and retain delinquent payments, penalties and interest, as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections, funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan remains in effect in the City unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the City (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the City, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the City. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the 2016 Bonds.

The City maintains a tax loss reserve account which, as of June 30, 2015, held approximately \$20,569,000. As of October 23, 2015, the overall delinquency rate for Fiscal Year 2014-15 for all secured properties in the Project Area was 0.4% (less than one percent). See APPENDIX B – "REPORT OF FISCAL CONSULTANT."

Housing Set-Aside. Prior to the Dissolution Act, the Redevelopment Law required generally that redevelopment agencies set aside in a low and moderate income housing fund not less than twenty percent (20%) of all tax revenues allocated to such agencies. This twenty percent (20%) set-aside requirement was eliminated by the Dissolution Act. However, the Former Agency is bound by a contractual agreement with respect to the Project Area to continue to set aside at least twenty percent (20%) of total tax revenues for the provision of low and moderate income housing. Accordingly, Tax Revenues **do not** include any amounts that, prior to dissolution, would have been required to be deposited in the Former Agency's Low and Moderate Income Housing Fund with respect to the Project Area.

Assembly Bill 1290; Statutory Pass-Throughs. Assembly Bill 1290 (being Chapter 942, Statutes of 1993) ("**AB 1290**") was adopted by the California Legislature and became law on January 1, 1994 (adding among other things, Sections 33607.5 and 33607.7 to the Redevelopment Law). The enactment of AB 1290 created several significant changes in the Redevelopment Law, including the following:

(a) time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are payable from tax increment revenues. (This time limitation has since been eliminated by recent legislation. See "THE PROJECT AREA – The Redevelopment Plan – *Redevelopment Plan Limits*" for a discussion of the elimination of certain time limitations);

(b) limitations on the use of the proceeds of loans, advances and indebtedness for auto malls and other sales tax generating redevelopment activities, as well as for city and county administrative buildings. However, AB 1290 confirmed the authority of a redevelopment agency to make loans to rehabilitate commercial structures and to assist in the financing of facilities or capital equipment for industrial and manufacturing purposes;

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

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

AB 1290 also established a mandatory statutory formula for sharing tax increment ("**Statutory Pass-Through Amounts**") for project areas established, or amended in certain respects, on or after January 1, 1994, which applied to tax increment revenues net of the housing set-aside. The first twenty-five percent (25%) of net tax increment generated by the increase in assessed value after the establishment of the Project Area or the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the 11th year of collecting tax increment, an additional twenty-one percent (21%) of the increment generated by increases in assessed value after the 10th year must be so paid. Finally, beginning in the 31st year of collecting tax increment, an additional fourteen percent (14%) of the increment generated by increases in assessed value after the 30th year must be so paid.

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

Educational Revenue Augmentation Fund (“**ERAF**”) for distribution to the schools. The proportion of pass-through payments received by each of these Taxing Entities and ERAF is shown in the following table.

Pass-through Shares By Taxing Entity

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

* ERAF is not itself a Taxing Entity; revenue deposited to ERAF is distributed to schools.

Source: City Controller.

The Dissolution Act requires the City Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the Taxing Entities on each January 2 or June 1 before amounts are distributed by the City Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded by the Successor Agency, (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the applicable January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency’s enforceable obligations, pass-through payments, and the Successor Agency’s administrative cost allowance for the applicable period, and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends). To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency’s enforceable obligations, pass-through payments, and the Successor Agency’s administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for Statutory Pass-Through Amounts, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. The Successor Agency is of the opinion that the provisions of AB 1290, including the time limitations provided in AB 1290, will not have an adverse impact on the payment of debt service on the 2016 Bonds. Additionally, certain of these time limitations have been removed by recent legislation. See “– Recognized Obligation Payment Schedule” for further information regarding applicable periods and dates and see “THE PROJECT AREA – The Redevelopment Plan – *Redevelopment Plan Limits*” for information regarding eliminated time limits.

The Successor Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the tax revenues and the Statutory Pass-Through Amounts will effectively result in adequate Tax Revenues for the payment of principal and interest on the 2016 Bonds when due. See “– Recognized Obligation Payment Schedule.” See also “TAX REVENUES AND DEBT SERVICE” for additional information regarding the Statutory Pass-Through Amounts applicable to the Successor Agency and the tax revenues derived from the Project Area.

Statutory Pass-Through Amounts are Subordinated to Payment of Debt Service on 2016 Bonds. Section 33607.5(e) of the Redevelopment Law sets forth a process pursuant to which such payments may be subordinated to debt service on newly-issued bonds or loans. The Successor Agency notified the Taxing Entities of its intent to subordinate the Statutory Pass-Through Amounts to debt service on the 2016 Bonds. With the expiration of the requisite 45-day period on February 26, 2016 and no disapproval notices from the Taxing Entities, the Successor Agency is deemed to have the approval of all Taxing Entities to subordinate the payment of the Statutory Pass-Through Amounts to debt service on the 2016 Bonds. The Statutory Pass-Through Amount paid through ERAF to the schools is assumed to be subordinated with the Statutory Pass-Through Amount paid directly to the schools. See also “CERTAIN RISK FACTORS – Subordination of ERAF.” The total Statutory Pass-Through Amounts for Fiscal Year 2015-16 is estimated to be \$5,576,756.

Security for the 2016 Bonds; Equal Security

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in the Indenture, the 2016 Bonds will be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, and all of the moneys in the Special Fund, the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency will be pledged to, or otherwise liable for, the payment of principal of or interest on the 2016 Bonds.

As defined in the Indenture, “**Allocable Tax Revenues**” means all taxes annually allocable, following the Closing Date, to the Successor Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State Laws, and as provided in the Redevelopment Plan, including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the 2014 Bonds, 2016 Bonds and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area and shall also include all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code); but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5, 33607.7 and 34183(a)(1)(A) of the Redevelopment Law unless such payments are subordinated to payments on the 2014 Bonds, 2016 Bonds or under the Parity Debt Instruments pursuant to Sections 33607.5(e) and 34177.5(c) of the Redevelopment Law.

As defined in the Indenture, “**Tax Revenues**” means, all taxes annually allocated and paid to the Successor Agency with respect to the Project Area following the date of delivery of bonds issued thereunder, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax

rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the 2014 Bonds, the 2016 Bonds and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and investment earnings on amounts on deposit hereunder, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5, 33607.7 and 34183(a)(1)(A) of the Redevelopment Law unless such payments are subordinated to payments on the 2014 Bonds or under the Parity Debt Instruments pursuant to Sections 33607.5(e) and 34177.5(c) of the Redevelopment Law. The Successor Agency's collection of Tax Revenues in the Project Area are subject to certain limitations set forth in their respective redevelopment plans. See "THE PROJECT AREA." No amounts deposited into the Redevelopment Property Tax Trust Fund reflecting tax revenues from other of the Successor Agency's project areas is pledged to, or anticipated to be available for, payment of debt service on the 2016 Bonds.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control (e.g., any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies) could affect the amount of Tax Revenues available to pay the principal of and interest on the 2016 Bonds. See "– Tax Increment Financing Generally," "– Recognized Obligation Payment Schedule," "LIMITATIONS ON TAX REVENUES" and "CERTAIN RISK FACTORS."

In consideration of the acceptance of the 2016 Bonds by those who will hold the same from time to time, the Indenture constitutes a contract between the Successor Agency and the Owners from time to time of the 2016 Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all owners of the 2014 Bonds, 2016 Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the bonds over any of the others by reason of the number or date thereof, or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the 2016 Bonds or in the Indenture.

Special Fund; Deposit of Tax Revenues

The First Supplemental Indenture establishes the "Mission Bay South Redevelopment Project 2014 Series A Special Fund (the "**Special Fund**") to be held by the Successor Agency. Pursuant to the First Supplemental Indenture, the 2016 Bonds are equally secured with the 2014 Bonds (together, with the 2016 Bonds, the "**Bonds**") by amounts on deposit in the Special Fund. The Successor Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Special Fund, to the special funds, if any, created with respect to any additional Parity Debt, promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year pursuant to the Indenture and, if applicable, and (ii) with respect to any Parity Debt (other than additional bonds issued pursuant to a Supplemental Indenture) pursuant to the applicable Parity Debt Instruments. If there nonetheless remains insufficient Tax Revenues to make the transfers and deposits required above, then the Successor Agency shall transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Successor Agency with respect to any Bond Year in excess of the amount required to be deposited during a Bond Year into the Special Fund and any other special funds mentioned above will be released from the pledge under the Indenture for the security of the Bonds and any Parity Debt and may be applied by the Successor Agency for any lawful purpose. Prior to the payment in

full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

Debt Service Fund

There has been established under the Indenture a trust fund to be known as the Debt Service Fund, which will be held by the Trustee in trust. The Indenture requires the Successor Agency to transfer from the Special Fund to the Trustee (i) on or before the fourth (4th) business day preceding each Interest Payment Date, the amount necessary to pay interest coming due on the Bonds, (ii) on or before the fourth (4th) business day preceding August 1, the amount then due to pay principal on the Bonds, and (iii) at any time that the amount on deposit in the Reserve Account is less than the Reserve Requirement, the amount necessary to maintain the Reserve Requirement at the requisite amount.

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

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

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

Reserve Account. The Indenture establishes a “**Reserve Account**” to be held by the Trustee for the benefit of the Owners of the Bonds. The amount on deposit in the Reserve Account is required to be maintained at the Reserve Requirement, which is defined in the Indenture to mean, with respect to the 2014 Bonds, the 2016 Bonds and any other Bonds issued pursuant to a Supplemental Indenture, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Bonds that are not issued pursuant to a Supplemental Indenture supplemental to the Indenture and Parity Debt other than Bonds), and (ii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Bonds (excluding from the calculation thereof Bonds that are not issued pursuant to a Supplemental Indenture supplemental to the Indenture and Parity Debt other than Bonds), subject to certain conditions and limitations set forth in the Indenture.

The Trustee shall establish and maintain a “**2016 Reserve Subaccount**” within the Reserve Account for the 2016 Bonds to which the Reserve Sureties shall be credited. Amounts, if any, drawn on the 2016B Reserve Surety shall be available only to pay debt service on the 2016B Bonds, and amounts, if any,

drawn on the 2016C Reserve Surety shall be available only to pay debt service on the 2016C Bonds. The Trustee will draw on the Reserve Sureties in accordance with their respective terms and conditions and with the terms of the Indenture. The amounts available under the reserve surety for the 2016 Bonds will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of the applicable Series of 2016 Bonds then Outstanding. The Trustee will comply with all documentation relating to the Reserve Sureties as required to maintain the reserve sureties in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the Indenture. The Successor Agency has no obligation to replace any reserve surety or to fund the 2016 Reserve Subaccount with cash if, at any time that any Series of 2016 Bonds are Outstanding, amounts are not available under the reserve surety. Additionally, the Successor Agency will have no obligation to replace a Reserve Surety or to deposit any cash in the 2016 Reserve Subaccount in the event that any rating assigned to the Insurer by S&P or Moody's is lowered or withdrawn.

Pursuant to the Indenture, the Trustee shall also establish and maintain a separate subaccount within the Reserve Account designated as the **"2014 Reserve Subaccount."** Amounts currently on deposit in the Reserve Account representing proceeds of the 2014 Bonds and interest earnings thereon shall be deposited in the 2014 Reserve Subaccount and shall be available to pay debt service on the 2014 Bonds and, to the extent specified in a Supplemental Indenture, additional Parity Debt issued as Bonds. Amounts on deposit in the 2014 Reserve Subaccount shall not be available to pay debt service on the 2016 Bonds.

Pursuant to the Indenture, in the event of a draw on amounts on deposit in the 2014 Reserve Subaccount or the 2016 Reserve Subaccount to pay debt service on the Bonds, such draw shall be replenished from Tax Revenues on a proportionate basis with the draws on other subaccounts within the Reserve Account without regard to whether a particular subaccount contained cash or a Qualified Reserve Account Credit Instrument that was drawn upon, provided that, if a particular subaccount contains both cash and a Qualified Reserve Account Credit Instrument, the Qualified Reserve Account Credit Instrument shall be replenished first before the cash in such subaccount is replenished.

Reserve Sureties. *The information in this section was provided by the Insurer for inclusion in this Official Statement.* The Insurer has committed, concurrently with the issuance of the 2016 Bonds, to issue the 2016B Reserve Surety and the 2016C Reserve Surety (together, the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond provides that upon notice from the Trustee to the Insurer ("National") to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the applicable Series of 2016 Bonds, National will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the applicable Series of 2016 Bonds or the available amount of the applicable Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by National of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the applicable Series of 2016 Bonds as specified in the Demand for Payment presented by the Trustee to National, National will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by National with the Trustee which have not been reimbursed by the Issuer. The Successor Agency and National have entered into a Financial Guaranty Agreement dated April 21, 2016 (the "Agreement"). Pursuant to the Agreement, the Issuer is required to reimburse National, with interest, within one year of any deposit, the amount of such deposit made by National with the Trustee under the Debt Service Reserve Fund Surety Bond.

No optional redemption of a Series of 2016 Bonds may be made until the applicable Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond is held by the Trustee in the Debt Service Reserve Fund and is provided as an alternative to the Successor Agency depositing funds equal to the Debt Service Reserve Requirement for outstanding 2016 Bonds of the applicable Series.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

See “BOND INSURANCE – National Public Finance Guarantee Corporation.” for more information about the Insurer. See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for further information regarding the Reserve Account.

Parity Debt

The pledge of Tax Revenues from the Project Area for the 2016 Bonds under the Indenture is on a parity with the lien on and pledge thereof to the 2014 Bonds, currently outstanding in the amount of \$55,550,000.

The Successor Agency currently anticipates issuing additional bonds on a parity with the 2016 Bonds within the next five (5) years. See also “– Limitations on Additional Indebtedness – *Parity Debt*” and “– *Subordinate Debt*” and also “THE PROJECT AREA – Redevelopment Plan – *Redevelopment Plan Limits*” For the redevelopment plan limits on the total amount of bond debt that can be outstanding at any one time in the Project Area.

Property Tax Administration Fees

Pursuant to the Dissolution Act, the City Controller charges the Successor Agency a fee to recover property tax administration costs. This administration fee is approximately 0.02% of tax increment and is allocated among all of the Successor Agency’s project areas as determined at the discretion of the Successor Agency. For Fiscal Year 2014-15, the County’s administrative charge to the Successor Agency for all of its project areas, including the Project Area, was \$49,156. For Fiscal Year 2015-16, it is expected to be approximately \$34,000. See also “LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedure – *Property Tax Administrative Costs*.”

Limitations on Additional Indebtedness

Parity Debt. In addition to the 2016 Bonds, the Successor Agency may issue additional bonds or incur other loans, advances or indebtedness, which are secured by and payable from Tax Revenues on a parity with the lien established under the Indenture for payment of the Bonds to finance or refinance redevelopment activities with respect to the Project Area (“**Parity Debt**”) in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions which are conditions precedent to the issuance and delivery of such Parity Debt:

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

(b) The Tax Revenues received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Project Area as evidenced in a written document from an appropriate official of the City, exclusive of State subventions and taxes levied to pay voter approved

outstanding general obligation bonded indebtedness, shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service on the 2014 Bonds, the 2016 Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt, and Allocable Tax Revenues for the then current Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the City shall be at least equal to one hundred and twenty five percent (125%) of Maximum Annual Debt Service on the Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt;

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

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

Subordinate Debt. Nothing contained in the Indenture prevents the Successor Agency from issuing and selling any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues that is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds (collectively, “**Subordinate Debt**”).

The Successor Agency has authorized the issuance of up to \$90 million subordinate tax allocation bonds pursuant to a separate offering document and indenture. Not less than fifteen days after the sale of the 2016 Bonds, the Successor Agency expects to sell up to \$90 million of such subordinate tax allocation bonds (the “**2016D Subordinate Bonds**”) for the purpose of providing additional funds to finance or refinance certain redevelopment activities in the Project Area. The determination of the actual amount of 2016D Subordinate Bonds to be sold will be made by the Successor Agency at the time of the pricing based on market conditions. The pledge of tax revenues to pay debt service on any such subordinate bonds will be subordinate to that of the 2014 Bonds, 2016 Bonds and any Parity Debt.

Recognized Obligation Payment Schedule

Before each June 1 property tax distribution date, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board, the county auditor-controller, and the California Department of Finance for approval, a Recognized Obligation Payment Schedule (the “**Recognized Obligation Payment Schedule**” or “**ROPS**”) pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

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

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

Per SB 107, commencing on February 1, 2016, successor agencies transitioned to an annual Recognized Obligation Payment Schedule process pursuant to which successor agencies are required to file their Recognized Obligation Payment Schedule with the above-referenced parties for approval each February 1 for the July 1 through June 30 period immediately following such February 1. If the Successor Agency does not timely submit a ROPS to the Oversight Board and California Department of Finance, then the Successor Agency will be subject to a \$10,000 per day civil penalty for every day the schedule is late. Additionally, if the Successor Agency does not submit a ROPS to the Oversight Board and the California Department of Finance within ten (10) days of the deadline, then the Successor Agency's maximum administrative cost allowance may be reduced by up to twenty-five percent (25%). For additional information regarding procedures under the Dissolution Act relating to late ROPSs and implications thereof for the 2016 Bonds, see "CERTAIN RISK FACTORS – Recognized Obligation Payment Schedule."

See "– Last and Final Recognized Obligation Payment Schedule" below for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Dissolution Act pursuant to SB 107.

In the Indenture, the Successor Agency acknowledges that, due to the passage of the Dissolution Act, it will need to take certain actions to ensure that it collects sufficient Tax Revenues to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and in order to ensure the payment of debt service on the 2016 Bonds on a timely basis. The Successor Agency covenants that it will take all such actions as required to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and to make the timely payment of debt service on the 2016 Bonds. The Successor Agency further acknowledges that the provisions of the Dissolution Act require that it establish the Retirement Fund, into which all tax revenues are required to be deposited. The Successor Agency has heretofore established the Retirement Fund as required by Section 34170.5(a) of the California Health and Safety Code, and covenants that it shall continue to hold and maintain the Retirement Fund so long as any of the 2016 Bonds are Outstanding. The Successor Agency hereby agrees that it will hold the Special Fund, as well as any special funds established with respect to any future Parity Debt, as an account within Retirement Fund and will continue to deposit all Tax Revenues, as and when received, into the Special Fund and such other special funds as required by the Indenture in order to ensure that all Tax Revenues are available for the payment of debt service on the 2016 Bonds and any Parity Debt on a timely basis.

The Successor Agency further covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the 2016 Bonds and any Parity Debt on the date, at the place and in the manner provided in the 2016 Bonds and the applicable Parity Debt Instruments, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the 2016 Bonds and any Parity Debt, all amounts required to be deposited in the Special Fund and the special funds relating to any Parity Debt pursuant to and in accordance with the Indenture, as well as any amount required under the Indenture to replenish the Reserve Account and the reserve accounts relating to any Parity Debt, and amounts due to any Insurer under an insurance policy or reserve surety in a Recognized Obligation Payment Schedule annually so as to enable the City-Controller to distribute from the Redevelopment Property Tax Trust Fund on each January 2 and June 1 all amounts required for the Successor Agency to pay principal of, and interest on, the 2016 Bonds and any Parity Debt coming due in the applicable period and pay amounts owed to any Insurer. Specifically, the Successor Agency covenants that it will place on the ROPS for approval by the Oversight Board and California Department of Finance, all amounts required by the Indenture to be deposited and held by the Successor Agency in the Special Fund and the special funds relating to any other Parity Debt, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act. The Successor Agency also covenants to calculate the amount of Tax Revenues received during each period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Special Fund, as required by the Indenture.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's ROPS.

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

On February 19, 2016, the California Department of Finance issued its determination letter with regards to the issuance of the 2016 Bonds. See APPENDIX G – "CALIFORNIA DEPARTMENT OF FINANCE DETERMINATION LETTER APPROVING THE 2016 BONDS."

Last and Final Recognized Obligation Payment Schedule

SB 107 amended the Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a "**Last and Final ROPS**") for approval by the oversight board and the California Department of Finance if: (i) the successor agency's only remaining debt is administrative costs and payments pursuant to enforceable obligations with defined payment schedules, (ii) all remaining obligations have been previously listed on a ROPS and approved by the California Department of Finance, and (iii) the successor agency is not a party to outstanding or unresolved litigation. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency in the following order: (A) enforceable obligations to be funded from the Redevelopment Property Tax Trust Fund, (B) enforceable obligations to be funded from bond proceeds or other legally or contractually dedicated or restricted funding sources, and (C) loans or deferrals authorized for repayment to the city that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets. The Last and Final ROPS must also include the total outstanding obligation and a schedule of remaining payments for each enforceable obligation described in (A) and (B) above, and the total outstanding obligation and an interest rate of four percent (4%), for any loans or deferrals listed pursuant to (C) above. The Last and Final ROPS will also establish the maximum amount of Redevelopment Property Tax Trust Funds to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid. The California Department of Finance's approval is required for any Last and Final ROPS to become effective. The county auditor-controller is also required to review the Last and Final ROPS and provide any objection to the inclusion of any items or amounts to the California Department of Finance. Successor agencies may only amend an approved Last and Final ROPS twice. Commencing on the effective date of the approved Last and Final ROPS, the successor agency will not prepare or transmit annual ROPSs.

After the Last and Final ROPS is approved by the California Department of Finance, the county auditor-controller will continue to allocate moneys in the successor agency's Redevelopment Property Tax Trust Fund pursuant to Section 34183 of the Dissolution Act; however, the county auditor-controller will allocate such moneys in each fiscal period, after deducting the county auditor-controller's administrative costs, in the following order of priority: (A) pass through payments pursuant to Section 34183(a)(1) of the Dissolution Act, (B) scheduled debt service payments on tax allocation bonds listed and approved in the Last and Final ROPS, (C) scheduled payments on revenue bonds listed and approved in the Last and Final ROPS, but only to the extent the revenues pledged for them are insufficient to make the payments and only

if the successor agency's tax increment revenues were also pledged for the repayment of bonds, (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the Redevelopment Property Tax Trust Fund, (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods, (F) repayment of loans and deferrals to the city that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets that are listed and approved on the Last and Final ROPS, and (G) any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described in (A) to (F), above, will be distributed to taxing entities in accordance with Section 34183(a)(4) of the Dissolution Act.

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

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

BOND INSURANCE

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

The following information has been furnished by National Public Finance Guarantee Corporation ("National") for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the Financial Guaranty Insurance Policy issued by National (the "Policy"). Additionally, National makes no representation regarding the 2016 Bonds or the advisability of investing in the 2016 Bonds. A specimen of the Policy is attached hereto as Appendix H.

Bond Insurance Policy Format

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Successor Agency to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 2016 Insured Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless National elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the 2016 Insured Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2016 Insured Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund

redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the 2016 Insured Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the 2016 Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2016 Insured Bonds.

National Public Finance Guarantee Corporation

National is an operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against National. National is domiciled in the State of New York and is licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

The principal executive offices of National are located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and the main telephone number at that address is (914) 765-3333.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, National is also subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for National, limits the classes and concentrations of investments that are made by National and requires the approval of policy rates and forms that are employed by National. State law also regulates the amount of both the aggregate and individual risks that may be insured by National, the payment of dividends by National, changes in control with respect to National and transactions among National and its affiliates.

The National Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of National

National's current financial strength ratings from the major rating agencies are summarized below:

Agency	Ratings	Outlook
S&P	AA-	Stable
Moody's	A3	Negative
KBRA	AA+	Stable

Each rating of National should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of National and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2016 Insured Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2016 Insured Bonds. National does not guaranty the market price of the 2016 Insured Bonds nor does it guaranty that the ratings on the 2016 Insured Bonds will not be revised or withdrawn.

Recent Litigation

In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. For additional information concerning material litigation involving National and MBIA Inc., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 which is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at <http://www.mbia.com>.

MBIA Inc. and National are defending against/pursuing the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

National Financial Information

Based upon statutory financials, as of December 31, 2015, National had total net admitted assets of \$4.7 billion (audited), total liabilities of \$2.2 billion (audited), and total surplus of \$2.5 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2015, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2015, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

The following document filed by MBIA Inc. with the Securities and Exchange Commission (the "SEC") is incorporated by reference into this Official Statement:

MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015.

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.'s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the 2016 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

MBIA Inc., files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.'s SEC filings (MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the

Internet at MBIA Inc.'s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to National at its principal executive offices.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

THE SUCCESSOR AGENCY

The Successor Agency was established by the Board of Supervisors of the City following dissolution of the Former Agency pursuant to the Dissolution Act. Within City government, the Successor Agency is titled "The Office of Community Investment and Infrastructure as the Successor to the San Francisco Redevelopment Agency." Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Dissolution Act, and the limitations thereon.

The Successor Agency maintains a website at www.sfocii.org. The information presented therein is not incorporated herein by reference.

Authority and Personnel

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

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

<u>Name</u>	<u>Occupation</u>	<u>First Appointed</u>	<u>Term Expires</u>
Marily Mondejar	Community Organizer	2012	November 3, 2018
Mara Rosales	Attorney	2012	November 3, 2018
Darshan Singh	Businessman	2012	November 3, 2016
Miguel Bustos	Banker	2014	November 3, 2016
Leah Pimentel	Consultant	2015	November 3, 2016

The Successor Agency currently employs approximately 46 full-time equivalent positions. The Executive Director, Tiffany Bohee, was appointed to that position in February 2012. The other principal full-time staff positions are: the Deputy Director, Finance and Administration; the Deputy Director, Project and Programs; and the Deputy Director and General Counsel. Each project area in which the Successor Agency continues to implement redevelopment plans is managed by a designated project manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Successor Agency has its own fiscal, legal, administrative and property management staffs.

Effect of the Dissolution Act

AB 26. As a result of AB 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to

the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agencies all under the supervision of new oversight boards, the California Department of Finance and the State Controller.

Pursuant to Resolution No. 11-12 (the “**Establishing Resolution**”) adopted by the Board of Supervisors of the City on January 24, 2012 and signed by the Mayor on January 26, 2012, and Sections 34171(j) and 34173 of the Dissolution Act, the Board of Supervisors of the City confirmed the City’s role as successor to the Former Agency.

Pursuant to Ordinance No. 215-12 finally passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the Successor Agency: the “**Successor Agency to the Redevelopment Agency of the City and County of San Francisco**”; (ii) created the Successor Agency Commission as the policy body of the Successor Agency; (iii) delegated to the Successor Agency Commission the authority to act in place of the Former Agency’s Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the Successor Agency; and (iv) established the composition and terms of the members of the Successor Agency Commission. As discussed below, many actions of the Successor Agency are subject to approval by an “oversight board” and review or approval by the California Department of Finance, including the issuance of bonds such as the 2016 Bonds.

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

SB 107. On September 22, 2015, the Dissolution Act was further amended by SB 107, which, among other things, changed the submission of the Recognized Obligation Payment Schedule to annually (as discussed above), expanded the definition of enforceable obligations, reduced the oversight board actions required to be submitted to the Department of Finance for approval and added a new provision to the Health and Safety Code specifically relating to the Successor Agency (i.e., Section 34177.7). See “– Continuing Activities” below for more information relating to Section 34177.7 and “THE PROJECT AREA – The Redevelopment Plan – *Redevelopment Plan Limits*” below for information regarding the elimination of certain time limits.

Oversight Board

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

Department of Finance Finding of Completion

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

2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the California Department of Finance in the amount of \$959,147. The Successor Agency has made all payments required under AB 1484 and received its finding of completion from the California Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

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

Continuing Activities

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

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

In addition, the Successor Agency continues to manage the Former Agency's assets such as the Yerba Buena Center and other real property and assets of the Former Agency that must be wound down under the Dissolution Act as well as the retained housing obligations which include ensuring the development of affordable housing in the Major Approved Development Projects as well as fulfilling a replacement housing obligation.

THE PROJECT AREA

The Redevelopment Plan

General. Under the Redevelopment Law, a city or county that activated a redevelopment agency was required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency could only undertake those activities within a redevelopment project area specifically authorized in the adopted redevelopment plan. A redevelopment

plan is a legal document, the content of which is largely prescribed in the Redevelopment Law. The Mission Bay South Redevelopment Plan was adopted by the Board of Supervisors on November 2, 1998.

The Project Area consists of approximately 238 acres of land located approximately two miles south of the financial district of the City, and is adjacent to AT&T Park, the waterfront baseball stadium for the San Francisco Giants (which is not in the Project Area). The Project Area is bounded on the south by Mariposa Street, on the east by San Francisco Bay, on the north by Mission Creek, and on the west by Seventh Street and the Interstate 280 Freeway. Of the approximately 238 acres that make up the Project Area, Tax Revenues are generated from approximately 51.4 acres.

The Project Area was formerly rail yards, underutilized warehouse and vacant industrial land owned by the Southern Pacific Railroad Company. The goal of the Mission Bay South Redevelopment Plan (the “**Project Area Plan**”) is to create a new mixed-use neighborhood just south of downtown San Francisco’s Financial District and SOMA neighborhoods. The Project Area Plan was developed by the Former Agency in partnership with Catellus (as the original master developer) in the 1990’s. The vision was to attract health science and pharmaceutical companies to create a bio-tech cluster and vibrant residential community, through the presence of the University of California, San Francisco (UCSF) Mission Bay campus (“**UCSF Mission Bay Campus**”) in the Project Area.

At full build-out, the Project Area will be anchored by the UCSF Mission Bay Campus which is a life science research and academic campus which will contain about 4.1 million square feet of university research facilities and a 550-bed medical center consisting of three specialty hospitals: (1) UCSF Benioff Children’s Hospital, (2) UCSF Women’s Specialty Hospital, and (3) UCSF Cancer Hospital (part of the Helen Diller Family Comprehensive Cancer Center). Surrounding the UCSF Mission Bay Campus is land designated for 4 million square feet of private life science and biotechnology lab and office space. The Project Area will also contain approximately 3,440 housing units, of which approximately thirty-two percent (32%) will be affordable. The plan also calls for a 250-room hotel, more than 35 acres of new parks and open space, a new public school and the recently built San Francisco Public Safety Building which includes the relocation of both the San Francisco Police Department Command Center Headquarters and the Southern District Police Station, as well as a new fire station for the Mission Bay community.

Many bio-tech, medical and high-tech companies have moved into the Project Area to take advantage of synergistic partnerships with the UCSF Mission Bay Campus, continually growing bio-tech and high-tech industry clusters, attractive transit-oriented residential offerings and close proximity to downtown San Francisco. The Project Area is also home to many prominent businesses and research institutions including J. David Gladstone Institutes, Old Navy Brand Corporate Headquarters of The Gap Inc. (NYSE symbol: GPS), Bayer U.S. Innovation Center (USIC), Nektar Therapeutics (NASDAQ symbol: NKTR), FibroGen, Celgene (NASDAQ symbol: CELG), Meraki Networks, a division of Cisco Systems (NASDAQ symbol: CSCO), Third Rock Ventures, Kaiser Permanente and others. The Project Area is also the location of the future headquarters for Uber.

The Project Area is well-served by public transit, including the existing CalTrain railroad station located at the southwest corner of Fourth and Townsend Street and Muni’s Third Street “light-rail” line, which runs directly to the City’s financial district, and which commenced operation at the beginning of 2007. Approximately \$409 million in public infrastructure has been completed to date in the Project Area which includes new roads, sewer and storm water infrastructure and parks and open space. Approximately \$184 million of new infrastructure still needs to be completed, for a total of approximately \$593 million of investment in infrastructure at full build-out. Public infrastructure has been financed upfront by (and reimbursed from Project Area net tax increment revenues and bond proceeds to) the master developer pursuant to the Mission Bay South Owner Participation Agreement. See the “– Mission Bay South Owner Participation Agreement” discussion herein.

Redevelopment Plan Limits. The following table provides plan limitation information regarding the Project Area.

**Mission Bay South Redevelopment Project Area
Original⁽¹⁾ Plan Limits Summary**

<u>Plan Limit Termination Dates</u>					<u>Revenue Limits</u>	
Approximate Area Size (acres)	Plan Adoption Date	Last Day to Incur Debt	Plan Duration	Last Day to Repay Debt	Total Tax Increment Limit	Limit on Bonds Outstanding ⁽⁴⁾
238 ⁽²⁾	11/02/98	11/02/28 ⁽³⁾	11/02/28 ⁽³⁾	11/02/43	No limit	\$450,000,000

⁽¹⁾ SB 107 eliminated some of these limits. See paragraphs below.

⁽²⁾ Of the approximately 238 acres that make up the Mission Bay South Redevelopment Project Area, Tax Revenues are only generated from approximately 51.4 acres.

⁽³⁾ Prior to SB 107, the Successor Agency could not incur debt for purposes other than financing low and moderate income housing after November 2, 2018.

⁽⁴⁾ This limit represents the amount of bond indebtedness that can be outstanding at any one time. Following the issuance of the 2016 Bonds, approximately \$189 million of bond indebtedness will be outstanding with respect to the Project Area. Such amount includes the aggregate principal amount of the 2016 Bonds and the current outstanding principal amount of the 2014 Bonds and \$15 million in housing-related tax allocation debt, but does not include the 2016D Subordinate Bonds. The Successor Agency expects to issue up to a principal amount of \$90 million of 2016D Subordinate Bonds not less than fifteen (15) days after the date of this Official Statement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Limitations on Additional Indebtedness – *Subordinate Debt*.”

Source: Successor Agency.

The Project Area Plan includes a limit of November 2, 2028 as the last day on which debt can be issued to meet the Successor Agency’s low and moderate income housing requirements and of November 2, 2018 as the last day on which debt can be issued for any other purpose. However, the plan does not contain a limit on the amount of tax increment that may be collected in the Project Area. The last date to repay indebtedness under the plan is November 2, 2043. As discussed below, certain of these limitations no longer apply.

On September 22, 2015, the Governor signed SB 107, which effected changes to the Dissolution Act. Solely for the purposes of the payment of enforceable obligations, including the Series 2016 Bonds, and for no other purpose whatsoever, a successor agency is no longer subject to the limitations relating to time, number of tax dollars, or any other matters set forth in Sections 33333.2, 33333.4, and 33333.6 of the Redevelopment Law and included within the redevelopment plans. Under this change, the Successor Agency will continue to be allocated revenue from all former project areas until such time as all enforceable obligations have been repaid, even if such time extends beyond November 2, 2043. (Currently no bonds of the Successor Agency mature later than that date; the Successor Agency has not indicated at this time any intention to issue bonds that would mature beyond that date.). SB 107 did not however change the redevelopment plan’s limit on the amount of bonds that can be outstanding at any one time or restore or continue funding for projects whose contractual terms specified that project funding would cease once the limits in the above-referenced provisions of the Redevelopment Law were realized. The amount of bond indebtedness relating to the Project Area after the issuance of the 2016 Bonds is estimated to be \$189 million, which amount includes approximately \$15 million in housing-related tax allocation debt which is payable from tax increment deposited in the Successor Agency’s Low and Moderate Income Housing Fund, and \$55.5 million in tax allocation debt relating to the 2014 Bonds. Additionally, not less than fifteen (15) days from the date of this Official Statement, the Successor Agency expects to issue up to \$90 million in principal amount of 2016D Subordinate Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Limitations on Additional Indebtedness – *Subordinate Debt*.”

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

Land Use

Land Use Breakdown. The table below shows the breakdown of land use by the number of parcels and secured assessed valuation.

Mission Bay South Redevelopment Project Area Land Use Breakdown for Fiscal Year 2015-16

<u>Land Use</u>	<u>Secured Assessed Valuation</u>	<u>% of Total Valuation</u>	<u>No. of Parcels</u>	<u>% of Total Parcels</u>
Commercial	\$1,181,670,117	50.2%	50	8.7%
Industrial	-	0.0	4	0.7
Residential				
<i>Condominiums</i>	417,163,509	17.7	431	74.7
<i>Apartment/Townhome</i>	54,438,563	2.3	2	0.3
Undeveloped/Under Construction	702,163,810	29.8	20	3.5
Publicly Owned/Other ⁽¹⁾	153,828	0.0	70	12.1
Total	\$2,355,589,827	100.0%	577	100.0%

⁽¹⁾ Miscellaneous taxable University of California properties.

Sources: County Assessor; Urban Analytics.

Land Use Entitlements. The table below sets forth the land use entitlements in the Project Area, as of March 1, 2016.

Mission Bay South Redevelopment Project Area Current Entitlements and Construction Status in the Project Area

<u>Entitlement</u>	<u>Completed</u>	<u>Under Construction</u>	<u>Total Completed or Under Construction</u>	<u>Total Size of Entitlement</u>	<u>% Completed or Under Construction</u>
University Research Facilities	2.2 million s.f.	–	2.2 million s.f.	4.1 million s.f.	54%
Medical Center	289 beds	–	289 beds	550 beds	53%
Office/Lab Space	1.93 million s.f.	637,000 s.f.	2.57 million s.f.	4 million s.f.	64%
Residential Housing	2,132 units	550 units	2,682 units	3,440 units	78%
Hotel	–	–	–	250 rooms	–
Retail Space	97,200 s.f.	14,200 s.f.	111,400 s.f.	289,000 s.f.*	39%
Open Space	11.7 acres	2 acres	13.7 acres	35.9 acres	38%

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

Sources: Successor Agency; Mission Bay Development Group.

Status of Development

University of California San Francisco (UCSF). To date, UCSF has completed over 2.2 million square feet in ten buildings, including six research buildings, a campus housing project, and the campus community center, plus related parking. UCSF also completed construction in 2015 on the \$1.5 billion first phase of its medical center which consists of: three specialty hospitals for women’s and children’s health,

and cancer treatment; an energy center and soon-to-be-constructed outpatient building. UCSF recently completed the planning and environmental review for the remainder of its north campus (north of the medical center site), including the addition of nearly one million square feet of additional research and office space. When combined with the addition of UCSF's "east campus" (Blocks 33+34), total entitlement for the UCSF campus (excluding the medical center) has been increased from 2.65 million square feet to over 4.1 million square feet.

Commercial Office and Lab. Eight commercial buildings totaling more than 1.9 million square feet of private biotechnology lab space and office space have been completed, including the headquarters for Old Navy and FibroGen, Inc., space for the pharmaceutical companies Bayer and Nektar and cloud computing company Meraki (acquired by Cisco Systems). At the end of 2013, Alexandria Real Estate Equities Inc. (NYSE symbol: ARE) ("**Alexandria**") sold its 1600 Owens property to Kaiser Permanente for a medical office; construction of the approximately 220,000 square-foot building recommenced in mid-2014 and is now complete. In May 2014, FOCIL sold its last market rate parcel of land, Block 40, to Kilroy for \$95 million; construction has recently commenced, comprised of several office buildings with ground floor retail totaling approximately 650,000 rentable square feet.

In fall 2010, Salesforce.com purchased approximately 14 acres of land for about \$289 million from Alexandria to construct a two million square foot headquarters complex. Salesforce.com subsequently canceled plans to move forward with construction and has since sold all of the property. In the fall of 2014, UCSF acquired 3.7 acres on Blocks 33-34 from Salesforce for the construction of approximately 500,000 square feet of office and lab, and ARE and Uber purchased 1.7 acres on Blocks 26-27 from Salesforce for \$125 million for development of the 400,000+ square foot headquarters for Uber. The Uber project is in the schematic design process. In October 2015, the Golden State Warriors acquired 8.8 acres on Blocks 29-32 for an undisclosed sum, and received approvals for a new approximately 18,000 seat arena, which includes approximately 577,000 square feet of office and 54,000 square feet of retail. The Golden State Warriors project is currently subject to delay pending the outcome of various lawsuits filed by opponents of the arena project. Those lawsuits do not challenge the validity of the 2016 Bonds or any other bond issuance relating to the Project Area. No potential assessed valuation from the construction of the Golden State Warriors project is included in the Projected Tax Revenues showed herein. Accordingly, the Successor Agency does not believe that such litigation will have a material impact on the availability of Tax Revenues to pay debt service on the 2016 Bonds.

Residential. All of the market rate residential development in the Project Area (comprised of 2,332 units) is either completed (1,982 units) or under construction (350 units). The first market rate condominium project, the 99-unit Radiance developed by BOSA California ("**BOSA**"), opened in July 2009, and the second residential project, a 192-rental project by Urban Housing Group opened in April 2009. Phase 2 of the Radiance, called the Madrone (329-units developed by BOSA), was completed in 2012 and sold out by early 2013. In 2013, BOSA commenced construction on 267 condos located on Block 12E which are now completed and sold out. Construction is complete on Blocks 2 (315 units developed by United Domain Realty Trust, Inc. (NYSE symbol: UDR), 3 West (147 units developed by Summerhill Homes), 5 and 11 (172 units and 188 units developed by Essex Property Trust Inc. (NYSE symbol: ESS), and 13 West (273 units developed by Equity Residential (NYSE symbol: EQR) for a total of 1,095 new market rate rental units delivered over the last two years. Construction of 350 condos recently commenced on the hotel parcel, Block 1 (described further below).

Other Projects. The hotel parcel was re-entitled in 2013 for a mix of 350 residential units and 250 hotel rooms. The hotel portion is getting ready to request building permits, and the residential portion is under construction. A new Public Safety Building is completed and houses the police headquarters offices for the City, as well as a new fire station and community room to serve the Mission Bay community. Family House is in the process of completing 80 units of temporary stay housing for families receiving treatment at the UCSF Medical Center. Construction has recently been completed on a children's park serving the residential neighborhood and a large park adjacent to the UCSF Medical Center. Construction has also

recently commenced on two waterfront parks that will also help treat storm water before it is discharged to the Bay. Street and utility infrastructure that will complete the residential neighborhood and the area surrounding the UCSF Medical Center is nearing completion, with the last phases of work occurring in the area adjoining the hotel parcel, Public Safety Building, southwest corner of the residential neighborhood, and west edge of the UCSF Medical Center.

Property Tax Exemption of Certain Properties

General. Under California law, certain properties are exempt from property taxation including properties owned or leased by governmental entities or by certain nonprofit corporations. As discussed below, certain properties are currently exempt from property taxes and expected to remain exempt and taxes therefrom are not included in calculations of Tax Revenues. Further, as development continues, property transfers may occur to entities, or for uses, which render such properties exempt from property taxation. **It is possible that a parcel subject to property tax which is included in the projections of Tax Revenues may be converted by change of use, transfer or condemnation, to a parcel exempt from taxation, in whole or in part.**

Currently Exempt Parcels. Certain developed parcels in the Project Area are currently exempt from property taxes and are not included in Tax Revenues. These consist of a 14-acre parcel (Blocks 36-39 and X-3), owned by the University of California, a State governmental entity, and under construction as a medical center, a 3.7 acre parcel (Blocks 33-34) acquired by the University of California in 2014, planned for office and lab space, 99,114 square feet of office space leased by UCSF in the building at 1500 Owens Street (although this property is subject to a PILOT Agreement (described below) and the Successor Agency expects to collect payments thereunder in the future) and the property and building at 1650 Owens Street, which is owned by the Gladstone Institute, a non-profit entity.

Several vacant or recently-developed parcels in the Project Area are owned by, or reserved for, nonprofit corporations for development of low and moderate income housing. These parcels are currently not taxed and are expected to be exempt from property taxation even when developed. No property taxes are expected to be generated by these parcels and no amounts from these parcels are included in Tax Revenues.

Possible Conversions to Exempt Uses. The Successor Agency is aware of the following recent developments with respect to taxable parcels which may be converted to ownership or uses which render such properties exempt from property taxation.

Kaiser Permanente, an entity that could potentially qualify for property tax exemption, purchased 1600 Owens Street in December 2013. The property and the 450,000 square-foot building at 409-499 Illinois Street is currently subject to property taxation. According to UCSF, UCSF is under contract to lease approximately 41,792 square feet at 499 Illinois Street. Any space leased by UCSF would likely be exempt from property taxation.

UCSF acquired additional blocks in the Project Area (Blocks 33-34 included in the list of currently exempt parcel above), and has since been acquiring additional land outside the Project Area in the nearby neighborhood immediately to the south of the Project Area. However, 1600 Owens Street and substantially all property within the Project Area which could be acquired or leased by UCSF are subject to agreements (each, a “**PILOT Agreement**”), which require any tax-exempt owner or lessee, including a nonprofit entity, to make payments, under certain circumstances, in lieu of taxes at the times, and in the amounts, as if the property were subject to taxation. Each such PILOT Agreement was prepared in connection with the OPA (described below) and is recorded in the City’s real property records and the Successor Agency is an express third-party beneficiary thereof. There is no express remedy of foreclosure under the PILOT Agreements. In addition, there may be limitations on remedies available against Kaiser Permanente, UCSF, or any other tax exempt entity, in the event of nonpayment under a PILOT Agreement. It is possible that UCSF may

seek to avoid application of a PILOT Agreement or negotiate alternative arrangements with respect to any property it acquires or leases. Currently, there is only one PILOT Agreement pursuant to which the Successor Agency may be able to collect payments. However, no such payments have been included in the projected Tax Revenues shown in this Official Statement. Payments under a PILOT Agreement are considered Tax Revenues pledged to the payment of the 2016 Bonds. No PILOT Agreement payments have been received and none are included in the projections of Tax Revenues included herein.

Mission Bay South Owner Participation Agreement

In order to facilitate the implementation of the Mission Bay South Redevelopment Plan, the Former Agency and Catellus Development Corporation, a Delaware corporation, as successor in interest to the original landowner (collectively, “**Catellus**”) entered into the Mission Bay South Owner Participation Agreement (the “**OPA**”), dated November 16, 1998 (as subsequently amended), regarding the development of property within the Project Area. Under the OPA, Catellus was obligated to construct or cause to be constructed all of the public improvements in the Project Area (the “**Infrastructure**”) in accordance with obligations outlined in the OPA. FOCIL acquired parcels in the Project Area from Catellus. As a result of its acquisitions, FOCIL was required to assume all of Catellus’ obligations under the OPA to construct the Infrastructure.

The OPA includes a Financing Plan (the “**Financing Plan**”) under which the Former Agency committed Net Available Increment from the Project Area to be used towards the payment of costs of the Infrastructure. “**Net Available Increment**” is defined in the Financing Plan to mean the tax increment revenues arising under the Mission Bay South Redevelopment Plan and received by the Former Agency, exclusive of: (i) Housing Increment (calculated solely at 20% of the total tax revenues received by the Successor Agency pursuant to the Mission Bay South Redevelopment Plan); (ii) tax increment revenues required by the Redevelopment Law to be paid to other taxing agencies (initially, 20% of the total tax increment revenues received by the Successor Agency, and otherwise pursuant to the Redevelopment Law and Mission Bay South Redevelopment Plan); and (iii) tax increment revenues needed to pay Agency Costs (as defined in the Financing Plan) not otherwise paid from other sources. Pursuant to the Tax Increment Allocation Pledge Agreement, dated as of November 16, 1998 (the “**Tax Allocation Agreement**”) between the City and the Former Agency, all Net Available Increment produced from the Project Area and any interest earnings thereon shall be irrevocably pledged by the Former Agency as a first pledge for the payment of principal of and interest on indebtedness of the Former Agency incurred for the purpose of financing or refinancing the construction of the Infrastructure.

The Successor Agency, as successor to the Former Agency, is issuing the 2016B Bonds in furtherance of its obligations under the OPA to finance the acquisition of the Infrastructure.

The OPA provides that Catellus is responsible (which responsibility has been assumed by FOCIL) for constructing the Infrastructure and that the Successor Agency will provide financing of a portion of the costs of the Infrastructure through the issuance of tax allocation bonds, the establishment of one or more community facilities districts (“**CFDs**”) under the Mello-Roos Act, and through direct acquisition from Net Available Increment. Pursuant to the OPA, CFDs have issued bonds (the “**CFD Bonds**”) secured by special taxes levied on property in such community facility district to pay for a portion of the Infrastructure. As of January 1, 2016, approximately \$135.5 million aggregate principal amount of such CFD Bonds is outstanding (excluding accrued interest). Any Net Available Increment available after payment of tax allocation bonds (including, the 2016 Bonds) may be used to pay, if necessary, the principal of, and interest and any premium on, the CFD Bonds, offset special taxes due with respect to CFD Bonds and pay for Infrastructure directly.

The Former Agency and Catellus entered into an Acquisition Agreement (the “**Acquisition Agreement**”) dated as of June 1, 2001, as supplemented as of October 1, 2002 and assumed by FOCIL in 2004. Under the terms of the Acquisition Agreement, the Successor Agency will acquire the Infrastructure

from FOCIL upon completion of various discrete components of infrastructure and inspection thereof by the City.

As provided in the Financing Plan, FOCIL (or its successors) agrees to pay certain shortfalls in the available tax increment needed to pay debt service on tax allocation bonds issued by the Successor Agency (including the 2016 Bonds) to finance Infrastructure within or benefiting the Project Area by reductions in assessed values. This payment obligation applies to tax increment generated by property in the Project Area owned by FOCIL or its successors. To further evidence its obligations under the Financing Plan, FOCIL has entered into the Mission Bay South Tax Allocation Debt Promissory Note and shall require that any successor or transferee with a Net Worth (as defined in the Financing Plan) equal to or greater than \$25,000,000 execute a similar Tax Allocation Debt Promissory Note in order for FOCIL to be released from the promissory note relating to such property. All of the taxable property in the Project Area has been transferred by FOCIL to third parties and all such third parties have posted promissory notes as required by the OPA. Such promissory note requirement does not apply to property owned by individual homeowners and homeowner's associations.

TAX REVENUES AND DEBT SERVICE

Pursuant to the Indenture, Tax Revenues are to be deposited by the Successor Agency into the Special Fund. Thereafter, moneys in the Special Fund shall be transferrable by the Successor Agency to the Trustee for deposit in the Debt Service Fund, administered by the Trustee and applied to the payment of the principal of and interest on the 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Special Fund; Deposit of Tax Revenues." The Successor Agency has retained the Fiscal Consultant to provide projections of taxable assessed valuation, tax increment revenue, and Tax Revenues from developments in the Project Area.

Historical and Current Assessed Valuation and Tax Revenues for the Project Area

General. The tables below set forth the following information for the Project Area: (i) the property taxable values and Allocable Tax Revenues (which do not include any payments under PILOT Agreements, see "THE PROJECT AREA–Property Tax Exemption of Certain Properties") received from the Project Area for Fiscal Years 2010-11 to 2014-15; (ii) information on concentration of assessed value for Fiscal Year 2015-16; and (iii) estimated debt service coverage. Based on assessment roll data provided by the offices of the San Francisco Assessor, San Francisco Controller, and State Board of Equalization, the total assessed valuation for 2015-16 in the Project Area, after deducting all exemptions except the homeowner's exemption which is reimbursed by the State, is \$2.6 billion in the Project Area. This represents a gain of 21.8% over Fiscal Year 2014-15.

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

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Secured Property Assessed Values⁽¹⁾:					
Real Property	\$1,026,260	\$1,357,250	\$1,636,906	\$1,941,452	\$2,355,590
SBE Rolls	—	—	—	—	—
Total Secured Assessed Value	\$1,026,260	\$1,357,250	\$1,636,906	\$1,941,452	\$2,355,590
Unsecured Assessed Value	147,433	146,118	148,597	167,770	213,470
Total Assessed Value	\$1,173,693	\$1,503,368	\$1,785,502	\$2,109,223	\$2,569,060
Base Year Values:					
Secured	\$ 85,054	\$ 85,054	\$ 85,054	\$ 85,054	\$ 85,054
Unsecured	12,628	12,628	12,628	12,628	12,628
Increase Over Base-Year Values:					
Secured	\$ 941,206	\$1,272,196	\$1,551,852	\$1,856,399	\$2,270,536
Unsecured	134,805	133,490	135,969	155,142	200,842
Secured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
Unsecured Tax Rate	0.010040	0.010000	0.010000	0.010000	0.010000
Tax Increment Revenue⁽²⁾					
Secured Property	\$ 9,412	\$ 12,722	\$ 15,519	\$ 18,564	\$ 22,705
Unsecured Property	\$ 1,353	\$ 1,335	\$ 1,360	\$ 1,551	\$ 2,008
Gross Tax Increment Revenue	\$ 10,765	\$ 14,057	\$ 16,878	\$ 20,115	\$ 24,714
Less: 20% Housing Set-Aside	\$ 2,153	\$ 2,811	\$ 3,376	\$ 4,023	\$ 4,943
Less: AB 1290 Pass-through Obligation ⁽³⁾	—	—	—	—	—
Less: Apportioned County Admin Fee ⁽⁴⁾	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>4</u>
Tax Increment Revenue *	\$ 8,611	\$ 11,243	\$ 13,500	\$ 16,089	\$ 19,767

*numbers may not add due to rounding.

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

(2) Revenue numbers equal the tax rate times the increase over base year value and do not necessarily equal amounts collected. The Successor Agency may receive other revenues, including supplemental taxes, prior-year escape assessments and payments in lieu of taxes.

(3) Future AB 1290 payments for this Project Area have been subordinated to the 2016 Bonds and existing Parity Debt and accordingly are not deducted from Tax Revenues and are not shown above. See “APPENDIX B – REPORT OF THE FISCAL CONSULTANT” for the Statutory Pass-Through Amounts.

(4) Property tax administration fees are deducted by the City Controller from total Successor Agency revenue; figures shown are estimates based on the Project Area’s proportionate share of total Successor Agency revenue.

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

Ten Largest Property Owners by Valuation. The table below summarizes the ten largest property owners based on Fiscal Year 2015-16 assessed valuation.

Table 2
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Mission Bay South Redevelopment Project Area
Ten Largest Property Owners by Assessed Valuation for Fiscal Year 2015-16
(Assessed Values Exclude Homeowner Subventions)

<u>Property/Taxpayer</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value</u>	<u>Land Use</u>
ALEXANDRIA REAL ESTATE SF * (1: 2014-15)	\$ 667,628,392	26.0%	Commercial Office
HINES GLOBAL REIT ** (1: 2014-15, 1: 2013-14)	203,805,315	7.9	Commercial Office
BOSA DEVELOPMENT CA	191,278,095	7.4	Residential
BAY JACARANDA	184,451,821	7.2	Commercial - Vacant Land
DCO MISSION BAY LP	121,127,853	4.7	Residential
SOBRATO DEVELOPMENT CO #871	101,323,765	3.9	Commercial Office
ESSEX PORTFOLIO	94,627,030	3.7	Residential
STRATA APARTMENT HLDGS LLC	83,860,027	3.3	Residential
FIBROGEN INC	73,381,790	2.9	Commercial - R&D
EQR MISSION BAY BLOCK 13 LP	<u>71,828,933</u>	<u>2.8</u>	Residential
Total Ten Largest:	<u>1,793,313,021</u>	69.8%	
All Other	<u>775,747,011</u>	<u>30.2</u>	
Total for the Area:	<u>\$2,569,060,032</u>	100.0%	
<i>Ten Largest as Percentage of Incremental Assessed Value:</i>		<i>72.6%</i>	

* Owner has the indicated number of appeals pending in the years shown. Owner owns sixteen (16) office properties in the Project Area; the percentage of assessed value reflects all 16 of those properties.

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

Sources: County Assessor; Urban Analytics.

Projected Tax Revenues and Debt Service Coverage

Set forth below are tables showing projected gross tax increment revenue, projected Tax Revenues, net tax increment revenue and estimated debt service coverage. The below projections assume annual growth calculated using the Proposition 13 inflation factor of 1.525% for Fiscal Year 2016-17 and of 2.0% thereafter for real property (Table 3) and no growth thereafter for real property (Table 4), no growth in unsecured and personal property, no enrollment of new construction and a tax levy of 1.0%, through the maturity of the 2016 Bonds.

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

The AB 1290 obligations for the Project Area have been subordinated to debt service payments on the 2016 Bonds in accordance with the statutory procedure therefor. Such subordinated AB 1290 obligations are therefore not deducted from Tax Revenues in the tables below for the Project Area. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs.*”

Table 3
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Mission Bay South Redevelopment Project Area
Projected Tax Revenues⁽¹⁾

Fiscal Year Ending June 30	Gross Tax Increment	<i>Less</i> Portion Applied to Housing	<i>Less</i> Property Tax Admin Fee	Projected Tax Revenues ⁽²⁾
2016	\$ 24,713,781	\$ (4,942,756)	\$ (4,201)	\$ 19,766,824
2017	25,070,062	(5,014,012)	(4,262)	20,051,788
2018	25,544,441	(5,108,888)	(4,343)	20,431,210
2019	26,028,307	(5,205,661)	(4,425)	20,818,221
2020	26,521,851	(5,304,370)	(4,509)	21,212,972
2021	27,025,266	(5,405,053)	(4,594)	21,615,618
2022	27,538,748	(5,507,750)	(4,682)	22,026,317
2023	28,062,501	(5,612,500)	(4,771)	22,445,230
2024	28,596,729	(5,719,346)	(4,861)	22,872,522
2025	29,141,641	(5,828,328)	(4,954)	23,308,359
2026	29,697,451	(5,939,490)	(5,049)	23,752,912
2027	30,264,378	(6,052,876)	(5,145)	24,206,357
2028	30,842,643	(6,168,529)	(5,243)	24,668,871
2029	31,432,474	(6,286,495)	(5,344)	25,140,635
2030	32,034,101	(6,406,820)	(5,446)	25,621,835
2031	32,647,760	(6,529,552)	(5,550)	26,112,658
2032	33,273,693	(6,654,739)	(5,657)	26,613,298
2033	33,912,144	(6,782,429)	(5,765)	27,123,951
2034	34,563,365	(6,912,673)	(5,876)	27,644,816
2035	35,227,610	(7,045,522)	(5,989)	28,176,099
2036	35,905,140	(7,181,028)	(6,104)	28,718,008
2037	36,596,220	(7,319,244)	(6,221)	29,270,755
2038	37,301,122	(7,460,224)	(6,341)	29,834,556
2039	38,020,122	(7,604,024)	(6,463)	30,409,634
2040	38,753,502	(7,750,700)	(6,588)	30,996,214
2041	39,501,550	(7,900,310)	(6,715)	31,594,525
2042	40,264,558	(8,052,912)	(6,845)	32,204,802
2043	41,042,827	(8,208,565)	(6,977)	32,827,284
Total	\$899,523,987	\$(179,904,796)	\$(152,920)	\$719,466,271

⁽¹⁾ Tax Revenues are projected using a Proposition 13 inflation factor of 1.525% for Fiscal Year 2016-17 and of 2.0% thereafter for real property, no growth in unsecured and personal property, and a tax levy of 1.00%. Projected Tax Revenues are net of the 20% portion applied to housing and the property tax administration fee. Actual revenues may vary. See APPENDIX B – “REPORT OF FISCAL CONSULTANT” for Projected Tax Revenues assuming no growth.

⁽²⁾ Statutory Pass-Through payments are subordinated to the 2016 Bonds and are not reflected above.

Source: Urban Analytics.

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

Fiscal Year Ending June 30	Available Projected Tax Revenues	Parity Debt Debt Service	2016B Bonds Debt Service	2016C Bonds Debt Service	Total Debt Service	Debt Service Coverage Ratio ⁽¹⁾
2017	\$ 20,051,788	\$ 3,496,500	\$ 3,192,483	\$ 5,220,928	\$ 11,909,911	1.68x
2018	20,051,788	3,498,750	3,191,500	5,220,300	11,910,550	1.68x
2019	20,051,788	3,499,000	3,191,800	5,221,100	11,911,900	1.68x
2020	20,051,788	3,502,250	3,186,000	5,223,500	11,911,750	1.68x
2021	20,051,788	3,498,250	3,193,250	5,220,500	11,912,000	1.68x
2022	20,051,788	3,497,250	3,187,500	5,223,250	11,908,000	1.68x
2023	20,051,788	3,494,000	3,189,250	5,226,250	11,909,500	1.68x
2024	20,051,788	3,498,500	3,188,000	5,224,250	11,910,750	1.68x
2025	20,051,788	3,500,250	3,188,750	5,222,250	11,911,250	1.68x
2026	20,051,788	3,499,250	3,191,250	5,220,000	11,910,500	1.68x
2027	20,051,788	3,495,500	3,185,250	5,227,250	11,908,000	1.68x
2028	20,051,788	3,499,000	3,186,000	5,223,250	11,908,250	1.68x
2029	20,051,788	3,499,250	3,188,000	5,223,250	11,910,500	1.68x
2030	20,051,788	3,501,250	3,186,000	5,221,750	11,909,000	1.68x
2031	20,051,788	3,499,750	3,190,000	5,218,500	11,908,250	1.68x
2032	20,051,788	3,494,750	3,189,500	5,223,250	11,907,500	1.68x
2033	20,051,788	3,501,250	3,189,500	5,220,250	11,911,000	1.68x
2034	20,051,788	3,498,500	3,189,750	5,219,500	11,907,750	1.68x
2035	20,051,788	3,496,750	3,190,000	5,220,500	11,907,250	1.68x
2036	20,051,788	3,495,750	3,185,000	5,227,750	11,908,500	1.68x
2037	20,051,788	3,500,250	3,189,750	5,220,500	11,910,500	1.68x
2038	20,051,788	3,494,750	3,188,500	5,224,000	11,907,250	1.68x
2039	20,051,788	3,499,500	3,186,250	5,222,250	11,908,000	1.68x
2040	20,051,788	3,498,750	2,442,750	5,970,000	11,911,500	1.68x
2041	20,051,788	3,502,500	2,439,750	5,969,250	11,911,500	1.68x
2042	20,051,788	10,060,250	1,846,750	-	11,907,000	1.68x
2043	<u>20,051,788</u>	<u>10,059,000</u>	<u>1,848,000</u>	<u>-</u>	<u>11,907,000</u>	1.68x
Total	\$541,398,276	\$107,580,750	\$81,920,533	\$132,053,578	\$321,554,861	-

Debt service is shown on a bond year basis.

⁽¹⁾ Estimated Debt Service Coverage projections do not include debt service for the 2016D Subordinate Bonds.

Sources: Stifel, Nicolaus & Company, Incorporated; Urban Analytics.

Assessment Appeals

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

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

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

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

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Table 5
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
Mission Bay South Redevelopment Project Area
Assessment Appeals

Roll Year	Status	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate*
2014-15	Resolved	4	\$ 284,778,050	\$ 191,929,715	\$ 284,778,050	100.0%
2014-15	Pending	2	254,987,559	127,600,000	TBD	TBD
2013-14	Resolved	13	417,274,230	286,914,442	417,274,230	100.0%
2013-14	Pending	1	114,305,085	57,000,000	TBD	TBD
2012-13	Resolved	21	326,308,443	207,855,585	325,373,405	99.7%
2012-13	Pending	-	-	-	-	-
2011-12	Resolved	13	285,407,709	200,540,178	284,546,551	99.7%
2011-12	Pending	-	-	-	-	-
2010-11	Resolved	20	890,404,689	436,641,720	810,638,314	91.0%
2010-11	Pending	-	-	-	-	-
2009-10	Resolved	11	288,095,414	167,204,633	288,095,414	100.0%
2009-10	Pending	-	-	-	-	-
All Years	Resolved	82	\$2,492,268,535	\$1,491,086,273	\$2,410,705,964	96.7%
All Years	Pending	3	\$ 369,292,644	\$ 184,600,000	TBD	TBD

Potential exposure to reductions in valuation from pending appeals using retention rate **: \$12,085,559

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

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

Source: San Francisco County Assessment Appeals Board. Data as of 12/8/2015.

Pending appeals have been filed by two (2) of the largest property owners in the Project Area, specifically Alexandria Real Estate SF, which has one (1) appeal pending on its Fiscal Year 2014-15 valuation, and Hines Global REIT 550 Terry Francois, which has one (1) appeal pending on its Fiscal Year 2013-14 valuation and one (1) appeal pending on its Fiscal Year 2014-15 valuation. See APPENDIX B – “REPORT OF FISCAL CONSULTANT.”

Were the City Controller to change its policy of deducting appeal-related tax refunds solely from taxing entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions, applying the retention rate of 96.7% to the valuation currently subject to pending appeals, the estimated reduction in prior-year assessed valuation would be \$12.1 million or approximately \$97,000 in total Tax Revenues. As this includes properties with appeals in multiple years, it does not necessarily indicate an equivalent reduction in future revenue. If the full amount of disputed valuation were to be granted by the City’s Assessment Appeals Board (the “**Assessment Appeals Board**”) across the Project Area, and if the City Controller were to deduct the resulting tax refunds from the Successor Agency’s tax increment, the estimated reduction in prior-year assessed valuation would be \$184.0 million for the Project Area and approximately \$1.5 million in total Tax Revenues; this may also include multi-year appeals and does not necessarily indicate an equivalent reduction in future revenue.

CERTAIN RISK FACTORS

In addition to the information set forth elsewhere in this Official Statement, potential investors should consider the following matters in evaluating an investment in the 2016 Bonds. The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2016 Bonds and no assurance can be given that additional risk factors will not become evident at any future time. The order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Recognized Obligation Payment Schedule

As described in greater detail above under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Recognized Obligation Payment Schedule,” the Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Tax revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the City Controller to the Successor Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the distribution date, unless a Last and Final Recognized Obligation Payment Schedule is filed in which event no periodic filing requirements apply. In instances where a Last and Final Recognized Obligation Payment Schedule is not filed, if the Successor Agency were to fail to submit an approved Recognized Obligation Payment Schedule by the applicable date and the California Department of Finance does not provide a notice to the City Controller to withhold funds from distribution to Taxing Entities, amounts in the Redevelopment Property Tax Trust Fund for such twelve-month period, would be distributed to Taxing Entities as more fully described in the section of this Official Statement entitled, “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Recognized Obligation Payment Schedule,” the availability of Tax Revenues to the Successor Agency to pay debt service on the 2016 Bonds could be adversely affected for such period. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Recognized Obligation Payment Schedule.”

Certain Uncertainties Regarding the Dissolution Act

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (such as the Former Agency) the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states: “it is the intent that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.” The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. Due to the pledge of Tax Revenues securing the 2016 Bonds and the 2014 Bonds, Tax Revenues will be used for such purposes prior to being used for any other purpose, including payment of any other indebtedness of the Former Agency now being paid by the Successor Agency.

To the extent that tax increment revenue generated from project areas other than the Project Area is available after payment of all obligations required to be paid from such amounts, the excess tax increment revenue might, under the Dissolution Act, also be available to pay debt service on the 2016 Bonds.

Concentration of Tax Base

The Project Area consists of two hundred and thirty-eight (238) acres, of which only 51.4 acres generate Tax Revenues. In the Project Area, approximately 69.8% of the total assessed value and 72.6% of the total incremental assessed value is attributable to its ten (10) largest assessees. The failure or financial difficulty of one or more of such large developments could have a significant detrimental impact on the Project Area's assessed value and consequently on the amount of Tax Revenues of the Project Area available to secure the 2016 Bonds. See "TAX REVENUES AND DEBT SERVICE" and "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures."

Estimates of Tax Revenues

To estimate the tax revenues ultimately available to pay debt service on the 2016 Bonds, the Successor Agency has made certain assumptions with regard to the present and future assessed valuation of taxable property in the Project Area, future tax rates, growth in tax revenues over time, percentage of taxes collected and other senior obligations. See APPENDIX B – "REPORT OF FISCAL CONSULTANT." The Successor Agency believes these assumptions to be reasonable, but there are no assurances that these assumptions will be realized. To the extent that the assessed valuation, the tax rates and the percentages collected are less than the Successor Agency's assumptions, the Tax Revenues would be less than those projected and may be insufficient to pay debt service on the 2016 Bonds.

Subordination of ERAF

The Successor Agency has obtained the approval of the Taxing Entities to subordinate payment of their AB 1290 Statutory Pass-Through Amounts to the payment of debt service on the 2016 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Assembly Bill 1290; Statutory Pass-Throughs*." As ERAF is not an entity, but a fund, there is not a mechanism to seek affirmative approval of the subordination of monies payable to ERAF. The Successor Agency believes that the Statutory Pass-Through Amounts to be deposited in ERAF have also been subordinated, given that the Taxing Entities, to whom the amounts deposited in ERAF will be distributed, have approved the subordination of the Statutory Pass-Through Amounts directly payable to them. Should a Taxing Entity or the State disagree with the Successor Agency's position with regards to the subordination of the ERAF and determine that the Statutory Pass-Through Amounts due to ERAF cannot be subordinated, such amounts would be a Senior Obligation and payment thereof would have to be made prior to payment of debt service on the 2016 Bonds. The Statutory Pass-Through Amount for ERAF for Fiscal Year 2015-16 is approximately \$1.7 million. The Successor Agency does not believe that an obligation to pay the ERAF amounts on a basis senior to the payment of debt service on the 2016 Bonds will have a materially adverse effect on its ability to pay debt service on the 2016 Bonds.

Reduction in Tax Base and Assessed Values

Tax revenues allocated to the Redevelopment Property Tax Trust Fund constitute the ultimate source of payment on the 2016 Bonds and any Parity Debt. Such tax revenues are determined by the amount of the incremental taxable value of property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area. A reduction of the taxable values of property in the Project Area could occur as a result of numerous factors beyond the Successor Agency's control, including but not limited to, a general economic downturn, political and economic obstacles to additional development and redevelopment activities in the Project Area, relocation out of the Project Area by one or more major property owners or tenants, property becoming exempt from

property taxes through condemnation or acquisition by certain entities such as nonprofit corporations, or the complete or partial destruction of property caused by, among other calamities, earthquake, fire, flood or other natural disaster. As discussed above under the caption “THE PROJECT AREA – Property Tax Exemption of Certain Properties,” several significant properties within the Project Area are exempt from property taxes and others may become exempt in the future, although many such properties are or may be subject to PILOT Agreements that provide for payment regardless of exempt status of the owner or occupant. In addition, taxable values may be reduced pursuant to successful appeals of assessed valuations or by widespread temporary reduction in assessed valuation under Proposition 8. These risks may be greater where, as here, the Project Area has a high concentration of major taxpayers. See “TAX REVENUES AND DEBT SERVICE – Ten Largest Property Owners by Valuation,” above. There are appeals to assessed valuation which could result in a substantial reduction thereof. See “TAX REVENUES AND DEBT SERVICE – Assessment Appeals” above.

The potential exposure of the Successor Agency’s tax increment revenue to appeals were the City Controller either to change its policy of deducting appeal-related tax refunds solely from taxing entities and not from the Successor Agency or were the Assessor to extend Proposition 8 reductions to future rolls for properties granted prior-year reductions may be seen by applying the overall retention rate for all years in a Project Area to the amount of roll valuation in pending appeals for the Project Area. Applying the retention rate of 96.7% to the aggregate valuation currently subject to pending appeals in the Project Area, the Fiscal Consultant estimates a reduction in valuation of \$12.1 million or an approximately \$97,000 reduction in total Tax Revenues. Any such reductions in taxable values could cause a reduction in the Tax Revenues securing the 2016 Bonds and could have an adverse effect on the Successor Agency’s ability to make timely payments with respect to such 2016 Bonds.

In general, because property on the unsecured tax roll includes personal property and leasehold interests, the values of property on the unsecured roll are more likely to fluctuate and are more susceptible to reduction due to adverse economic circumstances affecting the owner of the properties. Accordingly, unsecured assessed valuation may present special risks and may be more susceptible to fluctuation from year to year than valuation reflected on the secured roll. According to the Fiscal Consultant, the unsecured roll represents approximately eight percent (8%) of the overall assessed value for the Project Area for Fiscal Year 2015-16.

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such adjustments are computed on a calendar year basis. In projecting future Tax Revenues to be available to it to make payments with respect to the 2016 Bonds, the Successor Agency has assumed an annual 1.525% inflationary increase for Fiscal Year 2016-17 and 2.0% increases thereafter. The projected Tax Revenues are based on the latest actual amounts received by the Successor Agency. However, future deflation could cause decreases in property values, a reduction in Tax Revenues received by the Successor Agency and reduced Tax Revenues. See “TAX REVENUES AND DEBT SERVICE” and “LIMITATIONS ON TAX REVENUES – Tax Limitations – *Article XIII A of California Constitution*” herein.

In addition to the other limitations on and the required application under the Dissolution Act of tax revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing tax revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature’s impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce Tax Revenues and adversely affect the source of repayment and security of the 2016 Bonds.

Appeals to Assessed Values

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

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

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

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the Assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value and any restorations of previously-reduced values are incorporated into the 2015-16 roll data shown in the tables under "TAX REVENUES AND DEBT SERVICE."

Two (2) of the ten (10) largest property taxpayers in the Project Area have pending property tax appeals. See "TAX REVENUES AND DEBT SERVICE – Ten Largest Property Owners by Valuation," and "– Assessment Appeals" for a description of pending appeals and the potential impact on Allocable Tax Revenues if the appeals are granted.

Property Foreclosures

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

State Budget Issues; Changes in the Law

AB 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its Fiscal Years 2011-12 and 2012-13, respectively, as efforts to address structural deficits in the State general fund budget. In general terms, these bills implemented a framework to transfer cash assets previously held by redevelopment agencies to cities, counties, and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (then projected savings of \$1.5 billion). Subsequently, SB 107 was enacted, making additional changes to the Dissolution Act.

There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Tax Revenues. There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law, the Dissolution Act or other laws or the Constitution of the State resulting in a reduction of Tax Revenues, or that otherwise have an adverse effect on the Successor Agency's ability to pay debt service on the 2016 Bonds.

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

The Dissolution Act is new and implementation of its provisions have been and will be subject to differing interpretations by different stakeholders, including the California Department of Finance, the State Controller, oversight boards, successor agencies, auditor-controllers, and others, and the Dissolution Act could be subject to further legislative or judicial review. The Successor Agency cannot predict the outcome or impact of any such interpretations or reviews, on the availability of Tax Revenues to pay the 2016 Bonds.

Development Risks

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

Natural Disasters

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

willing or able to pay property taxes.

Earthquake. The City is in a seismically active area, where damaging earthquakes have occurred and are likely to occur again along the two earthquake fault lines that affect San Francisco, which are the San Andreas fault line and the Hayward fault line. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed.

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

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

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

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

Sea Level Rise. Sea level rise can lead not only to permanent inundation of land but it can also expand the 100-year floodplain. Land composed of fill near San Francisco Bay – including property in Mission Bay – is at risk for inundation because of low elevation and subsidence over time due to compaction from buildings and soil desiccation. The Community Safety Element notes that best available projections for California and the Bay Area currently assume 12-18 inches of sea level rise by 2050 and 21-55 inches of sea level rise by 2100, given current carbon emissions trends, although it also notes that these projections are likely to change over time as climate science progresses.

Tsunamis. Tsunamis are large waves in the ocean generated by earthquakes, coastal or submarine landslides, or volcanoes. Damaging tsunamis are not common on the California coast. Most California

tsunami are associated with distant earthquakes (most likely those in Alaska or South America, and recently in Japan), not with local earthquakes. Devastating tsunamis have not occurred in historic times in the San Francisco Bay Area. The Community Safety Element states that, because of the lack of reliable information about the kind of tsunami run-ups that have occurred in the prehistoric past, there is considerable uncertainty over the extent of tsunami run-up that could occur.

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

It should be assumed, therefore, that an earthquake or other natural event or man-made activity may occur and may cause damage to improvements on parcels in the Project Area of varying degrees of severity, that such damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate usability or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the assessed value of taxable values of property in the Project Area and could result in a significant reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency's payment of debt service on the 2016 Bonds.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to a Series of 2016 Insured Bonds when all or some becomes due, any owner of such 2016 Insured Bonds shall have a claim under the applicable Insurance Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Insurance Policies do not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of a Series of 2016 Insured Bonds by the Successor Agency which is recovered by the Successor Agency from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Successor Agency unless the Insurer chooses to pay such amounts at an earlier date.

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

In the event the Insurer is unable to make payment of principal and interest as such payments become due under applicable Insurance Policy, the 2016 Insured Bonds insured by such Insurance Policy are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Insurer becomes obligated to make payments with respect to any of the 2016 Insured Bonds, no assurance is given that such event will not adversely affect the market price of the 2016 Insured Bonds or the marketability (liquidity) for the 2016 Insured Bonds.

The long-term ratings on the 2016 Insured Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the 2016 Insured Bonds will not be subject to downgrade

and such event could adversely affect the market price of the 2016 Bonds or the marketability (liquidity) for the 2016 Insured Bonds. See description of “RATINGS” herein.

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

Neither the Successor Agency nor Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Successor Agency to pay principal and interest on the 2016 Insured Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein for further information provided by the Insurer and the Insurance Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

No Validation Proceeding Undertaken

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the 2016 Bonds, California Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Successor Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the 2016 Bonds. The Successor Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the 2016 Bonds and specifying the related deadline for any challenge to the 2016 Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the 2016 Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within thirty (30) days after the date on which the oversight board approves the resolution of the successor agency approving such financing. Such challenge period expired with respect to the 2016 Bonds and the Oversight Board Resolution on January 13, 2016.

It is possible that a lawsuit challenging the Dissolution Act or specific provisions thereof based on the inability of successor agencies to meet their obligations to bondholders as those obligations become due, or to pay any other of their other obligations, could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Allocable Tax Revenues to the Successor Agency for payment on the 2016 Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the 2016 Bonds.

Any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the 2016 Bonds could be subject to the same issues regarding an impairment of contract or unconstitutional taking without just compensation as raised in the Syncora Lawsuit (see “LITIGATION” herein). The Successor Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Successor Agency and the availability of Tax Revenues for the payment of debt service on the 2016 Bonds in the

event of successful challenges to the Dissolution Act or portions thereof. However, the Successor Agency does not guarantee that any lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Successor Agency's ability to timely pay debt service on the 2016 Bonds.

Reductions in Unitary Values

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1987), a portion of the county-wide unitary values assigned to public utilities was allocated to the Project Area. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. For further information concerning unitary values, see "LIMITATIONS ON TAX REVENUES – Taxation of Unitary Property." No utility unitary tax revenue is included in projections of Tax Revenues.

Hazardous Substances

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

Reduction in Inflation Rate

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent (2%) increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2016 Bonds could reduce Tax Revenues. See "LIMITATIONS ON TAX REVENUES – Tax Limitations – Article XIII A of California Constitution."

Delinquencies

The Successor Agency does not have any independent power to levy and collect property taxes. Delinquencies in the payment of property taxes could have an adverse effect on the Successor Agency's ability to make timely debt service payments. However, the City has adopted the Teeter Plan and provides one hundred percent (100%) of Tax Revenues to the Successor Agency regardless of delinquencies. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Allocation of Taxes Pursuant to the Dissolution Act – *Teeter Plan*." Such plan may be discontinued at any time.

Investment Risk

All funds held by the Trustee under the Indenture and all funds held by the Successor Agency in the Special Fund, into which all Allocable Tax Revenues are initially deposited, are required to be invested in Permitted Investments as provided in the Indenture. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and

loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse effect on the security for the 2016 Bonds.

Bankruptcy and Foreclosure

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

The rights of the Owners of the 2016 Bonds and the enforceability of the obligation to make payments on the 2016 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The various legal opinions to be delivered concurrently with the delivery of the 2016 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases. See APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2016 Bonds and the possibility of delinquent tax installments not being paid in full. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Retirement Fund from being applied to pay interest on the 2016 Bonds and/or to redeem 2016 Bonds if bankruptcy proceedings were brought by or against a landowner and if the court found that any of such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

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

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

Levy and Collection of Taxes

The Successor Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Successor Agency

to pay debt service on the 2016 Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Successor Agency's ability to make timely 2016 Bond payments. The City allocates property taxes to the Successor Agency based on one hundred percent (100%) of the tax levy, notwithstanding any delinquencies. However, the City may discontinue such practice at any time. If there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Successor Agency from the Project Area. As discussed herein, the Successor Agency does not receive on an annual basis all Tax Revenues, unless required to pay debt services and other obligations under the OPA.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2016 Bonds, the Successor Agency has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), and the Successor Agency has covenanted in the Indenture to comply with certain provisions of the Tax Code. The interest on the 2016 Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the 2016 Bonds as a result of acts or omissions of the Successor Agency in violation of these or other covenants in the Indenture applicable to the 2016 Bonds. The 2016 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See "TAX MATTERS."

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "**IRS**"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "**TE/GE Division**"), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. There is no assurance that if an IRS examination of the 2016 Bonds was undertaken it would not adversely affect the market value of the 2016 Bonds. See "TAX MATTERS."

Secondary Market

There can be no guarantee that there will be a secondary market for the 2016 Bonds, or if a secondary market exists, that the 2016 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the 2016 Bonds will not be affected by the introduction or enactment of any future legislation (including, without limitation, amendments to the Tax Code), or by any state constitutional amendments, court decisions, changes in interpretation of the Code, or actions of the IRS, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the 2016 Bonds for audit examination, or the course or result of any IRS audit or examination of the 2016 Bonds or obligations that present similar tax issues as the 2016 Bonds.

Parity Obligations

As described in "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS – Limitations on Additional Indebtedness – *Parity Debt*," the Successor Agency may issue or incur obligations payable from

Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the 2016 Bonds and 2014 Bonds. The existence of and the potential for additional Parity Debt increases the risks associated with the Successor Agency's payment of debt service on the 2016 Bonds in the event of a decrease in the Successor Agency's collection of Tax Revenues.

In connection with the OPA, the Agency has covenanted to issue additional Parity Debt if tax increment revenue increases in sufficient amount to support such Parity Debt. See "THE PROJECT AREA – Mission Bay South Owner Participation Agreement."

Bonds are Limited Obligations

The 2016 Bonds are special, limited obligations of the Successor Agency and as such are not debt of the City, the State or any of their political subdivisions other than the Successor Agency, and none of the City, the State or any of their political subdivisions other than the Successor Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the 2016 Bonds are payable solely from Tax Revenues allocated to the Successor Agency from the Project Area and certain other funds pledged therefor under the Indenture. The 2016 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2016 BONDS." No Owner of the 2016 Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on, the 2016 Bonds.

Limited Recourse on Default

If the Successor Agency defaults on its obligations under the Indenture, the Trustee has the right to accelerate the 2016 Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of the 2016 Bonds.

LIMITATIONS ON TAX REVENUES

The 2016 Bonds are secured by a pledge of Tax Revenues attributable to the Project Area. The Successor Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Tax Revenues available to the Successor Agency for payment of the principal of and interest on the 2016 Bonds is affected by several factors, including but not limited to those discussed below. See also "CERTAIN RISK FACTORS."

Property Tax Collection Procedure

Classifications. In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of creation of the other liens.

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

Collections. Secured property and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The Taxing Authority has four (4) ways of

collecting unsecured personal property taxes in the case of delinquency: (i) initiating a civil action against the taxpayer; (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the county recorder's office to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

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

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

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

Property Tax Administrative Costs. In 1990, the Legislature enacted Senate Bill 2557 (Statutes of 1990, Chapter 466) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. Subsequent legislation clarified that the provisions of SB 2557 include redevelopment agencies as a local government agency which must pay such administrative costs. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the county auditor-controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund.

Taxation of Unitary Property

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

will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

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

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization. The City Controller, following guidance from the State Board of Equalization does not share any of the City-wide unitary revenue with the Successor Agency.

Tax Limitations – Article XIII A of California Constitution

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

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 Fiscal Year tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent (2%) per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is \$1.00 per \$100 of assessed market value. The legislation further establishes the method for allocating the taxes collected by each county among the taxing agencies in the county.

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

certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in property tax revenues.

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

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

Article XIII B of California Constitution

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

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

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness issued by a taxing entity (not the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Tax Revenues do not include any such amounts.

Articles XIII C and XIII D of California Constitution

On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Limitation on Fees, Assessments, and Charges – Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. The 2016 Bonds are secured by sources of revenues that are not

subject to limitation by Proposition 218 and are outside of the scope of taxes that are limited by Proposition 26.

Future Initiatives

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

TAX MATTERS

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 2016 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency and the users of the facilities financed or refinanced from the proceeds of the 2016 Bonds comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016 Bonds. The Successor Agency have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2016 Bonds.

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

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2016 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2016 Bonds who purchase the 2016 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2016 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2016 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2016 Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the 2016 Bonds (said term being the shorter of the applicable maturity date of the 2016 Bonds or the call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2016 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2016 Bond is amortized each year over the term to maturity of the 2016 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium 2016 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 2016 Bonds.

In the further opinion of Bond Counsel, interest on the 2016 Bonds is exempt from California personal income taxes.

The form of Bond Counsel's opinion to be delivered on the date of issuance of the 2016 Bonds is set forth in Appendix E hereto.

Owners of the 2016 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2016 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2016 Bonds other than as expressly described above.

LITIGATION

There is no litigation now pending or, to the best knowledge of the Successor Agency, threatened to restrain or enjoin the execution or delivery of the 2016 Bonds or the Indenture or in any way questioning or affecting the validity of the foregoing or any of the proceedings for the authorization, sale, execution or delivery of the 2016 Bonds. In the opinion of counsel to the Successor Agency, there is no lawsuit or claim now pending against the Successor Agency, which if decided adversely to the Successor Agency would materially affect the Successor Agency's finances so as to impair the ability of the Successor Agency to pay debt service on the 2016 Bonds as it becomes due.

A number of other lawsuits have been filed in the State that challenge the Dissolution Act or the application of certain of its provisions. The Successor Agency is unable to predict the likely outcome of these actions or the possible impact, if any, of their outcomes on the distribution of property tax revenues or other moneys to the Successor Agency under the Dissolution Act or on the Successor Agency's ability to make payments of principal of and interest on the 2016 Bonds.

CONTINUING DISCLOSURE

The Successor Agency has covenanted for the benefit of the Owners of the 2016 Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than six (6) months after the end of the Successor Agency's Fiscal Year (presently June 30) in each year commencing with its report for the 2015-16 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Successor Agency, or the Dissemination Agent, if any, on behalf of the Successor Agency, with the MSRB. The notices of events will also be filed by the Successor Agency, or the Dissemination Agent, if any, on behalf of the Successor Agency, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

In the past five years, the Successor Agency believes that neither the Former Agency nor the Successor Agency have failed to comply in any material respect with any previous undertakings in accordance with S.E.C. Rule 15c2-12 to provide annual reports or notices of certain enumerated events.

The Former Agency failed on occasion to file notices of bond insurer-related rating downgrades on a timely basis, however, such failures were only with respect to downgrades below the underlying rating of the bond. Additionally, due to the dissolution of the Former Agency and delays in the preparation of the audited financials for Fiscal Year 2011-12 for the Successor Agency, the Successor Agency and the Former Agency filed their respective audited financial statements approximately thirty (30) days late. The Former Agency had, however, filed unaudited financial statements for the Former Agency for the first (7) seven months of the fiscal year in a timely manner. Additionally for Fiscal Years 2011-13, certain tabular information related to a merged project area was not aggregated as required by the applicable continuing disclosure agreement. However, all of the required information was available for the component areas of such merged project area. The Successor Agency has filed notices of all bond rating downgrades and the missing tabular information noted above was filed in March 2014. The Successor Agency has also established procedures that it believes are sufficient to ensure future compliance with its continuing disclosure undertakings.

LEGAL MATTERS

Certain legal matters incident to the issuance, sale and delivery of the 2016 Bonds are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, as Bond Counsel. Certain legal matters incident to the issuance of the 2016 Bonds will be passed upon for the Successor Agency by its General Counsel. Curis Bartling P.C. is acting as Disclosure Counsel to the Successor Agency. Certain legal matters will be passed on for the Successor Agency by its General Counsel. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation.

Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization, issuance and sale of the 2016 Bonds, and the exemption of interest on the 2016 Bonds from federal income taxation and California personal income taxes. See "TAX MATTERS" herein and APPENDIX E – "FORM OF BOND COUNSEL FINAL OPINION."

Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the 2016 Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc. has served as Financial Advisor to the Successor Agency and provided advice with respect to the sale of the 2016 Bonds. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has assisted the Successor Agency in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2016 Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Successor Agency to determine the accuracy or completeness of this Official Statement and assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation contingent upon the sale and delivery of the 2016 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

RATINGS

Standard & Poor's Rating Service, a Standard & Poor's Financial Services LLC business ("**S&P**"), has assigned an underlying rating to the 2016 Bonds of "A-." S&P has assigned the Insured Bonds an insured rating of "AA-" based upon the issuance of the Insurance Policies by the Insurer at the time of delivery of the 2016 Bonds. Such ratings reflect only the view of such organization, and an explanation of the significance of the ratings may be obtained by contacting S&P. Such ratings are not a recommendation to buy, sell or hold the 2016 Bonds. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2016 Bonds. The Successor Agency undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

FINANCIAL STATEMENTS

The audited financial statements of the Successor Agency for the Fiscal Year ended June 30, 2016, are included as part of APPENDIX A – "SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015." Such financial statements have been audited by Macias Gini & O'Connell, LLP (the "**Auditor**"), independent certified public accountants, whose report also appears in APPENDIX A. The Auditor was not requested to consent to the inclusion of its report in APPENDIX A, nor has the Auditor undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

FISCAL CONSULTANT REPORT

In connection with the issuance of the 2016 Bonds, the Successor Agency has engaged Urban Analytics, LLC, as Fiscal Consultant, and to prepare a Fiscal Consultant Report. See APPENDIX B – "REPORT OF FISCAL CONSULTANT."

UNDERWRITING

The 2016 Bonds will be sold to Stifel, Nicolaus & Company, Incorporated as representative of itself and Backstrom McCarley Berry & Co., LLC and Blaylock Beal Van, LLC (collectively, the "**Underwriters**"), pursuant to a bond purchase contract (the "**Purchase Contract**") between the Successor Agency, the Authority and the Underwriters. The Underwriters have agreed to: (a) purchase the 2016B Bonds for \$53,261,470.76 (which amount represents the \$45,000,000.00 aggregate principal amount of the 2016B Bonds, plus an original issue premium in the amount of \$8,461,027.25, less an underwriters' discount of \$199,556.49); and (b) to purchase the 2016C Bonds for \$86,765,844.79 (which amount represents the \$73,230,000.00 aggregate principal amount of the 2016C Bonds, plus an original issue premium in the amount of \$13,860,589.75, less an underwriters' discount of \$324,744.96).

The initial public offering prices of the 2016 Bonds of each Series may be changed from time to time by the Underwriters. The Purchase Contract provides that the Underwriters will purchase all of the 2016 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

MISCELLANEOUS

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

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

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

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

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

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APPENDIX A

**SUCCESSOR AGENCY'S AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Annual Financial Report

For the Year Ended June 30, 2015



Certified
Public
Accountants

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

For the Year Ended June 30, 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency as of June 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 1(m) to the financial statements, effective July 1, 2014, the Successor Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Successor Agency's internal control and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 30, 2015

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

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2015

As management of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco ("Successor Agency"), we offer readers of the Successor Agency's basic financial statements this narrative overview and analysis of the financial activities of the Successor Agency for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements, which follow this section.

Financial Highlights

The Successor Agency's net position at June 30, 2015 was a deficit of \$425.4 million when compared to a deficit of \$439.6 million at June 30, 2014, a decrease in deficit of \$14.2 million for fiscal year 2015.

The Successor Agency's additions for fiscal year 2015 were \$203.1 million compared to \$194.4 million for fiscal year 2014, an increase of \$8.7 million. The increase was mainly due to the increases of \$12.7 million for developer payments and \$2.0 million for hotel tax, offset by a decrease of \$6.9 million for redevelopment property tax revenues.

The Successor Agency's deductions for fiscal year 2015 were \$166.5 million compared to \$163.6 million for fiscal year 2014, an increase of \$2.9 million. The increase was mainly due to the increases in affordable housing loan program costs of \$4.3 million, contracted service for Transbay Project Area of \$2.6 million, distribution of pledged revenue to Transbay Joint Powers Authority of \$2.5 million, reinstatement of Supplemental Education Revenue Augmentation Funds (SERAF) borrowing from the City and County of San Francisco (City) of \$18.8 million, and transfer of capital assets to the City of \$4.6 million offset by the decrease of contracted service for Mission Bay North and South Project Areas of \$30.1 million.

On December 11, 2014, the Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2014 B (2014 Series B Bonds) for \$68.0 million and 2) Tax Allocation Refunding Bonds Series 2014 C (2014 Series C Bonds) for \$75.9 million. Proceeds from the 2014 Series B Bonds were used to refund 2004 Series D, 2005 Series C, and 2006 Series A Bonds totaling to \$64.8 million. Proceeds from the 2014 Series C Bonds including original issue premium of \$8.7 million, and funds on hand from the refunded bonds in the amount of \$2.2 million, were used to refund 1993 Series B, 1998 Series D, 2003 Series C, 2004 Series A, 2004 Series C, and 2005 Series A Bonds totaling to \$84.5 million.

As of July 1, 2014, the Successor Agency adopted the provisions of GASB Statement Nos. 68 and 71 and restated the beginning net position in the amount of \$22.4 million.

Overview of Financial Statements

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

Financial Analysis

The former Redevelopment Agency of the City and County of San Francisco ("Agency") and Successor Agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. In general, Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution, including the completion of any unfinished projects that were subject

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to legally enforceable contractual commitments. Once redevelopment projects that are public facilities are completed by the Successor Agency, the Successor Agency will obtain approval to transfer these assets along with the responsibilities for their continued maintenance and operations to an appropriate public entity such as the City and County of San Francisco (City).

Net position may serve over time as a useful indicator of a government's financial position. At June 30, 2015, Successor Agency has a deficit net position of \$425.4 million. Shown below is a schedule that summarizes the Successor Agency's net position held in trust:

Statement of Fiduciary Net Position
(In thousands)

Assets	June 30, 2015	June 30, 2014	\$ Change
Current and other assets	\$ 433,035	\$ 434,595	\$ (1,560)
Capital assets	188,096	197,714	(9,618)
Total assets	621,131	632,309	(11,178)
 Deferred outflows of resources	 3,295	 2,926	 369
 Liabilities			
Other liabilities	42,523	54,026	(11,503)
Long-term liabilities	999,519	1,020,846	(21,327)
Total Liabilities	1,042,042	1,074,872	(32,830)
 Deferred inflows of resources	 7,793	 -	 7,793
 Total net position held in trust	 \$ (425,409)	 \$ (439,637)	 \$ 14,228

Assets

The Successor Agency's assets at June 30, 2015 were \$621.1 million when compared with \$632.3 million at June 30, 2014, a decrease of \$11.2 million for fiscal year 2015 primarily due to the following:

- Increase in unrestricted cash and investments of \$63.8 million, from \$212.0 million at June 30, 2014 to \$275.8 million at June 30, 2015. The increase was mainly due to the receipt of developer payments for affordable housing projects scheduled in future years.
- Decrease in restricted cash and investments with trustees of \$53.7 million, from \$204.2 million at June 30, 2014 to \$150.5 million at June 30, 2015. The decrease was mainly due to the usage of Series 2014 A bond proceeds payment for Mission Bay North and South Redevelopment Projects.
- Decrease in interest and other receivables of \$8.5 million, from \$13.2 million at June 30, 2014 to \$4.7 million at June 30, 2015. The decrease was mainly due to timing of the receipt of developer payments for affordable housing projects scheduled in future years.
- Decrease in capital lease receivables of \$3.1 million, from \$3.1 million at June 30, 2014 to \$0 at June 30, 2015. The decrease was mainly due to the receipt of the remaining balance during the year.

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- Decrease in capital assets of \$9.6 million, from \$197.7 million at June 30, 2014 to \$188.1 million at June 30, 2015. The decrease was mainly due to current year depreciation of \$5.6 million, and a transfer of land held for lease to the City of \$4.6 million, offset by an increase of \$0.6 in construction in progress.

Liabilities

The Successor Agency's liabilities at June 30, 2015 were \$1,042.0 million when compared with \$1,074.9 million at June 30, 2014, a decrease of \$32.9 million for fiscal year 2015 primarily due to the following:

- Decrease in accounts payable of \$12.4 million, from \$31.7 million at June 30, 2014 to \$19.3 million at June 30, 2015. The decrease was mainly due to timing of the payment for eligible expenditures.
- Decrease in long-term liabilities of \$21.3 million, from \$1,020.8 million at June 30, 2014 to \$999.5 million at June 30, 2015. The decrease was mainly due to scheduled debt service payments paid during the year offset by the additions of the SERAF borrowing from the City and the net pension liability due to the adoption of the provisions of GASB Statement Nos. 68 and 71. At June 30, 2015, the SERAF borrowing from the City and the net pension liability were \$16.0 million and \$15.9 million, respectively.

Deferred Outflows and Inflows of Resources

As of July 1, 2014, the Successor Agency adopted the provisions of GASB Statement Nos. 68 and 71. At June 30, 2015, the Successor Agency has deferred outflows and inflows of resources related to pension items in the amount of \$1.6 million and \$7.8 million, respectively.

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The Successor Agency's net position increased by \$14.2 million for fiscal year 2015. Key elements of the Successor Agency's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position
(In thousands)

	Year Ended		\$ Change
	June 30, 2015	June 30, 2014	
Additions			
Redevelopment property tax revenues	\$ 124,791	\$ 131,744	\$ (6,953)
Developer payments	50,343	37,666	12,677
Charges for services	19,076	18,864	212
Hotel tax	5,102	3,085	2,017
Investment income	2,045	1,812	233
Grants	323	91	232
Other	1,426	1,133	293
Total additions	203,106	194,395	8,711
Deductions			
Salaries and benefits	6,853	7,389	(536)
Operating expenses	1,452	2,440	(988)
Affordable housing loan program costs	31,856	27,526	4,330
Contracted services:			
Hunters Point Shipyard / Candlestick Point	4,043	2,864	1,179
Mission Bay North and South	10,354	40,473	(30,119)
Transbay	3,891	1,253	2,638
Yerba Buena Center	4,423	3,469	954
Other	4,486	5,259	(773)
Community based programs	5,436	5,330	106
Distribution of pledged revenue to			
Transbay Joint Powers Authority	2,500	4	2,496
Depreciation	5,638	5,499	139
Interest on debt	57,183	57,059	124
Reinstatement of SERAF borrowing from the City	18,770	-	18,770
Other	4,974	5,044	(70)
Intergovernmental transfer of capital assets to the City	4,612	-	4,612
Total deductions	166,471	163,609	2,862
Change in net position	36,635	30,786	5,849
Net position, beginning of year, as previously reported	(439,637)	(470,423)	30,786
Change in accounting principles	(22,407)	-	(22,407)
Net position, beginning of year, as restated	(462,044)	(470,423)	8,379
Net position, end of year	\$ (425,409)	\$ (439,637)	\$ 14,228

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

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2015

Additions

The Successor Agency's additions to net position increased by \$8.7 million, from \$194.4 million for fiscal year 2014 to \$203.1 million for fiscal year 2015 primarily due to the following:

- Decrease in redevelopment property tax revenues of \$6.9 million, from \$131.7 million for fiscal year 2014 to \$124.8 million for fiscal year 2015. The decrease was mainly due to the decrease in pledged property tax revenue available for use in the Mission Bay North and South Project Areas.
- Increase in developer payments of \$12.6 million, from \$37.7 million for fiscal year 2014 to \$50.3 million for fiscal year 2015. The increase was mainly due to the receipt of impact fees of \$15.1 million from developers for Hunters Point shipyard housing offset by decrease of \$2.5 million from developers for Transbay housing.
- Increase in hotel tax of \$2.0 million, from \$3.1 million for fiscal year 2014 to \$5.1 million for fiscal year 2015. The increase was due to the increase in receipt of hotel tax used for related debt service payment.

Deductions

The Successor Agency's deductions to net position increased by \$2.9 million, from \$163.6 million for fiscal year 2014 to \$166.5 million for fiscal year 2015 primarily due to the following:

- Decrease in contracted service for Mission Bay North and South Project Area of \$30.1 million, from \$40.5 million for fiscal year 2014 to \$10.4 million for fiscal year 2015. The decrease was mainly due to prior year's increase in activities in the project areas that were funded by proceeds from the issuance of 2014 Series A Bonds and pledged property tax increment revenues.
- Increase in affordable housing loan program costs of \$4.3 million, from \$27.5 million for fiscal year 2014 to \$31.8 million for fiscal year 2015. The increase was mainly due to the timing of housing project predevelopment and construction activities.
- Increase in distribution of pledged revenue to Transbay Joint Powers Authority of \$2.5 million made during fiscal year 2015, from \$0 in fiscal year 2014 to \$2.5 million for fiscal year 2015.
- One-time reinstatement of SERAF borrowing from the City in the amount of \$18.8 million. During the year ended June 30, 2015, the Oversight Board and the California Department of Finance (DOF) approved future repayments of the SERAF borrowing from the City for up to the maximum amount of \$16.5 million plus accrued interest. During January 2015, the Successor Agency recorded the payable balance of \$18.8 million, which was comprised of principal of \$16.5 million and accrued interest of \$2.3 million.
- Increase in Intergovernmental transfer of capital assets to the City of \$4.6 million, from \$0 million for fiscal year 2014 to \$4.6 million for fiscal year 2015. The increase was due to transfer of land held for lease located at 200 Sixth Street the City pursuant to the Dissolution Law.

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Capital Assets and Debt Administration

Capital Assets

As discussed above, at June 30, 2015, Successor Agency had capital assets aggregating to \$188.1 million, a decrease of \$9.6 million from fiscal year 2014. The decrease was mainly due to current year depreciation of \$5.6 million, and a transfer of land held for lease to the City of \$4.6 million, offset by an increase of \$0.6 million in construction in progress at the Yerba Buena Center Project Area.

Long-Term Debt

At June 30, 2015, Successor Agency had long-term debt outstanding aggregating to \$982.2 million, a decrease of \$36.5 million from fiscal year 2014. Below is a breakdown of the long-term debt is as follows (in thousands):

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>\$ Change</u>
Long-Term Debt			
Bonds Payable			
Tax Allocation Bonds	\$ 849,709	\$ 902,603	\$ (52,894)
Moscone Revenue Bonds Series 1992	-	1,426	(1,426)
Hotel Tax Revenue Bonds Series 2011	37,470	40,635	(3,165)
South Beach Harbor Series 1986 Issue A	1,995	3,270	(1,275)
Subtotal - Bonds Payable	<u>889,174</u>	<u>947,934</u>	<u>(58,760)</u>
Cal Boating Loans Payable	7,075	7,283	(208)
Accreted Interest Payable	37,501	39,385	(1,884)
Advances From the Primary Government	23,212	21,670	1,542
SERAF Borrowing From the Primary Government	16,022	-	16,022
Unamortized Premiums and Discounts	<u>9,193</u>	<u>2,382</u>	<u>6,811</u>
Total Long-Term Debt	<u><u>\$ 982,177</u></u>	<u><u>\$ 1,018,654</u></u>	<u><u>\$ (36,477)</u></u>

Bond Ratings

The table below shows the ratings for the Successor Agency's outstanding tax allocation bonds as of June 30, 2015:

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

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For the Year Ended June 30, 2015

Revenues and Recognized Obligations Payment Schedule

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

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

Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Successor Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of Community Investment and Infrastructure, One South Van Ness Avenue 5th Floor, San Francisco, California 94103.

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

Statement of Fiduciary Net Position

June 30, 2015

(In Thousands)

Assets

Unrestricted cash and investments	\$ 275,805
Restricted cash and investments with trustees	150,484
Interest and other receivables	4,670
Intergovernmental receivables (net of allowance for uncollectible amounts of \$860)	352
Notes and mortgages receivable (net of allowance for uncollectible amounts of \$113,213)	1,724
Capital assets:	
Non-depreciable	55,402
Depreciable, net of accumulated depreciation	132,694
Total assets	<u>621,131</u>

Deferred outflows of resources

Unamortized loss on refundings	1,722
Pension items	1,573
Total deferred outflows of resources	<u>3,295</u>

Liabilities

Accounts payable	19,307
Payable to the City	1,820
Accrued interest payable	20,104
Other liabilities	1,292
Long-term obligations:	
Due within one year	58,726
Due in more than one year	924,923
Net pension liability	15,870
Total liabilities	<u>1,042,042</u>

Deferred inflows of resources

Pension items	7,793
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Net position held in trust	<u><u>\$ (425,409)</u></u>
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See accompanying notes to basic financial statements.

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

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2015

(In Thousands)

Additions:

Redevelopment property tax revenues	\$ 124,791
Developer payments	50,343
Charges for services	19,076
Hotel tax	5,100
Investment income	2,045
Grants	323
Other	1,428
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Total additions	203,106
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Deductions:

Salaries and benefits	6,853
Administrative and operating	1,452
Affordable housing loan program costs	31,856
Contracted services	27,197
Community based programs	5,436
Distribution of pledged revenue to Transbay Joint Powers Authority	2,500
Depreciation	5,638
Interest on debt	57,183
Reinstatement of SERAF borrowing from the City	18,770
Other	4,974
Intergovernmental transfer of capital assets to the City	4,612
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Total deductions	166,471
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Change in net position	36,635
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Net position, beginning of year, as previously reported	(439,637)
Change in accounting principles	(22,407)
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Net position, beginning of year, as restated	(462,044)
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Net position, end of year	\$ (425,409)
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See accompanying notes to basic financial statements.

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) General

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

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

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

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

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

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

Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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

(b) Basis of Presentation

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

(c) Basis of Accounting

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

(d) Investments

The Successor Agency's investments are stated at fair value. Fair value has been obtained by using market quotes and reflects the values as if the Successor Agency were to liquidate the securities on that date.

(e) Restricted Cash and Investments with Fiscal Agents

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

(f) Capital Assets

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

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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

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

Assets	Years
Furniture and Equipment	3-20
Buildings and Improvements	15-40

(g) Notes and Mortgages Receivable

During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2015, the Successor Agency disbursed \$31,856 to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions - affordable housing loan program costs in the financial statements. The Successor Agency also transferred fully allowed notes and mortgages receivable related to the 200 Sixth Street with gross value of \$2,485 to the City as approved by the Oversight Board and received repayments of \$158 on the fully allowed notes and mortgages receivable. At June 30, 2015, the gross value of the notes and mortgage receivable was \$114,937 and the allowance for uncollectible amounts was \$113,213.

(h) Accrued Vacation and Sick Leave

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

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

(i) Redevelopment Property Tax Revenues

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

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

(j) *George R. Moscone Convention Center*

The City is responsible for the construction management, operation, maintenance, repair and expansion of the George R. Moscone Convention Center, which has been partially financed with lease revenue bonds issued by the former Agency. The City has entered into a lease agreement with the former Agency whereby the City remits periodic lease rental payments to the former Agency to provide for the debt service of the former Agency's Moscone Convention Center Lease Revenue Bonds. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds. The bonds are special limited obligations of the Successor Agency and payable solely from the lease payments from the City. The bonds are fully repaid and the capital lease expired during the year ended June 30, 2015.

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

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

(l) *Pensions*

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

(m) *Effects of New Pronouncements*

During the year ended June 30, 2015, the Successor Agency implemented the following Governmental Accounting Standards Board (GASB) Statements:

- In June 2012, the GASB issued a new standard, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB No. 27*, to improve the guidance for accounting for and reporting on the pensions that governments provide to their employees. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which clarified reporting for contributions made after the measurement date of the pension liability.

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

Key changes include:

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

As of July 1, 2014, the Successor Agency adopted the provisions of GASB Statement Nos. 68 and 71 and restated the beginning net position in the amount of \$22,407 to record the beginning deferred pension contributions and net pension liability. See Note 5 to the financial statements for details.

- In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local governments' combinations and disposals of government operations. This statement provides guidance determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. The implementation of this statement did not have a significant impact to the Successor Agency for the year ending June 30, 2015.

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

- In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for the Successor Agency's year ended ending June 30, 2016.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
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(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

- In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirements for those pensions and pension plans that are not administrated through a trust meeting specified criteria and thus are not covered by Statements Nos. 67 and 68. The requirements of this statement are effective for the Successor Agency's year ended ending June 30, 2016.
- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments. The requirements of this statement are effective for the Successor Agency's year ended ending June 30, 2017.
- In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The requirements of this statement are effective for the Successor Agency's year ended ending June 30, 2018.
- In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the hierarchy of generally accepted accounting principles to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the account treatment for a transaction or other event is not specific with a source of authoritative GAAP. The requirements of this statement are effective for the Successor Agency's year ended ending June 30, 2016.
- In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose several information about the agreements. The requirements of this statement are effective for the Successor Agency's year ended ending June 30, 2017.

(n) Estimates

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

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(2) Cash and Investments

As of June 30, 2015, the Successor Agency follows the investment policy of the former Agency, which is governed by and is in compliance with the California Government Code (Code). On August 19, 2014, the Commission adopted an investment policy for the Successor Agency to reflect the use of the City Treasurer's Pool to manage the Successor Agency's funds. Investment of bond proceeds is limited to those investments permitted in the bond document or provided in the Code. Investments with trustees are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

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

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

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

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

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

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
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(2) Cash and Investments (Continued)

The following is a summary of cash and investments as of June 30, 2015:

	Weighted Average Maturities for Investments			Total Fair Value	Credit Rating	% allocation
	Less than 3 months	3 months to 1 year	1 to 5 years			
Unrestricted cash and investments:						
Cash and investments with the City Treasury:						
Municipal bonds	\$ -	\$ -	\$ 1,995	\$ 1,995	Not rated	0.74%
Investment in the City Treasurer's pool	-	-	268,471	268,471	Not rated	99.26%
Total cash and investments with the City Treasury	-	-	270,466	270,466		100.00%
Cash deposits in bank				5,339	Not Applicable	
Total unrestricted cash and investments	-	-	270,466	275,805		
Restricted cash and investments with trustees:						
Money market mutual funds	150,484	-	-	150,484	Aaa	100.00%
Total cash and investments	\$ 150,484	\$ -	\$ 270,466	\$ 426,289		

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

Custodial Credit Risk, Investments: Refers to the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the Successor Agency's investment policy do not contain a legal or policy requirement that would limit the exposure to custodial credit risk for investments. At June 30, 2015, the Successor Agency's investment in the South Beach Harbor Bonds 1986 Issue A in the amount of \$1,995 was exposed to custodial credit risk because they were separately managed by the City Treasury and registered in the name of the City.

City's Treasurer's Pool

The Successor Agency maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2015, the Successor Agency's deposits and investments in the Pool is \$268,471 and the total amount invested by all public agencies in the Pool is \$7.0 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 1.5 years. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Successor Agency's shares in the Pool, which may be withdrawn, is based on the book value of the Successor Agency's percentage participation, which is different than the fair value of the Successor Agency's percentage participation in the Pool. At June 30, 2015, the Pool consists of U.S. government and agency securities, state and local government agency obligations, negotiable certificates of deposit, medium term notes, public time deposits, and money market funds as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks) may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

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

Notes to Basic Financial Statements
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(3) Capital Assets

The following is a summary of changes in capital assets for the year-ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:					
Land held for lease	\$ 59,381	\$ -	\$ (4,612)	\$ -	\$ 54,769
Construction in progress	2,822	632	-	(2,821)	633
Total capital assets not being depreciated	<u>62,203</u>	<u>632</u>	<u>(4,612)</u>	<u>(2,821)</u>	<u>55,402</u>
Capital assets being depreciated:					
Furniture and equipment	8,144	-	-	-	8,144
Building and improvements	225,022	-	-	2,821	227,843
Total capital assets being depreciated	<u>233,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,987</u>
Less accumulated depreciation for:					
Furniture and equipment	(8,076)	(17)	-	-	(8,093)
Building and improvements	(89,579)	(5,621)	-	-	(95,200)
Total accumulated depreciation	<u>(97,655)</u>	<u>(5,638)</u>	<u>-</u>	<u>-</u>	<u>(103,293)</u>
Total capital assets being depreciated, net	<u>135,511</u>	<u>(5,638)</u>	<u>-</u>	<u>-</u>	<u>132,694</u>
Total capital assets, net	<u>\$ 197,714</u>	<u>\$ (5,006)</u>	<u>\$ (4,612)</u>	<u>\$ -</u>	<u>\$ 188,096</u>

On June 2, 2014, the Oversight Board approved the transfer of land held for lease located at 200 Sixth Street and related loans receivable from the Successor Agency to the City pursuant to the Dissolution Law. On September 23, 2014, the City's Board of Supervisors approved the acceptance of the assets. On October 9, 2014, the Successor Agency transferred land in the amount of \$4,612 to the City and was recorded as deductions – intergovernmental transfer of capital assets to the City on the financial statements.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**
Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(4) Long-Term Obligations

(a) Long-Term Obligations Summary

The following is a summary of changes in long-term obligations for the year-ended June 30, 2015:

	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Remaining Interest Rates</u>	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2015</u>	<u>Due Within One Year</u>
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 1993B (1)	\$ 57,934	2015	Not Applicable	\$ 4,599	\$ -	\$ (4,599)	\$ -	\$ -
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998C (1)	12,915	2025	5.25% to 5.40%	2,079	-	(1,005)	1,074	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1)	21,034	2025	5.20%	15,529	-	(3,660)	11,869	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B, C (1)	144,435	2019	5.18% to 5.41%	53,275	-	(14,470)	38,805	9,345
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2004A, C, D (1)	136,610	2015	Not Applicable	95,875	-	(95,875)	-	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects and Refunding Notes Series 2005A, B, C, D (1)	88,610	2036	4.50% to 5.20%	60,360	-	(46,185)	14,175	1,255
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	46,251	-	(11,260)	34,991	270
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006B (1)	34,150	2037	4.00% to 5.00%	31,005	-	(755)	30,250	785
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	110,865	-	(1,650)	109,215	1,715
Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1)	94,115	2023	4.00% to 5.00%	52,780	-	(8,640)	44,140	9,215
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1)	75,000	2024	7.38% to 8.25%	59,435	-	(5,315)	54,120	5,435
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009B (1)	17,625	2039	5.00% to 6.63%	14,430	-	(940)	13,490	1,045
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009C (1)	25,715	2039	4.50% to 6.50%	25,690	-	(125)	25,565	230
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009D (1)	49,810	2039	5.00% to 6.63%	46,625	-	(800)	45,825	840
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2039	6.10% to 8.41%	72,100	-	(130)	71,970	145
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009F (1)	6,610	2039	3.25% to 5.75%	6,505	-	(30)	6,475	65

(Continued on next page)

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

Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(4) Long-Term Obligations (Continued)

	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Remaining Interest Rates</u>	<u>Balance, July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2015</u>	<u>Due Within One Year</u>
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2010A (1)	40,055	2041	4.11% to 7.13%	\$ 39,420	\$ -	\$ (315)	\$ 39,105	\$ 315
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011A (1)	22,370	2042	5.25% to 9.00%	21,910	-	(250)	21,660	290
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2011B (1)	16,020	2042	6.13% to 6.63%	16,020	-	-	16,020	-
Tax Allocation Revenue Bonds, Mission Bay North Redevelopment Project Series 2011C (1)	27,335	2042	4.50% to 6.75%	26,405	-	(385)	26,020	305
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2011D (1)	36,485	2042	5.00% to 7.00%	35,755	-	(405)	35,350	420
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011E (1)	9,455	2032	8.13% to 8.63%	9,445	-	-	9,445	-
Successor Agency Bonds:								
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Project Series 2014A (1)	56,245	2044	4.00% to 5.00%	56,245	-	-	56,245	695
Tax Allocation Refunding Bonds, San Francisco Redevelopment Project Series 2014B (1)	67,955	2036	0.57% to 4.87%	-	67,955	-	67,955	8,005
Tax Allocation Refunding Bonds, San Francisco Redevelopment Project Series 2014C (1)	75,945	2029	2.00% to 5.00%	-	75,945	-	75,945	11,555
Agency Revenue Bonds:								
Moscone Convention Center Lease, Series 1992 (2)	100,275	2015	Not Applicable	1,426	-	(1,426)	-	-
Hotel Tax Revenue Bonds, Series 2011 (3)	43,780	2025	4.00% to 5.00%	40,635	-	(3,165)	37,470	3,210
Financing Authority Refunding Bonds: Refunding Bond 1986 Issue A (4)	23,900	2017	3.50%	3,270	-	(1,275)	1,995	1,320
Subtotal Bonds Payable				947,934	143,900	(202,660)	889,174	56,460
Unamortized issuance premiums				7,333	8,661	(2,436)	13,558	-
Unamortized issuance discounts				(4,951)	-	586	(4,365)	-
Subtotal Bonds Payable, including unamortized premium and discounts				950,316	152,561	(204,510)	898,367	56,460
Accreted interest payable *				39,385	4,741	(6,625)	37,501	-
Cal Boating loans payable (5)				7,283	-	(208)	7,075	218
Advances from the primary government				21,670	3,837	(2,295)	23,212	-
SERAF borrowing from the primary government				-	18,973	(2,951)	16,022	1,773
Other postemployment benefit obligation				867	918	(952)	833	-
Accrued vacation and sick leave				1,325	275	(961)	639	275
Total long-term obligations				\$ 1,020,846	\$ 181,305	\$ (218,502)	\$ 983,649	\$ 58,726

* Amount represents interest accretion on Capital Appreciation Bonds.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
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(4) Long-Term Obligations (Continued)

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

- (1) Redevelopment property tax increment revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay and Mission Bay North project areas.
- (2) Capital lease payments from the City and existing debt service funds.
- (3) Hotel tax revenues from the occupancy of guest rooms in the hotels within the City.
- (4) South Beach Harbor Project cash reserves, property tax increment revenues and project revenues transferred from the capital projects fund.
- (5) South Beach Harbor Project revenues (subordinated to Refunding Bonds 1986 Issue A).

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

Issuance of Successor Agency Bonds

Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance bonds by the Successor Agency. On December 11, 2014, the Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2014 B (2014 Series B Bonds) for \$67,955 and 2) Tax Allocation Refunding Bonds Series 2014 C (2014 Series C Bonds) for \$75,945.

Proceeds from the 2014 Series B Bonds were used to partially or fully refund 2004 Series D, 2005 Series C, and 2006 Series A Bonds in the amount of \$25,040, \$29,355, and \$10,430, respectively. The refunding resulted in net present value savings of \$4,994 and an accounting loss of \$339. The 2014 Series B Bonds bear fixed interest rates ranging from 0.57% to 4.87% and have a final maturity of August 1, 2035.

Proceeds from the 2014 Series C Bonds, including original issue premium of \$8,661, and funds on hand from the refunded bonds in the amount of \$2,231, were used to partially or fully refund 1993 Series B, 1998 Series D, 2003 Series C, 2004 Series A, 2004 Series C, and 2005 Series A Bonds in the amount of \$4,600, \$3,150, \$4,350, \$56,690, \$5,880, and \$9,865, respectively. The refunding resulted in net present value savings of \$7,722 and an accounting loss of \$275. The 2014 Series C Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity of August 1, 2029.

Pledged Revenues for Bonds

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1,570,841. The redevelopment property tax revenues recognized during the year ended June 30, 2015 was approximately \$124,791 as against the total debt service payment of \$98,791.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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(Dollars in thousands)

(4) Long-Term Obligations (Continued)

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$48,132. The hotel tax revenue recognized during the year ended June 30, 2015 was \$5,100 which equaled to the total debt service payment.

Advances from the City

In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. In accordance with HSC section 34191.4(b)(3), interest shall be accrued quarterly at an annual rate of 3% on the principal balance due to the City. The City and the Successor Agency have continued to accrue interest at the State of California Local Agency Investment Fund (LAIF) rate as of June 30, 2015. For the year ended June 30, 2015, the City advanced \$3,783 in property tax revenues to the Successor Agency for debt service payments. Interest in the amount of \$54 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2,295 to the City. At June 30, 2015, the outstanding payable balance was \$23,212, which was comprised of principal of \$22,489 and accrued interest of \$723.

Supplemental Education Revenue Augmentation Funds Borrowing from the City

During the year ended June 30, 2010, the former Agency borrowed \$16,483 from the Low and Moderate Income Housing Fund (LMIHF) as part of the funding to make a payment of \$28,733 to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon the dissolution of the former Agency, the City elected to become the Housing Successor Agency and retain the former Agency's housing assets and functions, rights, powers, duties and obligations. The Successor Agency did not record a payable to the City due to the uncertainty on the enforceability of this obligation.

During the year ended June 30, 2015, the Oversight Board and the DOF approved future repayments of this obligation to the City for up to the maximum amount of \$16,483 plus accrued interest. Interest will be accrued quarterly at an annual rate of 3% on the principal balance due to the City in accordance with HSC section 34191.4(b)(3). During January 2015, the Successor Agency recorded the payable balance of \$18,770, which was comprised of principal of \$16,483 and accrued interest of \$2,287.

For the year ended June 30, 2015, interest in the amount of \$203 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2,951 to the City. At June 30, 2015, the outstanding payable balance was \$16,022, which was comprised of principal of \$13,532 and accrued interest of \$2,490.

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

Notes to Basic Financial Statements
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(b) *Repayment requirements*

As of June 30, 2015, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows:

June 30,	Tax Allocation Revenue Bonds		Hotel Tax Revenue Bonds	
	Principal	Interest *	Principal	Interest
2016	\$ 51,930	\$ 46,004	\$ 3,210	\$ 1,809
2017	51,195	43,448	3,265	1,680
2018	53,870	41,097	3,280	1,550
2019	60,595	38,488	4,610	1,386
2020	42,392	39,104	3,365	1,155
2021-2025	138,583	208,356	19,740	3,082
2026-2030	122,138	143,739	-	-
2031-2035	139,589	105,773	-	-
2036-2040	127,957	49,362	-	-
2041-2044	61,460	5,761	-	-
TOTAL	<u>\$ 849,709</u>	<u>\$ 721,132</u>	<u>\$ 37,470</u>	<u>\$ 10,662</u>

June 30,	Refunding Bond 1986 Issue A		California Department of Boating and Waterway Loan	
	Principal	Interest	Principal	Interest
2016	\$ 1,320	\$ 58	\$ 218	\$ 318
2017	675	12	227	309
2018	-	-	238	298
2019	-	-	248	288
2020	-	-	259	276
2021-2025	-	-	1,483	1,196
2026-2030	-	-	1,849	831
2031-2035	-	-	2,304	376
2036-2037	-	-	249	13
TOTAL	<u>\$ 1,995</u>	<u>\$ 70</u>	<u>\$ 7,075</u>	<u>\$ 3,905</u>

* Including payment of accreted interest.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2015
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(4) Long-Term Obligations (Continued)

(c) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Successor Agency has evaluated each bond issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2015.

(5) Pension Plan

(a) General Information about the Pension Plan

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

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

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

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

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	18.189%	18.189%

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For the Year Ended June 30, 2015
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(5) Pension Plan (Continued)

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

For the year ended June 30, 2015, the employer and employee contributions recognized as part of pension expense for the Plan were \$591 and \$342, respectively.

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

As of June 30, 2015, the Successor Agency’s reported total net pension liability of \$15,870 for its proportionated shares of the net pension liability. The Successor Agency’s net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability is measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Successor Agency’s proportion of the net pension liability was actuarial determined as of the valuation date. The Successor Agency’s proportionate share of the net pension liability for the Plan was 0.25504% or \$15,870 as of June 30, 2014, a decrease of \$7,128 from \$22,998 as of June 30, 2013.

For the year ended June 30, 2015, the Successor Agency recognized pension expense of \$281. At June 30, 2015, the Successor Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 598	\$ -
Adjustment due to differences in proportions	-	1,415
Differences between the employer's contributions and the employer's proportionate share of contributions	975	-
Net differences between projected and actual earnings on pension plan investments	-	6,378
Total	<u>\$ 1,573</u>	<u>\$ 7,793</u>

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Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(5) Pension Plan (Continued)

At June 30, 2015, the Successor Agency reported \$598 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2016	\$ (1,752)
2017	(1,752)
2018	(1,720)
2019	(1,594)
Total	<u>\$ (6,818)</u>

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations, which were rolled forward to June 30, 2014, were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry age normal cost method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment Rate of Return	7.5% net of pension plan investment and administrative expenses, includes inflation
Mortality	Derived using CalPERS' Membership Data for all Funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period from 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report named “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

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Notes to Basic Financial Statements

For the Year Ended June 30, 2015

(Dollars in thousands)

(5) Pension Plan (Continued)

According to GASB Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The difference in calculation between a 7.50 percent rate and a 7.65 percent rate was not material to the Successor Agency's financial statements.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it changes its methodology.

The long-term expected rate of return on pension plan investments of 7.50% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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(5) Pension Plan (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Year 1-10 (a)	Real Return Year 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Successor Agency's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the Successor Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Decrease Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Decrease Rate + 1% (8.50%)
Proportionate Share of Net Pension Liability	\$ 30,294	\$ 15,870	\$ 3,899

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

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For the Year Ended June 30, 2015
(Dollars in thousands)

(6) Postemployment Healthcare Plan

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

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

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan’s ARC, adjusted for historical differences between the ARC and amounts actually contributed. Based on the June 30, 2013 actuarial valuation, the Successor Agency’s ARC for the year ended June 30, 2015 remained the same as the ARC for the year ended June 30, 2014 and is the sum of (a) normal cost of \$110 and (b) level dollar amortization of the June 30, 2013 UAAL of \$822.

The following table shows the components of the Successor Agency’s annual OPEB cost for the year ended June 30, 2015, and the changes in the net OPEB obligation:

Annual required contribution	\$ 932
Interest on OPEB obligation	63
Adjustment to annual required contribution	(77)
Annual OPEB cost (expense)	918
Contributions made	(952)
Decrease in net OPEB obligation	(34)
Net OPEB obligation, beginning of year	867
Net OPEB obligation, end of year	\$ 833

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(Dollars in thousands)

(6) Postemployment Healthcare Plan (Continued)

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

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2013	\$ 1,306	77%	\$ 1,221
6/30/2014	912	139%	867
6/30/2015	918	104%	833

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

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

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

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

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

The annual required contribution for the year ended June 30, 2015 and the funding status of the plan was determined based on the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include: (a) investment return and discount rate of 7.25% with a 5 year smoothing with 20% corridor for the actuarial value of plan assets; (b) healthcare cost trend rate of 4%; (c) inflation rate of 3.0%; (d) payroll growth of 3.0%; and (e) 2009 CalPERS mortality table for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 24 years, respectively.

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(7) Mortgage Revenue Bonds and Other Conduit Debt

In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. At June 30, 2015, the Successor Agency had outstanding community district facility bonds totaling \$197.9 million.

(8) Commitments and Contingent Liabilities

(a) Insurance, Claims and Litigation

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

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

(b) Operating Leases

The Successor Agency has entered into operating leases for its office sites and a Master Lease Option Agreement (through the City) with the Port of San Francisco (Port), which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2015, the Successor Agency has exercised several of the lease options.

Total future minimum operating lease payments are as follows:

<u>Year ending June 30:</u>	
2016	\$ 1,311
2017	870
2018	870
2019	870
2020	870
2021-2025	4,351
2026-2030	4,351
2031-2035	4,351
2036-2040	4,351
2041-2045	4,351
2046-2050	4,351
2051	217
	<u>\$ 31,114</u>

Total rent payments for operating leases totaled \$1,373 for the year ended June 30, 2015.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(8) Commitments and Contingent Liabilities (Continued)

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

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

(d) *Transbay Transit Center Agreements*

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

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2015, the Successor Agency received \$2,500 from a developer and distributed the funds to the TJPA. The payment was recorded as deduction – distribution of pledged revenue to TJPA on the financial statements.

(e) *Encumbrances*

The Successor Agency uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of funds are encumbered to allocate a portion of applicable appropriations. Encumbrances still open at period end are not accounted for as expenses and liabilities. At June 30, 2015, the Successor Agency had outstanding encumbrances totaling \$80,742.

(f) *Long Range Property Management Plan*

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

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Notes to Basic Financial Statements
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(Dollars in thousands)

(8) Commitments and Contingent Liabilities (Continued)

On July 22, 2013, the Successor Agency submitted Part 1 of the PMP to request approval for the disposition of the property located at 706 Mission Street with a book value of \$0. On October 4, 2013, the DOF approved Part 1 of the PMP. The property will be transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement in fiscal year 2016. The Commission and the Oversight Board approved on November 19, 2013 and November 25, 2013, respectively, the submission of the remaining PMP and the updated Housing Asset Transfer list to the DOF to review and approve the transfer of assets to the City. The Successor Agency received feedback and comments on the submitted PMP from the DOF during September 2015. The Successor Agency will make revisions to the PMP, obtain approval from the Commission and the Oversight Board, and resubmit the PMP to DOF for final approval by December 2015.

(9) Rental Income

(a) Noncancelable Operating Leases

The Successor Agency has noncancelable operating leases within project areas. The terms of these leases will expire in fiscal year 2050. The Successor Agency also has three noncancelable operating subleases at Pier 40, in the South Beach Harbor project area. The terms of these leases will expire in fiscal year 2023. The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2015:

<u>Year ending June 30:</u>		
2016	\$	4,660
2017		4,362
2018		4,287
2019		4,153
2020		4,034
2021-2025		20,652
2026-2030		22,148
2031-2035		23,612
2036-2040		19,782
2041-2045		21,069
2046-2050		7,121
	<u>\$</u>	<u>135,880</u>

For the year ended June 30, 2015, operating lease rental income from noncancelable operating leases was \$11,761. Within the operating lease rental income, \$6,562 represents contingent rental income received. The lease rental income was recorded as a component of charges for services on the financial statements. At June 30, 2015, the leased assets had a net book value of \$40,350.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2015
(Dollars in thousands)

(9) Rental Income (Continued)

(b) Capital Lease

The former Agency has entered into a capital lease with the City for use of land and facility space pertaining to the George R. Moscone Convention Center. The lease repayment terms mirror the debt service requirements of the corresponding lease revenue bonds that were issued by the former Agency to finance the construction and expansion of the George R. Moscone Convention Center. The capital lease is recorded as a receivable and the corresponding lease revenue bonds are recorded as liabilities of the Successor Agency. The principal portion of the lease payments is recorded as a reduction of the capital lease receivable, and the principal payments on the lease revenue bonds are recorded as a reduction of the debt. The interest portion of the lease is recognized as rental income, and the interest payments on the lease revenue bonds are recognized as interest expense. The capital lease expired during the year ended June 30, 2015.

The lease agreement for the George R. Moscone Convention Center provides for deferred base rental payments commencing in May 1996 for \$870 per year until the termination date of the lease during fiscal year 2018. Deferred base rental represents a portion of the fair rental value of the project, which has been deferred by the agreement, to a date when monies are anticipated to be available. During the year ended June 30, 2015, the Successor Agency received the four remaining annual payments totaled to \$3,480 paid in advance by the City.

(10) Related Party Transactions

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

At June 30, 2015, the Successor Agency has a payable to the City in the amount of \$1,820 which consists of \$948 for Jessie Square cost reimbursements and \$872 for other services provided. The balance is recorded as payable to the City on the financial statements.

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

A variety of City departments provide administrative services to the Successor Agency and charge amounts designed to recover costs. These charges, totaling \$8,574 for the year ended June 30, 2015, have been included in various deductions line items on the financial statements.

(11) Subsequent Event

Passage of Senate Bill 107 (the Bill)

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

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

Required Supplementary Information (Unaudited)

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

As of June 30, 2015

Last 10 years *

(Dollars In Thousands)

Measurement period	2013-14
Proportion of net pension liability	0.25504%
Proportionate share of the net pension liability	\$ 15,870
Covered-employee payroll	\$ 6,695
Proportionate share of the net pension liability as a percentage of covered-employee payroll	237.04%
CalPERS Miscellaneous Plan's fiduciary net position as a percentage of total pension liability	81.15%

Notes to Schedule:

Change in benefit terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions - There were no change in benefits.

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

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

Required Supplementary Information (Unaudited)

Schedule of Contributions - Pension Plan

As of June 30, 2015

Last 10 years *

(Dollars In Thousands)

Fiscal year	2013-14	2014-15
Contractually required contribution (actuarially determined)	\$ 591	\$ 598
Contractually in relation to the actuarially determined contributions	(591)	(598)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 6,695	\$ 6,477
Contributions as a percentage of covered-employee payroll	8.83%	9.23%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2014-15 contribution rates are as follows:

Valuation date:	6/30/2012
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level percent of payroll
Asset Valuation Method	15 year smoothed market
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30% to 14.20% depending on Age, Service, and Type of Employment
Investment Rate of Return	7.5% net of pension plan investment and administrative expenses, includes inflation
Mortality	Derived using CalPERS' Membership Data for all Funds

* Fiscal year 2015 was the first year of implementation of GASB Statement No. 68, therefore only one year of information is shown.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Required Supplementary Information (Unaudited)
Schedule of Funding Progress - Postemployment Healthcare Plan
(In Thousands)

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a % of covered payroll ((b-a)/c)
6/30/2009	\$ 493	\$ 13,790	\$ 13,297	3.6%	\$ 10,515	126.5%
6/30/2011	1,856	14,390	12,534	12.9%	4,185	299.5%
6/30/2013	2,154	11,378	9,224	18.9%	4,048	227.9%

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements, and have issued our report thereon dated October 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Walnut Creek, California
October 30, 2015

APPENDIX B
REPORT OF FISCAL CONSULTANT

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FISCAL CONSULTANT REPORT
FOR THE
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY AND COUNTY OF SAN FRANCISCO
2016 SERIES B TAX ALLOCATION AND
2016 SERIES C TAX ALLOCATION REFUNDING BONDS
(MISSION BAY SOUTH REDEVELOPMENT PROJECT)

APRIL 8, 2016

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INTRODUCTION

In preparation for the issuance of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series B Tax Allocation Revenue Bonds and its 2016 Series C Tax Allocation Refunding Bonds (collectively, the "Bonds") the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Agency") has retained Urban Analytics as fiscal consultant (the "Consultant") to evaluate available tax revenue for the Agency's Mission Bay South Project Area ("Mission Bay South" and the "Project Area") and provide a Fiscal Consultant Report (the "Report").

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

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

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

THE ALLOCATION OF TAX INCREMENT REVENUE TO THE AGENCY

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

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

As described further under "*Redevelopment Dissolution*", tax revenue derived from assessed valuation in the Project Area in excess of the base year assessed valuation is allocated annually by the Controller to the Redevelopment Property Tax Trust Fund (the "RPTTF"). This allocation of tax increment ("Tax Revenue") is the maximum that the Agency may receive in a fiscal year. The Tax Revenue is applied, in order of priority, to the administrative costs of the County Controller, to pass-through payments, to debt service and contractual obligations of the Agency, and to administrative costs of the Agency; funds remaining in the RPTTF are then distributed to the taxing entities. To the extent the funds in the RPTTF are insufficient to meet these obligations, the Controller will withhold Agency administrative costs; if an insufficiency remains, subordinated pass-through payments would then be deferred.

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

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

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

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

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

The City utilizes a device known as the Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code) to distribute secured property tax revenue to all jurisdictions, including the Agency, without regard to delinquencies. Pursuant to this mechanism, the City maintains a reserve fund to cover delinquencies and allocate revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Consequently, the Agency is not affected by delinquent tax payments. However, the Board of Supervisors may discontinue the Teeter Plan prior to the commencement of any fiscal year. There can be no assurance that the Teeter Plan will remain in effect throughout the life of the Bonds. The overall delinquency rate for the 2014-15 fiscal year for all secured properties in the Mission Bay South Project Area was 0.4% as of October 23, 2015.

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

Auditor-Controller does charge the Agency an administrative fee as permitted under Redevelopment Dissolution Law.

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

HOUSING SET-ASIDE

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

THE REDEVELOPMENT PLAN

The Project Area subject to the Bonds is established through a redevelopment plan. Key information pertaining to the plan limits for the Project Area is shown in Table 1.

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

The redevelopment plan contains certain time limits that, prior to the Redevelopment Dissolution Law, served to limit the receipt of tax increment; recent legislation permits the Agency's obligations to be paid regardless of these limits (see "*Redevelopment Dissolution*", below). These limits are described below with respect to the Project Area.

Table 1
Plan Limits for the Project Area

Date of Adoption	Ordinance Number	Plan Limit Termination Dates			Limit on Bonds Outstanding	Limit on Receipt of Tax Increment
		Debt Incurrence	Plan Duration	Last Date to Repay Indebtedness		
11/02/98	335-98	11/02/28 ⁽¹⁾	11/02/28	11/02/43	450,000,000	None

(1) The Agency may not incur debt for purposes other than financing low and moderate income housing ten years prior to this date.

Source: The Agency

The Mission Bay South Project Area, located east of Interstate 280 and adjacent to the Mission Bay North Project Area, was adopted on November 2, 1998. The redevelopment plan includes a limit of November 2, 2028 on the issuance of debt necessary to meet the Agency's low and moderate income housing requirements and November 2, 2018 on the issuance of debt for other purposes. The last date to repay indebtedness under the plan is November 2, 2043, although the Redevelopment Dissolution Law now permits Agency obligations to be paid beyond that date. The plan does not contain a limit on the tax

increment that may be collected in the project area. The amount of indebtedness that may be outstanding at any one time is \$450 million. The Agency had \$15.0 million in housing-related tax allocation bonds outstanding and \$135.5 million in non housing-related tax allocation bonds outstanding in this project area as of August 2, 2015.

Table 2
Land Use By Project Area, 2015-16
Mission Bay South

Land Use	Secured Assessed Valuation	Pct of Total Valuation	Number of Parcels	Pct Of Total Parcels
Commercial	\$1,181,670,117	50.2%	50	8.7%
Industrial	-	0.0%	4	0.7%
<i>Residential</i>				
Condominium	\$417,163,509	17.7%	431	74.7%
Apartment/Townhouse	54,438,563	2.3%	2	0.3%
Vacant	702,163,810	29.8%	20	3.5%
Publicly-owned/Other	153,828	0.0%	70	12.1%
Total	\$2,355,589,827	100.0%	577	100.0%

Source: San Francisco County Assessor; Urban Analytics

Statutory Pass-through Payments

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

Under the AB1290 mechanism, pass-through payments are made to all jurisdictions receiving a portion of the basic one percent levy, except jurisdictions having pre-existing contractual pass-through agreements. The pass-through payments are made in three periods, or tiers, each beginning in a different year - years one, eleven, and thirty-one - and extending through the plan's remaining duration. The payments received by each jurisdiction are based on a specified percentage of the growth in assessed valuation over a base (the assessed valuation in the year prior to the beginning of a period), multiplied by the property tax apportionment factor for the jurisdiction. The City is entitled to pass-through payments from the first tier only.

The initial statutory payments are a percentage of tax increment received by the Agency. For payments under tiers two and three, payments derive from future base levels of assessed valuation. Under redevelopment law, the initial base year for the tier two payments was set in the tenth year in which the Agency received tax increment payments. As the Agency did not receive tax increment payments until the 2003-04 fiscal year, the base year for tier two payments was set in FY 2012-13. Similarly, the initial base year for

the tier three payments will be set in the thirtieth year in which the Agency receives tax increment payments, FY 2032-33.

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

The Project Area was adopted after December 31, 1998 and has been subject to the statutory pass-through payments since the date of adoption.

There are nine taxing entities within the Project Area. Four of these are entities of the City and County of San Francisco: the General Fund, the Children's Fund, the Library Fund, and the Open Space Fund. The remaining five taxing entities are: the San Francisco Community College District, the San Francisco Superintendent of Schools, the San Francisco Unified School District, the Bay Area Air Quality Management District, and the Bay Area Rapid Transit District. In addition to the taxing entities, the Controller allocates a portion of revenue to the Educational Revenue Augmentation Fund (ERAF) for distribution to schools. The proportion of pass-through payments received by each of these taxing entities and ERAF and is shown in Table 3.

Table 3
Pass-through Shares By Taxing Entity

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

Source: Office of the Controller

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

pass-through payments, and a correspondingly lower amount to other taxing entities. The total amount of statutory pass-through payments would not change.

Under redevelopment law, the Agency is permitted to subordinate its statutory pass-through payments to the payment of debt service after notification of the taxing entities of its intention to do so, and after demonstrating to those entities that it has sufficient tax increment to meet its pass-through obligation after debt service payments. After a 45-day period, and in the absence of any disapproval by a taxing entity based on substantial evidence that the Agency will not be able to pay its pass-through obligation and the debt service payments, the subordination request is deemed approved. The Agency, having notified the taxing entities of its intent to subordinate the statutory pass-through payments to debt service on the Bonds and with the expiration of the 45-day period on February 26, 2016, has the approval of all taxing entities to subordinate pass-through payments to debt service on the Bonds.

Senior Obligations

The Agency reports that it has no obligations payable from Tax Revenues net of the Housing Set-Aside that are senior to the Bonds in the Project Area.

LEGISLATION AND COURT ACTIONS

Redevelopment Dissolution

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

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

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

The dissolution bill did substantially change the mechanism used to distribute tax increment revenue to the successor agencies. Successor agencies are now required to create a schedule of payments (Recognized Obligation Payment Schedule, or ROPS) which serves as the basis for the distribution of property tax increment revenue to the successor

agencies. The obligations appearing on the ROPS are limited to items deemed to be “enforceable” under the legislation. These include debt service and contractual obligations entered into prior to June 29, 2011; it explicitly excludes contracts and agreements between the former redevelopment agency and its sponsoring city or county except those that were entered into prior to January 1, 2011 for purposes of securing debt obligations and those established in the first two years of an agency’s existence.

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

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

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

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

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

There is a complex system of oversight and approvals in the legislation. The oversight boards are charged with approving ROPS of the successor agency, which are then submitted to the county auditor-controller and state Department of Finance for review. The Department of Finance can reject some or all of the obligations on the ROPS, which then

returns to the successor agency and the oversight board for revision. Since the county controller cannot make a payment to the successor agency without an approved ROPS, this approval process is a critical element in the process. Additional oversight is provided by the state Controller, charged with overseeing the actions of the county auditor-controllers.

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

Prior to the passage of the Redevelopment Dissolution Law, a minimum of twenty percent of the tax increment revenue received by the Agency was required to be set aside and utilized to increase, improve and preserve the community’s supply of very low-, low- and moderate-income housing (the “Low and Moderate Income Housing Fund” or “Housing Fund”). Although the Redevelopment Dissolution Law eliminated this requirement, twenty percent of tax increment revenue is pledged to outstanding housing bonds and continues to be deposited to the Housing Fund and, therefore, is not available to pay debt service on the Bonds.

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

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

The County charges an administration fee to recover property tax administration costs from the Agency authorized under the Redevelopment Dissolution Law. Under the Dissolution Act, the fee is calculated on an Agency-wide basis and is deducted from the total amount of

tax increment for all project areas deposited in the RPTTF. The allocation of the fee among project areas is at the discretion of Agency staff. The amount of the administration fee reported as deducted from total Agency tax increment for FY 2014-15 was \$49,156; were this amount allocated to the Project Area in proportion to Project Area tax increment the Project Area's proportionate share of this amount would be approximately \$4,000.

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

AB 1290

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

The Project Area is subject to AB1290 pass-through payments, as described above.

ERAF Legislation

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

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

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

The Agency funded its FY 2009-10 and FY 2010-11 SERAF obligations using available funds and by borrowing from the Housing Fund, as permitted under redevelopment law. The law requires agencies to repay by June 30, 2015 any amounts borrowed from its housing fund to meet the FY 2009-10 SERAF obligation and by June 30, 2016 for the FY 2010-11 SERAF obligation. The law also established a penalty of a 5% increase in the required contribution to the housing fund for those agencies not reimbursing their housing

fund by those dates. The Redevelopment Dissolution Law subsequently established an annual limit on the amount of all redevelopment loan repayments, including those for SERAF-related housing fund borrowings. With the elimination of the 20 percent housing set-aside by the Dissolution Law and the annual limit on loan repayments also imposed by the Dissolution Law, it is not clear how or if the original 5% penalty requiring increased contributions to the Housing Fund could be implemented. The Agency reported an outstanding balance of \$12.0 million on its January 2, 2016 ROPS for the SERAF-related Housing Fund borrowing.

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

Santa Ana Section 33676 Decision

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

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

Orange County Reassessment Decision

A court case regarding the proper method of reassessing properties once they received a temporary reduction in valuation (a Proposition 8 adjustment) was resolved on appeal in favor of the County of Orange. In that case, the assessor was found to have properly returned a property to its statutory base valuation adjusted for inflation once the Proposition 8 adjustment terminated. The assessment practice that was validated by the court is one used in San Francisco and most other counties in the state.

TAX RATES

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

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

terminated in 2011-12. The unsecured tax levy is the secured tax levy for the prior year; it terminated in 2012-13.

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

PROPOSITION 13 INFLATION ADJUSTMENT

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

TAX RATE AREA CODING ADJUSTMENTS

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

ASSESSMENT APPEALS

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

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year's secured assessment based on the current economic value of the property (the assessor may also adjust valuations based on

Proposition 8 criteria). In past years, assessment reductions under Proposition 8 have been generally temporary in nature and were usually restored to their previous levels, as adjusted for inflation, as economic conditions improve.

Assessors have the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of properties affected by particular negative economic conditions. Although the San Francisco county assessor's office has not indicated how many parcels are currently subject to Proposition 8 reductions, these temporary reductions in value are incorporated into the 2015-16 roll data used in this report.

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

Appeal filings for the past six years are shown in Table 4 for the secured roll. The tables compare the county assessor's valuation with the applicant's opinion of the value of a property, and show the resulting valuation for resolved appeals. Appeals are considered resolved when they are withdrawn by the applicant, denied a hearing by the board of assessment appeals, granted a hearing but denied an adjustment in valuation, or granted an adjustment in valuation.

Appeals have been filed by several of the largest property owners in the Project Area. Alexandria Real Estate has one appeal pending for FY 2014-15, with disputed valuation of \$118.6 million. Bay Jacaranda has two appeals pending on its FY 2012-13 valuations with disputed valuation of \$27.5 million; the owner's previous appeals on the property resulted in no change to the original valuation. The Hines Global REIT has appealed a parcel located at 550 Terry Francois Boulevard in FY 2014-15 with disputed valuation totaling \$99.8 million, and in FY 2013-14 with disputed valuation totaling \$57.3 million; an appeal of the same property in FY 2011-12 resulted in no change to the original valuation.

An indicator of the potential exposure of Agency tax increment revenue to appeals – were the Controller's office either to change its policy of deducting appeal-related tax refunds solely from taxing entities and not from the redevelopment agency or were the Assessor to extend Proposition 8 reductions on to future rolls for properties granted prior-year reductions – may be seen by applying the overall retention rate for all years in a Project Area to the amount of roll valuation in pending appeals for the Project Area. Applying the retention rate of 96.7% to the valuation currently subject to pending appeals, the estimated reduction in valuation would be \$12.1 million or approximately \$97,000 in total Tax Revenues.

If the full amount of \$184 million in disputed valuation were to be granted by the assessment appeals board across the Project Area, and if the Controller's office were to deduct the resulting tax refunds from Agency tax increment, the total Tax Revenues for the Project Area could be reduced by approximately \$1.5 million.

Table 4
Assessment Appeals: Mission Bay South

Roll Year	Status	Number of Appeals	County Valuation	Applicant Opinion of Value	Valuation After Appeal	Retention Rate *
2014-15	Resolved	4	284,778,050	191,929,715	284,778,050	100.0%
2014-15	Pending	2	254,987,559	127,600,000	TBD	TBD
2013-14	Resolved	13	417,274,230	286,914,442	417,274,230	100.0%
2013-14	Pending	1	114,305,085	57,000,000	TBD	TBD
2012-13	Resolved	21	326,308,443	207,855,585	325,373,405	99.7%
2012-13	Pending	-	-	-	-	-
2011-12	Resolved	13	285,407,709	200,540,178	284,546,551	99.7%
2011-12	Pending	-	-	-	-	-
2010-11	Resolved	20	890,404,689	436,641,720	810,638,314	91.0%
2010-11	Pending	-	-	-	-	-
2009-10	Resolved	11	288,095,414	167,204,633	288,095,414	100.0%
2009-10	Pending	-	-	-	-	-
All Years	Resolved	82	2,492,268,535	1,491,086,273	2,410,705,964	96.7%
All Years	Pending	3	369,292,644	184,600,000	TBD	TBD

Potential exposure to reductions in valuation from all pending appeals **: 12,085,559

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

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

Data obtained from the San Francisco County Assessment Appeals Board as of 12/8/2015.

HISTORIC AND CURRENT ASSESSED VALUATION AND TAX INCREMENT

Based on assessment roll data provided by the offices of the San Francisco Assessor, San Francisco Controller, and State Board of Equalization, the total assessed valuation for 2015-16 in the Project Area, after deducting all exemptions except the homeowner's exemption which is reimbursed by the state, is \$2.6 billion (see Table 5). This represents a gain of 21.8% over FY 2014-15 valuations.

The secured roll accounted for 92% of the total valuation in the Project Area in FY 2015-16, with the unsecured roll comprising 8%. The Project Area volatility ratio – the ratio of base year assessed valuation to total assessed valuation – is low at 0.038.

The following table presents historic and current valuation and tax revenue for the Project Area. Gross tax increment is calculated by applying a tax rate to the incremental assessed valuation. The 20% devoted to funding housing activities in the Project Area is deducted from gross tax increment revenue to arrive at allocable tax increment revenue.

Table 5
Property Taxable Values and Tax Revenues (x 1,000)
San Francisco Redevelopment Agency - Mission Bay South

	2011-12	2012-13	2013-14	2014-15	2015-16
Assessed Values (1):					
Existing Properties:					
Real Property	1,026,260	1,357,250	1,636,906	1,941,452	2,355,590
SBE Rolls	-	-	-	-	-
Total Secured Assessed Value	1,026,260	1,357,250	1,636,906	1,941,452	2,355,590
Unsecured Assessed Value	147,433	146,118	148,597	167,770	213,470
Total Assessed Value	1,173,693	1,503,368	1,785,502	2,109,223	2,569,060
Base Year Values:					
Secured	85,054	85,054	85,054	85,054	85,054
Unsecured	12,628	12,628	12,628	12,628	12,628
Increase Over Base Year Values:					
Secured	941,206	1,272,196	1,551,852	1,856,399	2,270,536
Unsecured	134,805	133,490	135,969	155,142	200,842
Tax Rates:					
Secured Tax Rate	0.010000	0.010000	0.010000	0.010000	0.010000
Unsecured Tax Rate	0.010040	0.010000	0.010000	0.010000	0.010000
Tax Increment Revenue (2):					
Secured Property	9,412	12,722	15,519	18,564	22,705
Unsecured Property	1,353	1,335	1,360	1,551	2,008
Gross Tax Increment Revenue	10,765	14,057	16,878	20,115	24,714
Less 20% Housing Set-Aside	2,153	2,811	3,376	4,023	4,943
Less AB1290 Pass-through Obligation (3)	-	-	-	-	-
Less Apportioned County Admin Fee (4)	2	2	3	3	4
Tax Increment Revenue	8,611	11,243	13,500	16,089	19,767

(1) Assessed valuations shown are "full cash value" and exclude homeowner subventions

(2) Revenue numbers equal the tax rate times the increase over base year value and do not necessarily equal amounts collected. The Agency may receive other revenues, including supplemental taxes, prior-year escape assessments and payments in lieu of taxes.

(3) Future AB1290 payments for this Project Area have been subordinated to the Bonds and to existing parity debt and accordingly are not deducted from Tax Revenues.

(4) Property tax administration fees are deducted by the Controller from total Agency revenue; figures shown are estimates based on the Project Area's proportionate share of total Agency revenue.

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

TEN LARGEST ASSESSEES

The ten largest assessees in the Project Area are shown in Table 6 for FY 2015-16. The table includes the assessed valuations for each of the top ten property owners, the valuation for all other owners, and the total valuation for the Project Area (valuations exclude homeowner's exemptions). The percentage of total valuation accounted for by each owner is calculated by dividing the owner's valuation into the total valuation for the Project Area. An additional calculation showing the ten largest property owners as a percentage of incremental assessed valuation is also included. Property owners with appeals pending on their current- or prior-year roll valuation are noted. Ownership concentration for the ten largest assessees is 69.8% in the Project Area.

Table 6
Ten Largest Property Owners By Valuation, FY 2015-16
San Francisco Redevelopment Agency
Mission Bay South

Property Owner	Assessed Value	Pct of Total Assessed Value	Land Use
ALEXANDRIA REAL ESTATE SF * (1: 2014-15)	667,628,392	26.0%	Commercial Office
HINES GLOBAL REIT * (1: 2014-15, 1: 2013-14)	203,805,315	7.9%	Commercial Office
BOSA DEVELOPMENT CA	191,278,095	7.4%	Residential
BAY JACARANDA	184,451,821	7.2%	Commercial - Vacant Land
DCO MISSION BAY LP	121,127,853	4.7%	Residential
SOBRATO DEVELOPMENT CO #871	101,323,765	3.9%	Commercial Office
ESSEX PORTFOLIO	94,627,030	3.7%	Residential
STRATA APARTMENT HLDGS LLC	83,860,027	3.3%	Residential
FIBROGEN INC	73,381,790	2.9%	Commercial - R&D
EQR MISSION BAY BLOCK 13 LP	71,828,933	2.8%	Residential
Total, Ten Largest:	1,793,313,021	69.8%	
All Other	775,747,011	30.2%	
Total for the Area:	2,569,060,032	100.0%	
<i>Ten Largest as Pct. of Incremental AV:</i>		72.6%	

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

Source: County Assessor; Urban Analytics.

Five of the top owners shown in Table 6 hold commercial properties. The largest owner, Alexandria Real Estate, has sixteen office properties in the Project Area; \$306.9 million of the \$667.6 total valuation for this owner is from two buildings and a garage at 409 and 499 Illinois. Nine of the remaining thirteen properties are assessed as vacant parcels. Hines Global REIT is the owner of an office building at 550 Terry Francois Boulevard; the Gap Inc, a clothing company, is the primary tenant. Bay Jacaranda, an entity owned by Salesforce, is the owner of two vacant parcels bordered by 3rd Street, 16th Street, South Street and

Terry Francois Boulevard. The site is currently under consideration as the location of a basketball arena. Fibrogen is a bio-technology firm located on a city-owned parcel at Illinois Street and Terry Francois Boulevard; as a lessor, the valuation for this owner is on the unsecured roll.

Bosa Development, one of the five residential property owners shown in Table 6, owns the 267-unit Arden condominium development at 718 Long Bridge Street. DCO Mission Bay LP owns a 315-unit apartment building at 1850 Channel Street, while Essex Portfolio owns two apartment buildings branded as MB360: one a 188-unit building at 701 China Basin and another a 172-unit apartment building at 1200 4th Street. Strata Apartment Holdings owns a 192-unit apartment building at 1201 4th Street, while EQR Mission Bay is the owner of the 273-unit Azure apartment building at 690 Long Bridge Street.

TAX INCREMENT PROJECTION

Allocable tax increment is projected over the duration of the plan in the Project Area, as shown in Table 7 using growth rates and in Table 8 with no growth. As described previously under “The Allocation of Tax Increment Revenue to the Agency”, the Agency claims sufficient revenue to meet its debt service payments and other obligations identified on the ROPS; Tax Revenue is also applied to pass-through obligations and project and administrative expenses as described previously under “*The Allocation of Tax Increment Revenue to the Agency*”.

The projection in Table 7 uses a Proposition 13 inflation factor for real property of 1.525% in FY 2016-17 and 2.00% in subsequent years, holding secured personal property and unsecured valuations constant. The projection in Table 8 is shown with no growth in assessed valuation. The projections do not take into consideration any changes in assessed valuation due new construction, property sales, Proposition 8 reductions, assessment appeals or other factors.

The portion of tax revenue pledged to housing debt service is deducted from annual gross tax increment along with the portion of the property tax administration fee apportioned to the Project Area. Actual tax increment may vary from that shown for any given year. The tax rate used in the analysis for both the secured and unsecured roll is the one percent levy; the Agency does not receive revenue from any pre-1989 levies.

LIMITATIONS OF REPORT

The calculation of assessed valuations and tax increment shown in this Report are based on information believed to be complete, current and reliable at the time of this Report. Projections of tax increment are based on reasonable assumptions and may not reflect actual future revenue received by the Agency. Information regarding the practices and methods used by the City in assessing and allocating property tax revenue has been obtained from City staff and analysis of County records, while information concerning the Project Area, their constituent redevelopment plans, their amendments and the pass-

through agreements has been obtained through discussions with Agency staff and through review of the plan documents made available to the Consultant.

While the Consultant has made reasonable efforts to verify the accuracy of the figures and information presented in this Report and presumes that the information relied upon is correct, the Consultant makes no warranty as to its accuracy

Table 7
Projection of Tax Revenues for Mission Bay South Project Area

Fiscal Year	Gross Tax Increment	Portion Applied to Housing	Property Tax Admin. Fee	Tax Revenues	Subordinate Pass-Through Payments	Net Tax Increment
2015/16	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2016/17	25,070,062	5,014,012	4,262	20,051,788	5,669,208	14,382,580
2017/18	25,544,441	5,108,888	4,343	20,431,210	5,792,305	14,638,905
2018/19	26,028,307	5,205,661	4,425	20,818,221	5,917,865	14,900,356
2019/20	26,521,851	5,304,370	4,509	21,212,972	6,045,935	15,167,037
2020/21	27,025,266	5,405,053	4,594	21,615,618	6,176,567	15,439,051
2021/22	27,538,748	5,507,750	4,682	22,026,317	6,309,812	15,716,505
2022/23	28,062,501	5,612,500	4,771	22,445,230	6,445,721	15,999,509
2023/24	28,596,729	5,719,346	4,861	22,872,522	6,584,349	16,288,172
2024/25	29,141,641	5,828,328	4,954	23,308,359	6,725,749	16,582,609
2025/26	29,697,451	5,939,490	5,049	23,752,912	6,869,978	16,882,935
2026/27	30,264,378	6,052,876	5,145	24,206,357	7,017,090	17,189,267
2027/28	30,842,643	6,168,529	5,243	24,668,871	7,167,146	17,501,726
2028/29	31,432,474	6,286,495	5,344	25,140,635	7,320,202	17,820,434
2029/30	32,034,101	6,406,820	5,446	25,621,835	7,476,319	18,145,516
2030/31	32,647,760	6,529,552	5,550	26,112,658	7,635,559	18,477,099
2031/32	33,273,693	6,654,739	5,657	26,613,298	7,797,983	18,815,315
2032/33	33,912,144	6,782,429	5,765	27,123,951	7,963,656	19,160,295
2033/34	34,563,365	6,912,673	5,876	27,644,816	8,158,471	19,486,346
2034/35	35,227,610	7,045,522	5,989	28,176,099	8,357,181	19,818,918
2035/36	35,905,140	7,181,028	6,104	28,718,008	8,559,867	20,158,141
2036/37	36,596,220	7,319,244	6,221	29,270,755	8,766,605	20,504,149
2037/38	37,301,122	7,460,224	6,341	29,834,556	8,977,479	20,857,078
2038/39	38,020,122	7,604,024	6,463	30,409,634	9,192,570	21,217,064
2039/40	38,753,502	7,750,700	6,588	30,996,214	9,411,963	21,584,251
2040/41	39,501,550	7,900,310	6,715	31,594,525	9,635,744	21,958,781
2041/42	40,264,558	8,052,912	6,845	32,204,802	9,864,000	22,340,802
2042/43	41,042,827	8,208,565	6,977	32,827,284	10,096,821	22,730,463
2043/44	-	-	-	-	-	-
Total	899,523,988	179,904,798	152,919	719,466,271	211,512,901	507,953,370

Note: Tax Revenues are projected using a Proposition 13 inflation factor of 1.525% in FY 2016-17 and 2.00% in subsequent years for real property with no growth in unsecured and personal property and a tax levy of 1.00%. Allocable revenues are net of the 20% portion applied to housing. Actual revenues may vary.

Table 8
Projection of Tax Revenues for Mission Bay South Project Area (No Growth)

Fiscal Year	Gross Tax Increment	Portion Applied to Housing	Property Tax Admin. Fee	Tax Revenues	Subordinate Pass-Through Payments	Net Tax Increment
2015/16	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2016/17	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2017/18	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2018/19	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2019/20	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2020/21	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2021/22	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2022/23	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2023/24	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2024/25	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2025/26	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2026/27	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2027/28	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2028/29	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2029/30	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2030/31	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2031/32	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2032/33	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2033/34	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2034/35	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2035/36	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2036/37	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2037/38	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2038/39	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2039/40	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2040/41	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2041/42	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2042/43	24,713,781	4,942,756	4,201	19,766,824	5,576,756	14,190,068
2043/44	-	-	-	-	-	-
Total	691,985,878	38,397,176	117,638	553,471,065	156,149,170	397,321,895

Note: Tax Revenues are projected with no growth in assessed valuation and a tax levy of 1.00%. Allocable revenues are net of the 20% portion applied to housing. Actual revenues may vary.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust, dated as of March 1, 2014 (the “2014 Indenture”), as supplemented by the First Supplemental Indenture of Trust dated as of April 1, 2016 (the “First Supplement” and, together, with the 2014 Indenture, the “Indenture”) by and between the Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public entity duly existing under the laws of the State of California (the “Successor Agency”), as successor agency to the Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the “Trustee”), authorizing the 2016 Series B Bonds and the 2016 Series C Bonds (together, the “2016 Bonds”) that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture (copies of which may be obtained from the Agency) for the complete terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

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

“Allocable Tax Revenues” means all taxes annually allocable, following the Closing Date, to the Successor Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the Bonds and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area and shall also include all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code); but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5, 33607.7 and 34183(a)(1)(A) of the Law unless such payments are subordinated to payments on the Bonds or under the Parity Debt Instruments pursuant to Sections 33607.5(e) and Section 34177.5(c) of the Law.

“Bonds” means the 2014 Series A Bonds, the 2016 Series B Bonds, the 2016 Series C Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Successor Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Year” means each twelve (12) month period extending from August 2 in any one calendar year year to August 1 of the succeeding calendar year; provided that the first Bond Year with respect to the

2016 Bonds shall commence on the Closing Date and end on August 1, 2016.

“Business Day” means any day, other than a Saturday or Sunday or a day on which commercial banks in New York, New York, or any other city or cities where the Trust Office of the Trustee is located, are required or authorized by law to close or a day on which the Federal Reserve System is closed.

“City” and “City and County” means the City and County of San Francisco, a chartered city and municipal corporation, organized and existing under the Constitution and laws of the State.

“Closing Date” means the date on which a series of Bonds are delivered by the Successor Agency to the original purchaser thereof.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2014 Series A Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the 2014 Series A Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Certificate” means, with respect to the 2016 Bonds, that certain Continuing Disclosure Certificate relating to the 2016 Bonds, executed by the Successor Agency and dated the date of issuance and delivery of the 2016 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, bond insurance premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, administrative costs of the Successor Agency and the City and County incurred in connection with the issuance of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Debt Service Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Defeasance Obligations” means any of the following which, at the time of investment, are legal investments under the laws of the State for the moneys proposed to be invested therein and are in compliance with the Successor Agency’s investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Successor Agency as conclusive certification to the Trustee that investments described therein are legal and are in compliance with the Successor Agency’s investment policies then in effect), but only to the extent the same are acquired at Fair Market Value:

- (a) Cash;
- (b) Federal Securities, including direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;;

(c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(d) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody’s rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals; and

(e) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

“Department of Finance” means the Department of Finance of the State of California.

“Dissolution Act” means California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011, as it has heretofore been amended and as it may hereafter be amended.

“Escrow Trustee” means U.S. Bank National Association, as escrow trustee under the Redemption Agreement - 2009D Bonds and the Redemption Agreement - 2011D Bonds.

“Existing Loan Agreements” means, collectively, (i) the Loan Agreement dated as of September 1, 2009 among the Former Agency, U.S. Bank National Association, as trustee, and the Authority and (ii) the Loan Agreement dated as of March 1, 2011 among the Former Agency, U.S. Bank National Association, as trustee, and the Authority.

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

“Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America.

“First Supplement” means the First Supplemental Indenture of Trust dated as of April 1, 2016, between the Successor Agency and the Trustee.

“Fiscal Year” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Successor Agency to the Trustee in writing as its official fiscal year period.

“Former Agency” means the now dissolved Redevelopment Agency of the City and County of San Francisco.

“Indenture” means the 2014 Indenture, as supplemented and amended by the First Supplement, and as they may be further supplemented or amended by any Supplemental Indenture entered into pursuant to the provisions thereof.

“Independent Accountant” means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Successor Agency or the City and County;
- (b) does not have any substantial interest, direct or indirect, with the Successor Agency or the City and County; and
- (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency or the City and County, but who may be regularly retained to make reports to the Successor Agency or the City and County.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by the Successor Agency (who may be an underwriter of bonds of the Successor Agency or the City and County), and who, or each of whom:

- (a) is judged by the Successor Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of Redevelopment Projects;
- (b) is in fact independent and not under domination of the Successor Agency or the City and County;
- (c) does not have any substantial interest, direct or indirect, with the Successor Agency or the City and County; and
- (d) is not connected with the Successor Agency or the City and County as an officer or employee of the Successor Agency or the City and County, but who may be regularly retained to make reports to the Successor Agency or the City and County.

“Insurer” means the provider of a municipal bond or financial guaranty insurance policy with respect to Parity Debt.

“Interest Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Interest Payment Date” means, with respect to the 2016 Bonds, each February 1 and August 1, commencing February 1, 2017, for so long as any of the 2016 Bonds remain Outstanding under the Indenture.

“Law” means the Community Redevelopment Law of the State constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto (including the Dissolution Act).

“Low and Moderate Income Housing Fund” means the fund of the Successor Agency by that name established pursuant to Section 33334.3 of the Law.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest amount for the current or any future Bond Year payable on the 2014 Series A Bonds or any Parity Debt in such Bond Year. For purposes of such calculation, variable rate Parity Debt shall be deemed to bear interest at the maximum rate permitted by the Parity Debt Instrument pursuant to which such Parity Debt is issued. For purposes of such calculation, the amount of interest on any Bonds or other Parity Debt that is payable from the proceeds of such Bonds or Parity Debt that is set aside solely for such purpose shall not be included the calculation of Maximum Annual Debt Service, and there shall also be excluded payments with respect to the 2014 Series A Bonds or any Parity Debt to the extent that amounts due with respect to the 2014 Series A Bonds or such Parity Debt are prepaid or otherwise discharged in accordance with the Indenture or the relevant Parity Debt Instrument or to the extent the proceeds thereof are then deposited in an escrow fund from which amounts may not be released to the Successor Agency unless the amount of Allocable Tax Revenues for the most recent Fiscal Year (as evidenced in a written document from an appropriate official of the City and County), at least equals one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service which would result if any such moneys on deposit in such escrow fund were to be released and deposited in the Project Fund or a similar project fund established in connection with such Parity Debt.

“Moody’s” means Moody’s Investors Service and its successors.

“Original Purchaser” means, collectively, Stifel, Nicolaus & Company, Incorporated, Backstrom McCarley Berry & Company, LLC, and Blaylock Beal Van, LLC, as the original purchasers of the 2016 Bonds.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the applicable provisions of the Indenture) all Bonds except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, but not including any Bonds paid by any Insurer, as provided in the Indenture; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Successor Agency pursuant the Indenture.

“Oversight Board” means the Oversight Board of the Successor Agency established pursuant to the Section 34179 of the Dissolution Act.

“Owner” or “Bondowner” means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Parity Debt” means any additional bonds, loans, advances or other indebtedness issued or incurred by the Successor Agency on a parity with the 2014 Series A Bonds pursuant to the Indenture.

“Parity Debt Instrument” means any resolution, indenture of trust, supplemental indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means any of the following which, at the time of investment, are legal investments under the laws of the State for the moneys proposed to be invested therein and are in compliance with the Successor Agency’s investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Successor Agency as conclusive certification to the Trustee that the investments described therein are legal and are in compliance with the Successor Agency’s investment policies then in effect), but only to the extent the same are acquired at Fair Market Value:

- (a) Federal Securities;
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Ginnie Mae (formerly known as the Government National Mortgage Association); (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of Sallie Mae (formerly known as the Student Loan Marketing Association); (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;
- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, and a rating by Moody’s of Aaa, Aa1 or Aa2 (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);
- (e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above or by collateral that may

be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks;

- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates), but only to the extent that the amount being invested in such certificates of deposit, savings accounts, deposit accounts or money market deposits) are fully insured by FDIC, including BIF and SAIF;
- (g) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with an entity rated “Aa” or better by Moody’s and “AA” or better by S&P, or unconditionally guaranteed by an entity rated “Aa” or better Moody’s and “AA” or better by S&P;
- (h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1+” or better by S&P;
- (i) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies;
- (j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s, and “A-1+” by S&P; and
- (k) The Local Agency Investment Fund that is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

“Principal Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Principal Corporate Trust Office” means means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of the Indenture; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted, initially in Saint Paul, Minnesota.

“Prior Bonds” means, collectively, the \$49,810,000 initial principal amount of City and County of San Francisco Redevelopment Financing Authority 2009 Series D Tax Allocation Revenue Bonds (Mission Bay South Redevelopment Project) and the \$36,485,000 initial principal amount of City and County of San Francisco Redevelopment Financing Authority 2011 Series D Tax Allocation Revenue Bonds (Mission Bay South Redevelopment Project)

“Project Area” means the redevelopment project area described in the Redevelopment Plan.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Qualified Reserve Account Credit Instrument” means, means, subject to the proviso below, an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of such issuance is at least “AA” from S&P or “Aa” from Moody’s (in each case, without regard to numerical or other modifier) and, in the case of an insurance company, the claims paying ability of such insurance company at the time of such issuance is “AA” from S&P, or “Aa” from Moody’s (in each case, without regard to numerical or other modifier); (b) such letter of credit 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 Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

“Redemption Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Redemption Agreement - 2009D Bonds” means the Agreement Regarding the Redemption, Defeasance and Payment of 2009 Series D Bonds and 2009 Series D Loan Agreement dated as of April 1, 2016, among the Authority, the Successor Agency and the Escrow Trustee.

“Redemption Agreement - 2011D Bonds” means the Agreement Regarding the Redemption, Defeasance and Payment of 2011 Series D Bonds and 2011 Series D Loan Agreement dated as of April 1, 2016, among the Authority, the Successor Agency and the Escrow Trustee.

“Redevelopment Plan” means, the Redevelopment Plan for the Mission Bay South Redevelopment Project, approved by ordinance of the Board of Supervisors of the City and County on November 2, 1998, as heretofore amended and as may hereafter be amended pursuant to the Law.

“Redevelopment Project” means the undertaking of the Successor Agency pursuant to the Redevelopment Plan and the Law for the redevelopment of the Project Area.

“Redevelopment Property Tax Trust Fund” means the fund by that name established pursuant to California Health and Safety Code Sections 34170.5(a) and 34172(c) and administered by the County auditor-controller.

“Report” means a document in writing signed by an Independent Redevelopment Consultant and including:

- (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and
- (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to the Indenture.

“Reserve Requirement” means, as of the date of calculation by the Successor Agency, but only with respect to the 2014 Series A Bonds and Bonds issued pursuant to a Supplemental Indenture supplemental to the Indenture, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Bonds that are not issued pursuant to a Supplemental Indenture supplemental to the Indenture and Parity Debt other than Bonds), and (ii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Bonds (excluding from the calculation thereof Bonds that are not issued pursuant to a Supplemental Indenture supplemental to the Indenture and Parity Debt other than Bonds); provided, that in no event shall the Successor Agency, in connection with the issuance of additional Bonds under the Indenture, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such additional Bonds, be increased only by the amount of such deposit and, in the event the amount of any such deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such additional Bonds, be increased only by the amount of such deposit, as permitted by the Code. Notwithstanding anything in the Indenture to the contrary, for so long as the 2014 Series A Bonds are the only Bonds outstanding under the Indenture, the amount of the Reserve Requirement shall not exceed \$4,919,780.25.

“Retirement Fund” means the Redevelopment Obligation Retirement Fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

“S&P” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, and its successors.

“Serial Bonds” means all Bonds other than Term Bonds.

“Special Fund” means the fund held by the Successor Agency established pursuant to the Indenture.

“State” means the State of California.

“Subordinate Debt” means any loans, advances or indebtedness issued or incurred by the Successor Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the 2014 Series A Bonds and any Parity Debt.

“Subordinate Debt Instrument” means any instrument providing for the issuance of Subordinate Debt.

“Supplemental Indenture” means any resolution, agreement or other instrument which has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Revenues” means all taxes annually allocated and paid to the Successor Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including all payments, subventions and reimbursements (if any) to the Successor Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Successor Agency with respect

to personal property within the Project Area pursuant to Section 16110 et seq. of the California Government Code); and including that portion of such taxes (if any) otherwise required by Section 33334.2 of the Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the proceeds of the 2014 Series A Bonds and any Parity Debt (including applicable reserves and financing costs) used to increase or improve the supply of low and moderate income housing within or of benefit to the Project Area, but excluding all other amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund and investment earnings on amounts on deposit hereunder, and also excluding all amounts required to be paid to taxing entities pursuant to Sections 33607.5, 33607.7 and 34183(a)(1)(A) of the Law unless such payments are subordinated to payments on the 2014 Series A Bonds or under the Parity Debt Instruments pursuant to Sections 33607.5(e) and Section 34177.5(c) of the Law.

“Term Bonds” means the 2016 Series B Bonds maturing on August 1, 2043 and the 2016 Series C Bonds maturing on August 1, 2041, and that portion of any other Bonds payable from mandatory sinking account payments.

“Trustee” means U.S. Bank National Association, as trustee, or any successor thereto appointed as trustee in accordance with the provisions of the Indenture.

“Written Request of the Successor Agency” or “Written Certificate of the Successor Agency” means a request or certificate, in writing signed by the Executive Director or the Deputy Executive Director, Finance and Administration of the Successor Agency or her or his designee, or by any other officer of the Successor Agency or the City and County duly authorized by the Successor Agency for that purpose.

“2014 Indenture” means the Indenture of Trust dated as of March 1, 2014, by and between the Successor Agency and U.S. Bank National Association, as trustee.

“2014 Reserve Subaccount” means the subaccount by that name established within the Reserve Account pursuant to the First Supplement.

“2014 Series A Bonds” means the \$56,245,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2014 Series A Tax Allocation Bonds (Mission Bay South Redevelopment Project).

“2016 Bonds” means, collectively, the 2016 Series B Bonds and the 2016 Series C Bonds.

“2016 Bond Insurance Policy” means, as applicable, the 2016 Series B Bond Insurance Policy or the 2016 Series C Bond Insurance Policy.

“2016 Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the First Supplement.

“2016 Insured Bonds” means, as applicable, the 2016 Series B Insured Bonds and the 2016 Series C Insured Bonds.

“2016 Insurer” means National Public Finance Guarantee Corporation, or any successor thereto or assignee thereof.

“2016 Reserve Subaccount” means the subaccount by that name established within the Reserve Account pursuant to First Supplement.

“2016 Series B Bonds” means the \$45,000,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series B Tax Allocation Bonds (Mission Bay South Redevelopment Project).

“2016 Series B Bond Insurance Policy” means the Financial Guaranty Insurance Policy issued by the 2016 Insurer insuring the payment of debt service, when due, on the 2016 Series B Insured Bonds.

“2016 Series B Financial Guaranty Agreement” means the Financial Guaranty Agreement relating to the 2016 Series B Reserve Insurance Policy between the Successor Agency and the 2016 Insurer.

“2016 Series B Insured Bonds” means the 2016 Series B Bonds maturing on August 1, 2043.

“2016 Series B Project Fund” means the fund by that name established pursuant to the First Supplement.

“2016 Series B Reserve Insurance Policy” means the Debt Service Reserve Fund Surety Bond relating to the 2016 Series B Bonds issued by the 2016 Insurer. The 2016 Series B Reserve Insurance Policy constitutes a Qualified Reserve Account Credit Instrument as such term is defined and used in the Indenture.

“2016 Series C Bonds” means the \$73,230,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series C Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project).

“2016 Series C Bond Insurance Policy” means the Financial Guaranty Insurance Policy issued by the 2016 Insurer insuring the payment of debt service, when due, on the 2016 Series C Insured Bonds.

“2016 Series C Financial Guaranty Agreement” means the Financial Guaranty Agreement relating to the 2016 Series C Reserve Insurance Policy between the Successor Agency and the 2016 Insurer.

“2016 Series C Insured Bonds” means the 2016 Series C Bonds maturing on August 1, 2041.

“2016 Series C Refunding Fund” means the fund by that name established pursuant to First Supplement.

“2016 Series C Reserve Insurance Policy” means the Debt Service Reserve Fund Surety Bond relating to the 2016 Series C Bonds issued by the 2016 Insurer. The 2016 Series C Reserve Insurance Policy constitutes a Qualified Reserve Account Credit Instrument as such term is defined and used in the Indenture.

Establishment of Funds and Accounts; Flow of Funds

Each of the following funds and accounts are established pursuant to the Indenture:

- (a) 2016 Costs of Issuance Fund,
- (b) 2016 Series B Project Fund,
- (c) Special Fund,
- (d) Debt Service Fund,
- (e) Interest Account,
- (f) Principal Account,
- (g) Reserve Account, with a 2016 Reserve Subaccount therein,

- (h) Redemption Account, and
- (i) 2016 Series C Refunding Fund.

2016 Costs of Issuance Fund. The moneys in the 2016 Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance with respect to the 2016 Bonds upon submission of a Written Request of the Successor Agency stating (a) the person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the 2016 Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Written Request of the Successor Agency; in each case together with a statement or invoice for each amount requested thereunder. Each such Written Request of the Successor Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the earlier of the date which is six (6) months following the Closing Date, or the date of receipt by the Trustee of a Written Request of the Successor Agency, all amounts (if any) remaining in the 2016 Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and be transferred to the 2016 Series B Project Fund.

2016 Series B Project Fund. The moneys in the 2016 Series B Project Fund shall be maintained separate and apart from other moneys of the Successor Agency. The moneys on deposit in the 2016 Series B Project Fund shall be used in the manner provided by the Law solely for the purpose of aiding in financing and refinancing the Redevelopment Project, including, without limitation, the payment of any unpaid Costs of Issuance. The Successor Agency covenants that no funds on deposit in the 2016 Series B Project Fund shall be applied for any purpose not authorized by the Law.

The Trustee shall disburse amounts at any time on deposit in the 2016 Series B Project Fund upon receipt of a disbursement request of the Successor Agency. In no event shall the Trustee be responsible for the manner in which the Successor Agency applies the moneys disbursed to it by the Trustee in accordance with any such disbursement request. Such requisition shall be executed by the Executive Director or the Deputy Executive Director, Finance and Administration, of the Successor Agency or her or his designee.

2016 Series C Refunding Fund. The moneys in the 2016 Series C Refunding Fund shall be maintained separate and apart from other moneys of the Successor Agency, and shall be applied to refund and discharge the Existing Loan Agreements and the Prior Bonds.

On the Closing Date with respect to the 2016 Series C Bonds, the Trustee shall transfer \$47,179,059.41 on deposit in the 2016 Series C Refunding Fund to the Escrow Trustee for deposit under the Redemption Agreement - 2009D Bonds and \$39,033,413.17 on deposit in the 2016 Series C Refunding Fund to the Escrow Trustee for deposit under the Redemption Agreement - 2011D Bonds. Upon making such transfers, the 2016 Series C Refunding Fund shall be closed.

Special Fund; Deposit of Tax Revenues. There is established in the Indenture a special fund known as the "Mission Bay South Redevelopment Project 2014 Series A Special Fund", which is held by the Successor Agency and which is in the Indenture referred to as the "Special Fund". The Successor Agency shall transfer all of the Tax Revenues received in any Bond Year ratably to the Special Fund and the special funds created with respect to any additional Parity Debt, promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year and, if applicable, and (ii) with respect to any Parity Debt (other than additional Bonds issued pursuant to a Supplemental Indenture) pursuant to the applicable Parity Debt Instruments. If the amount of Tax Revenues available in such Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Successor Agency shall transfer

such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

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

The 2016 Bonds shall be equally secured with the 2014 Bonds by amounts on deposit in the Special Fund. When calculating the amount required to be deposited in the Special Fund, the Successor Agency shall include debt service on the 2014 Bonds and the 2016 Bonds.

Debt Service Fund; Deposit of Amounts by Trustee. There is established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. Moneys in the Special Fund, as provided in the Indenture, shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority (provided further that, if on the fifth (5th) Business Day prior to the date the Successor Agency is required to transfer amounts on deposit in the Special Fund to the Trustee there are not amounts on deposit therein sufficient to make the following deposits, taking into accounts amounts required to be transferred with respect to Parity Debt other than Bonds, the Successor Agency shall immediately notify the Trustee of the amount of any such insufficiency):

(a) Interest Account. On or before the fourth (4th) Business Day preceding each Interest Payment Date, commencing with the Interest Payment Date of February 1, 2016, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding August 1 in each year beginning August 1, 2017, the Successor Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next August 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next August 1 on all of the Outstanding Serial Bonds and Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and the Term Bonds, including by mandatory sinking

account redemption, as the same shall become due and payable.

(c) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts, or for the retirement or defeasance of the Bonds then Outstanding (as may be permitted by the Indenture), except that so long as the Successor Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before the fifth (5th) Business Days preceding each February 1 and August 1, and the date of redemption or defeasance of any Bonds, by the Trustee and deposited in the Interest Account or, in the case of the redemption or defeasance of Bonds, also in the Principal Account or an escrow account established for the defeasance of any of the Bonds. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Successor Agency shall have caused to be transferred to the Trustee an amount sufficient to make all of the deposits required by the Indenture, then to the Successor Agency.

The Successor Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the 2014 Series A Bonds or any other Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Successor Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Successor Agency to be used for any lawful purpose that does not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Bonds. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments under the Indenture in the event and to the extent required to make any payment when and as required under this subsection (d). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Successor Agency shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

In the event that a Qualified Reserve Account Credit Instrument delivered with respect to a series of Bonds is available to be drawn upon for only one particular issue of Bonds, a separate

subaccount in the Reserve Account may be established for such issue, and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such issue of Bonds, and the Bonds secured by such Qualified Reserve Account Credit Instrument shall not have access to any other amounts on deposit in the Reserve Account except as expressly provided in the applicable Supplemental Indenture. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Successor Agency in writing to the Trustee.

If the Reserve Requirement with respect to a series of Bonds is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture. If the Reserve Requirement with respect to a series of Bonds is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture shall be pro-rata with respect to each such instrument.

Pursuant to Indenture, the Trustee shall establish, maintain and hold in trust, a separate subaccount within the Reserve Account designated as the “2016 Reserve Subaccount,” to which the 2016 Series B Reserve Insurance Policy and the 2016 Series C Reserve Insurance Policy shall be credited. Amounts, if any, drawn on the 2016 Series B Reserve Insurance Policy shall be available only to pay debt service on the 2016 Series B Bonds, and amounts, if any, drawn on the 2016 Series C Reserve Insurance Policy shall be available only to pay debt service on the 2016 Series C Bonds. The provisions governing the administration of the 2016 Series B Reserve Insurance Policy are set forth in the 2016 Series B Financial Guaranty Agreement, and the provisions governing the administration of the 2016 Series C Reserve Insurance Policy are set forth in the 2016 Series C Financial Guaranty Agreement.

Pursuant to the 2014 Indenture, the Trustee shall also establish, maintain and hold in trust, a separate subaccount within the Reserve Account designated as the “2014 Reserve Subaccount.” Amounts currently on deposit in the Reserve Account representing proceeds of the 2014 Series A Bonds and interest earnings thereon shall be deposited in the 2014 Reserve Subaccount and shall be available to pay debt service on the 2014 Series A Bonds and, to the extent specified in a Supplemental Indenture, additional Parity Debt issued as Bonds. Amounts on deposit in the 2014 Reserve Account shall not be available to pay debt service on the 2016 Bonds.

Pursuant to Indenture, in the event of a draw on amounts on deposit in the 2014 Reserve Subaccount or the 2016 Reserve Subaccount to pay debt service on the Bonds, such draw shall be replenished from Tax Revenues on a proportionate basis with the draws on other subaccounts within the Reserve Account without regard to whether a particular subaccount contained cash or a Qualified Reserve Account Credit Instrument that was drawn upon, provided that, if a particular subaccount contains both cash and a Qualified Reserve Account Credit Instrument, the Qualified Reserve Account Credit Instrument shall be replenished first before the cash in such subaccount is replenished.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on

the 2014 Series A Bonds and on other Bonds to be redeemed on such date pursuant to the Indenture or a similar provision of a Supplemental Indenture. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2014 Series A Bonds and on such other Bonds to be redeemed pursuant to the Indenture or a similar provision of a Supplemental Indenture on the date set for such redemption. Interest due on the 2014 Series A Bonds or such other Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such 2014 Series A Bonds or such other Bonds, the Trustee may, at the direction of the Successor Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of the 2014 Series A Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such 2014 Series A Bonds or such other Bonds, which is payable from the Interest Account) as shall be directed by the Successor Agency.

Investment of Funds

Moneys in the Project Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (h) of the definition thereof. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (e) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Successor Agency's expense. Moneys in the Special Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made in accordance with this provision. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

Issuance of Parity Debt

In addition to the 2014 Series A Bonds and the 2016 Bonds, the Successor Agency may issue additional bonds (including pursuant to a supplemental Indenture) or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the 2014 Series A Bonds and the 2016 Bonds to finance redevelopment activities with respect to the Redevelopment Project in such principal amount as shall be determined by the Successor Agency. The Successor Agency may issue and deliver any such Parity

Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

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

(b) The Tax Revenues received or to be received for the then current Fiscal Year based on the most recent taxable valuation of property in the Project Area as evidenced in a written document from an appropriate official of the City and County, exclusive of State subventions and taxes levied to pay voter approved outstanding general obligation bonded indebtedness, shall be at least equal to one hundred percent (100%) of Maximum Annual Debt Service, on the 2014 Series A Bonds, the 2016 Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt, and Allocable Tax Revenues for the then current Fiscal Year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the City and County shall be at least equal to one hundred and twenty five percent (125%) of Maximum Annual Debt Service on the 2014 Series A Bonds and any Parity Debt that will be outstanding immediately following the issuance of such Parity Debt;

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

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

Issuance of Subordinate Debt

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Such Subordinate Debt may be payable from any assets or property of the Successor Agency, including Tax Revenues on a subordinate basis to the payment of debt service on the Bonds.

Certain Other Covenants of the Successor Agency

Punctual Payment. The Successor Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of the Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the Indenture, all Supplemental Indentures and the Bonds. Nothing contained in the Indenture shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to in the Indenture.

Limitation on Additional Indebtedness; Against Encumbrances. The Successor Agency covenants that, so long as the Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the 2014 Series A Bonds, any Parity Debt and any Subordinate Debt. The Successor Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior or equal to the pledge and lien created for the benefit of the Bonds.

Extension of Payment. The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Successor Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements. The Successor Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Successor Agency and the City and County, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Project Fund and the Special Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of any Insurer, any other Insurer and the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Successor Agency will cause to be prepared, within one hundred and eighty (180) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Successor Agency shall promptly furnish a copy of such financial statements to the Trustee and any Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. The Trustee shall have no obligation to review any financial statements provided to it by the Successor Agency.

Protection of Security and Rights of Owners. The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date with respect to the 2014 Series A Bonds and the 2016 Bonds, the 2014 Series A Bonds and the 2016 Bonds shall be incontestable by the Successor Agency.

Payments of Taxes and Other Charges. Except as otherwise provided in the Indenture, the Successor Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Successor Agency or the properties then owned by the Successor Agency in the Redevelopment Project, or upon the revenues therefrom when the same shall become due. Nothing contained in the Indenture shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Taxation of Leased Property. All amounts derived by the Successor Agency pursuant to Section 33673 of the Law with respect to the lease of property for redevelopment shall be treated as Tax Revenues

for all purposes of the Indenture.

Disposition of Property. The Successor Agency will not participate in the disposition of taxable land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of issuance of the 2014 Series A Bonds) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as provided in the Indenture. If the Successor Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of the Bonds, or the rights of the Authority, the Bond Owners and the Trustee under the Indenture will not be materially impaired by said proposed disposition, the Successor Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Successor Agency shall disapprove said proposed disposition.

Maintenance of Tax Revenues. The Successor Agency shall comply with all requirements of the Law to ensure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the City and County and, in the case of amounts payable by the State, appropriate officials of the State. The Successor Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one or more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Successor Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Successor Agency's ability to pay debt service on the Bonds. Additionally, the Successor Agency shall not approve any amendment to the Redevelopment Plan which would, in and of itself, cause the amount of Tax Revenues available to the Successor Agency for application under the Indenture in any succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service without the written consent of the Insurers, if any.

Compliance With Law; Low and Moderate Income Housing Fund. The Successor Agency shall ensure that all activities undertaken by the Successor Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law.

Tax Covenants Relating to the Bonds. The Successor Agency will assure that the proceeds of the 2014 Series A Bonds and the 2016 Bonds are so used as to cause such Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The Successor Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 2014 Series A Bonds or the 2016 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Successor Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2014 Series A Bonds and the 2016 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2014 Series A Bonds and the 2016 Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2014 Series A Bonds and the 2016 Bonds from the gross income of the Owners of the 2014 Series A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2014 Series A Bonds and the 2016 Bonds.

Continuing Disclosure. With respect to the 2016 Bonds, the Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure

Certificate. Notwithstanding any other provision of the Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any owner or beneficial owner of the 2016 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under the Indenture.

Compliance with the Dissolution Act. The Successor Agency acknowledges that, due to the passage of Dissolution Act, it will need to take certain actions to ensure that it collects sufficient Tax Revenues to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and in order to ensure the payment of debt service on the Bonds, including the 2016 Bonds, on a timely basis. The Successor Agency covenants that it will take all such actions as required to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and to make the timely payment of debt service on the Bonds. The Successor Agency further acknowledges that the provisions of the Dissolution Act require that it establish the Retirement Fund, into which all Tax Revenues are required to be deposited. The Successor Agency has heretofore established the Retirement Fund as required by Section 34170.5(a) of the California Health and Safety Code, and covenants that it shall continue to hold and maintain the Retirement Fund so long as any of the Bonds are Outstanding. The Successor Agency hereby agrees that it will hold the Special Fund, as well as the special funds established with respect to any future Parity Debt, as an account within Retirement Fund and will continue to deposit all Tax Revenues, as and when received, into the Special Fund and such other special funds as required by the Indenture in order to ensure that all Tax Revenues are available for the payment of debt service on the Bonds and any Parity Debt on a timely basis.

The Successor Agency further covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds, including the 2016 Bonds and any additional Parity Debt on the date, at the place and in the manner provided in the Bonds and the applicable Parity Debt Instruments, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Bonds, including the 2016 Bonds and any Parity Debt, all amounts required to be deposited in the Special Fund and the special funds relating to any Parity Debt pursuant to and in accordance with the Indenture, as well as any amount required under the Indenture to replenish the Reserve Account and the reserve accounts relating to any Parity Debt, in Recognized Obligation Payment Schedules (as defined in the Dissolution Act) for each six-month period so as to enable the Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund on each January 2 and June 1 all amounts required for the Successor Agency to pay principal of, and interest on, the Bonds, including the 2016 Bonds and any Parity Debt, and all amounts required to be deposited in the Special Fund and the special funds relating to any Parity Debt (pursuant to and in accordance with the Indenture), which amounts will to be used to pay debt service on the Bonds, including the 2016 Bonds and any Parity Debt. Specifically, the Successor Agency covenants that it will place on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board and State Department of Finance, all amounts required by the Indenture to be deposited and held by the Successor Agency in the Special Fund and the special funds relating to any Parity Debt, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act.

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

The Trustee

Duties, Immunities and Liabilities of Trustee.

- (a) The Trustee shall, prior to the occurrence of an Event of Default (as defined below under

the heading “Events Of Default”), and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Successor Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Successor Agency has knowledge that the Trustee shall cease to be eligible in accordance with (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Successor Agency to the Trustee, with a copy to the Insurer and any Insurer, whereupon the Successor Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Successor Agency and by giving the Owners, and any Insurer notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor Agency shall promptly appoint a successor Trustee by an instrument in writing, with notice of such appointment to be furnished to any.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Successor Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee; but, nevertheless at the Written Request of the Successor Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Successor Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Successor Agency shall cause either the predecessor Trustee or the successor Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books.

(e) If an Event of Default occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to any Insurer and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Successor Agency to make any payment when due, the Trustee shall, within thirty (30) days of the Trustee's knowledge thereof, give such notice to any Insurer, and the Trustee, with the consent of any Insurer, may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Successor Agency agrees that, so long as any Bonds or any Parity Debt are Outstanding, the Trustee shall be a financial institution having a trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (f), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

No Trustee Liability or Duty. The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Successor Agency or with respect to the observance or performance by the Successor Agency of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Successor Agency pursuant to the Indenture or otherwise.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it under the Indenture.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the Indenture at the request of the Owners or any Insurer, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners or any Insurer for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with

those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Amendment of Indenture

The Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, to the extent permitted by law, but only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the Successor Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Successor Agency; or
- (b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or
- (c) to provide for the issuance of Parity Debt in accordance with the Indenture; or
- (d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or
- (e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of any Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of any Insurer or the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event shall any Supplemental Indenture modify any of the rights or obligations of any Insurer without its prior written consent.

Events of Default and Remedies

Events of Default. The following events constitute Events of Default under the Indenture:

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee, or any Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and any Insurer) of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency (with the prior written consent of the 2016 Insurer and any other Insurer) within such thirty (30) day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time as approved by any Insurer; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition by the Successor Agency seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Successor Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

In determining whether an Event of Default has occurred under (a) above, no effect shall be given to payments made under any municipal bond insurance policy, financial guaranty insurance policy or Qualified Reserve Account Credit Instrument.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to any Insurer and to the Successor Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the

date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Successor Agency shall, with the written consent of a majority in aggregate principal amount of the Owners of the Bonds, deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to any Insurer and the Owners of all Bonds then Outstanding, and with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture (including the Trustee's share of any Tax Revenues) and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as described above, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee

shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Successor Agency, the Trustee, and any Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding Bonds.

Determination of Percentage of Bond Owners. Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds, determined as of the next succeeding Interest Payment Date.

Defeasance of Bonds

The Successor Agency may pay and discharge the indebtedness on any Bonds in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, as applicable, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption

premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Successor Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Successor Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Successor Agency under the Indenture with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligations of the Successor Agency under the Indenture and (d) the obligation of the Successor Agency to pay or cause to be paid to the Owners (or any Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee, and any Insurer all fees, expenses and costs of the Trustee, and any Insurer. In the event the Successor Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Successor Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee shall be paid over to the Successor Agency.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due of the Bonds is paid by any Insurer pursuant to its municipal bond or financial guaranty insurance policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Successor Agency, and the assignment and pledge of the Tax Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Successor Agency to the Bond Owners so paid shall continue to exist and shall run to the benefit of such Insurer, and such Insurer shall be subrogated to the rights of such Bond Owners, as applicable.

Claims Upon the 2016 Bond Insurance Policy; Rights of the 2016 Insurer

Notwithstanding anything to the contrary set forth in the Indenture, and so long as the 2016 Bond Insurance Policy is in full force and effect and the 2016 Insurer is not in payment default thereunder, the following provisions shall govern.

(a) In the event that on the second business day prior to the payment date on the 2016 Insured Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the 2016 Insured Bonds due on the second following business day, the Trustee shall immediately notify the 2016 Insurer or its designee on the same business day by telephone and email, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(b) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the 2016 Insurer or its designee.

(c) In addition, if the Trustee has notice that any holder of the 2016 Insured Bonds (the "Bondholder") has been required to disgorge payments of principal or interest on the 2016 Insured Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the 2016 Insurer or its designee of such

fact by telephone, confirmed in writing by registered or certified mail.

(d) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Bondholders as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest on the 2016 Insured Bonds, the Trustee shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the 2016 Bond Insurance Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the 2016 Insurer as agent for such Bondholders in any legal proceeding related to the payment of such interest and an assignment to the 2016 Insurer of the claims for interest to which such deficiency relates and which are paid by the 2016 Insurer, (b) receive as designee of the respective Bondholders (and not as Trustee) in accordance with the tenor of the 2016 Bond Insurance Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (c) disburse the same to such respective Bondholders; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the 2016 Insured Bonds, the Trustee shall (a) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the 2016 Insurer as agent for such Bondholders in any legal proceeding relating to the payment of such principal and an assignment to the 2016 Insurer of any of the 2016 Insured Bond surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (b) receive as designee of the respective Bondholders (and not as Trustee) in accordance with the tenor of the 2016 Bond Insurance Policy payment therefor from the Insurance Trustee, and (c) disburse the same to such Bondholders.

(e) Payments with respect to claims for interest on and principal of 2016 Insured Bonds disbursed by the Trustee from proceeds of the 2016 Bond Insurance Policy shall not be considered to discharge the 2016 Insured Bond of the Successor Agency with respect to such 2016 Insured Bonds, and the 2016 Insurer shall become the owner of such unpaid 2016 Insured Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise. The 2016 Series B Bond Insurance Policy may be drawn upon only to pay debt service on the 2016 Series B Insured Bonds, and the 2016 Series C Bond Insurance Policy may be drawn upon only to pay debt service on the 2016 Series C Insured Bonds.

(f) Irrespective of whether any such assignment is executed and delivered, the Successor Agency and the Trustee hereby agree for the benefit of the 2016 Insurer that:

(i) They recognize that to the extent the 2016 Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the 2016 Insured Bonds, the 2016 Insurer will be subrogated to the rights of such Bondholders to take all actions and enforce all rights of such Bondholders and to receive the amount of such principal and interest from the Successor Agency, with interest thereon as provided and solely from the sources stated in the Indenture and the 2016 Insured Bonds; and

(ii) They will accordingly pay to the 2016 Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the 2016 Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Indenture and the 2016 Insured Bond, but only from the sources and in the manner provided herein for the payment of principal of and interest on the 2016 Insured Bonds to Bondholders, and will otherwise treat the 2016 Insurer as the owner of such rights to the amount of such principal and interest.

(g) With respect to any amendment for which Bondholder consent is a prerequisite, the 2016 Insurer's consent is also required and must be obtained.

(h) The 2016 Insurer shall receive copies of all notices required to be delivered to Bondholders and any notices of Material Events, as defined by SEC Rule 15c2-12, as amended. All notices required to be given to the 2016 Insurer shall be in writing and shall be sent by registered or certified mail addressed to National Public Finance Guarantee Corporation, 1 Manhattanville Road, Suite 301, Purchase, New York 10577 Attention: Portfolio Surveillance Policy No. NP1401831/NP1401841, or electronically to NationalPortfolioSurveillance@Nationalpfg.com- referencing Policy No. NP1401831/NP1401841.

(i) With respect to any advance refunding of the 2016 Insured Bonds, the Successor Agency agrees to provide the 2016 Insurer (i) 15 days prior notice of any such advance refunding; (ii) verification by an independent firm acceptable to the 2016 Insurer of the sufficiency of the escrow to timely retire the refunded bonds; and, to the extent that such advance refunding is intended to discharge or defease the Successor Agency's 2016 Insured Bonds under the Indenture, (iii) an opinion of counsel stating that the 2016 Insured Bonds have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease the 2016 Insured Bonds within the meaning of the Indenture.

(j) Permissible Investments for funds held under the Indenture are limited to the following:

(i) Direct 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) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(ii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(1) U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership

(2) Federal Financing Bank

(3) Federal Housing Administration Debentures (FHA)

(4) General Services Administration

i. Participation certificates

(5) General Services Administration

i. GNMA - guaranteed mortgage-backed bonds

ii. GNMA - guaranteed pass-through obligations

iii. not acceptable for certain cash-flow sensitive issues

(6) Bonds or notes issued by any state or municipality whose underlying ratings from Moody's and S&P are in the highest rating categories assigned by such agencies.

i. Project Notes

ii. Local Authority Bonds

iii. New Communities Debentures - U.S. government guaranteed debentures

iv. U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed

by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(1) Federal Home Loan Bank System

Senior debt obligations

(2) Resolution Funding Corp. (REFCORP) obligations

(3) Farm Credit System

Consolidated system wide bonds and notes

(iv) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(v) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(vi) Bonds or notes issued by any state or municipality whose underlying ratings from Moody's and S&P are in the highest rating categories assigned by such agencies.

(vii) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed 2016 Insured Bond rating of Prime - 1 or A3 or better by Moody's and A-1 or A or better by S&P.

(viii) Repurchase Agreements for 30 days or less, subject to the following criteria:

(1) Repos must be between the municipal entity and a dealer bank or securities firm

(A) Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's Corporation and Moody's Investor Services, or

(B) Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

(ix) Investments in a money market fund rated Aa-mf or better by Moody's, which may include funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(k) Permissible Investments for Escrowed Funds must be limited to the following:

(i) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - "SLGS").

(ii) Direct obligations of the Treasury that have been stripped by the Treasury itself.

(iii) Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(iv) Pre-refunded municipal bonds rated Aaa by both Moody's and AAA by S&P

(v) Obligations issued by the following agencies and which are backed by the full faith and credit of the United States:

(1) U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership

(2) Federal Financing Bank

(3) General Services Administration: Participation certificates

(4) U.S. Department of Housing and Urban Development (HUD): Project Notes; Local Authority Bonds; New Communities Debentures – U.S. government guaranteed debentures; and U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

(l) The Successor Agency agrees that the 2016 Insurer is explicitly recognized as being a third party beneficiary under the financing documents with the power to enforce any right, remedy, or claim conferred, given or granted under such financing documents.

(m) The Successor Agency agrees to reimburse the 2016 Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the 2016 Insurer in connection with the enforcement by the 2016 Insurer of the 2016 Insured Bonds, or the preservation or defense of any rights of the 2016 Insurer, under the Indenture and any other document executed in connection with the issuance of the 2016 Insured Bonds

Claims Upon the 2016 Reserve Insurance Policy: Additional Rights of the 2016 Insurer with respect to the 2016 Reserve Insurance Policy

Notwithstanding anything to the contrary set forth in the Indenture, and so long as the 2016 Reserve Insurance Policy is in full force and effect and the 2016 Insurer is not in payment default thereunder, the following provisions shall govern.

(a) The Trustee shall make a Demand for Payment (as such term is defined in the 2016 Reserve Insurance Policy) at least three days prior to the date on which funds are required. Amounts drawn on the 2016 Series B Reserve Insurance Policy may be used only to pay debt service on the 2016 Series B Bonds, and amounts drawn on the 2016 Series C Reserve Insurance Policy may be used only to pay debt service on the 2016 Series C Bonds.

(b) The Successor Agency may not redeem any of the 2016 Bonds for so long as any amounts are due to the 2016 Insurer pursuant to the 2016 Financial Guaranty Agreement.

(c) The Indenture may not be discharged until all amounts owed to the 2016 Insurer under the 2016 Financial Guaranty Agreement have been paid.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Successor Agency of the Redevelopment Agency of the City and County of San Francisco (the “Successor Agency”) in connection with its issuance of \$45,000,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series B Tax Allocation Bonds (Mission Bay South Redevelopment Project) and \$73,230,000 aggregate principal amount of Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series C Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project) (together, the “2016 Bonds”). The 2016 Bonds are being issued in accordance with Section 34177.5(a)(1) of the California Health and Safety Code (the “Redevelopment Law”), Article 11, Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Law”), the resolution of the Successor Agency adopted August 18, 2015 (the “Resolution”), and the Indenture of Trust, dated as of March 1, 2014, as amended and supplemented by a First Supplemental Indenture of Trust, dated as of April 1, 2016 (the “Indenture”), each by and between the Successor Agency and U.S. Bank National Association, as trustee (the “Trustee”). The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the 2016 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture described in the Official Statement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Annual Report Date” means the date that is six months after the end of the Successor Agency’s fiscal year (currently December 31 based on the City’s fiscal year end of June 30).

“Dissemination Agent” means the Successor Agency, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency and the Trustee a written acceptance of such designation.

“EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the internet at <http://www.emma.msrb.org/>.

“Listed Events” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final Official Statement, dated March 31, 2016, relating to the 2016 Bonds.

“Participating Underwriters” means any of the original underwriters of the 2016 Bonds required to comply with the Rule in connection with offering of the 2016 Bonds.

“Project Area” means the Mission Bay South Redevelopment Project Area.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing with the report for the 2015-16 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee and the Participating Underwriters. Not later than fifteen (15) business days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent, if other than the Successor Agency. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the financial information regarding the Project Area may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Successor Agency’s or the Project Area’s Fiscal Year changes, the Successor Agency, upon becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(c) below. The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Successor Agency and shall have no duty or obligation to review such Annual Report.

(b) If, by fifteen (15) Business Days prior to the Annual Report Date, the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall notify the Successor Agency of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent in a timely manner shall provide to the MSRB (with a copy to the Trustee and the Participating Underwriters) a notice, in substantially the form attached as Exhibit A.

(d) Unless the Successor Agency has done so pursuant to Section 3(a) above, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a certificate with the Successor Agency to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

Section 4. Content of Annual Reports. The Successor Agency’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Successor Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Successor Agency, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

1. Description of any parity debt (date, amount, term, rating, insurance) issued by the Successor Agency in the fiscal year to which the Annual Report pertains and the amount of all Successor Agency debt outstanding payable with tax increment revenue from the Project Area as of the end of the fiscal year to which the Annual Report pertains;

2. The top ten taxpayers by valuation in the Project Area for the fiscal year to which the Annual Report pertains in a form substantially similar to that in the Official Statement;

3. Assessed valuations and tax increment revenue for the fiscal year to which the Annual Report pertains, by means of an update to the "Property Taxable Values, Tax Revenues and Delinquency Rates" table as shown in Table 1 of the Official Statement with an indication of the amount of unsecured valuation and secured valuation;

4. Estimated debt service coverage for obligations of the Successor Agency in the Project Area for the fiscal year to which the Annual Report pertains by means of an update to the "Estimated Annual Debt Service Coverage" table shown in Table 4 of the Official Statement;

5. Assessment appeals for the fiscal year to which the Annual Report pertains by means of an update to the "Assessment Appeals" table shown in Table 5 of the Official Statement; and

6. The two most recently submitted Recognized Obligation Payment Schedules approved by the State Department of Finance and prepared in accordance with the then applicable law.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's internet website, currently EMMA, or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

The Trustee shall have no responsibility for the content of the Annual Report, or any part thereof.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to a Series of Bonds in a timely manner not more than ten (10) days after the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar proceedings; and
10. The issuance of any private placement bonds or the entering into any bank loan of the type, in each case, that would constitute Parity Debt as defined in the Indenture, including the related debt service schedule, to the extent this is not already disclosed on EMMA.

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

(b) Pursuant to the provisions of this Section 5, the Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2016 Bonds, if material:

1. Unless described in Section 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2016 Bonds or other material events affecting the tax status of the 2016 Bonds.
2. Modifications to the rights of Bondholders;
3. Optional, unscheduled or contingent Bond calls;
4. Release, substitution or sale of property securing repayment of the 2016 Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving the Successor Agency or the sale of all or substantially all of the assets of the Successor Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. Appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the Successor Agency determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Successor Agency, the Successor Agency shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with EMMA in a timely manner not more than ten (10) business days after the event.

(d) If the Successor Agency determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other

than the Successor Agency, the Successor Agency shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Successor Agency hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Successor Agency and, if the Dissemination Agent is other than the Successor Agency, the Dissemination Agent shall not be responsible for determining whether the Successor Agency's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The obligations of the Successor Agency, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2016 Bonds. If such termination occurs prior to the final maturity of the 2016 Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. From time to time, the Successor Agency may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If at any time there is not designated Dissemination Agent, the Successor Agency shall be the Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days prior written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4 or 5(a), it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2016 Bonds, or type of business conducted;

(b) The undertakings herein, as proposed to be amended or waived, in the opinion of nationally recognized bond counsel, would have complied with the requirements of the Rule at the time of the primary offering of the 2016 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by holders of the 2016 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or beneficial owners of the 2016 Bonds.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is

specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), after receiving indemnification satisfactory to the Trustee, or any holder or beneficial owner of the 2016 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall be entitled to the protections and limitations from liability afforded to the Trustee in Article 6 of the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and hold harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which the Dissemination Agent may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2016 Bonds. The Trustee shall not be required to consent to any amendment which would impose any greater duties or risk of liability on the Trustee. No person shall have any right to commence any action against the Trustee seeking any remedy other than to compel specific performance of this Agreement. The Trustee shall not be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Certificate.

Section 13. Notices. Any notice or communications to be given under this Disclosure Certificate may be given as follows:

To the Successor Agency:	Successor Agency to the Redevelopment Agency of the City and County of San Francisco 1 South Van Ness Avenue, 5th Floor San Francisco, CA 94103 Fax: (415) 749-2527 Attention: Deputy Director of Finance and Administration
To the Participating Underwriters:	Stifel, Nicolaus & Company, Inc. 515 S. Figueroa St., Suite 1800 Los Angeles, CA 90071 Fax: (213) 443-5023 Attention: John Kim
To the Trustee:	U.S. Bank National Trust Association One California Street, Suite 1000 Mail Code: SF-CA-SFCT

San Francisco, CA 94111
Fax: (415) 677-3769
Attention: Global Corporate Trust and Escrow Services

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the 2016 Bonds, and shall create no rights in any other person or entity.

Date: April 21, 2016

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

By: _____
Deputy Director of Finance
and Administration

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Successor Agency to the Redevelopment Agency of the City and County of San Francisco

Name of Issue: Successor Agency to the Redevelopment Agency of the City and County of San Francisco
2016 Series B Tax Allocation Bonds
(Mission Bay South Redevelopment Project) and
2016 Series C Tax Allocation Refunding Bonds
(Mission Bay South Redevelopment Project)

Date of Issuance: April 21, 2016

NOTICE IS HEREBY GIVEN that the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the "Successor Agency") has not provided an Annual Report with respect to the above-named Bonds as required by Section 13.01 of the Indenture. The Successor Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

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

By: _____
Title: _____

cc: Trustee and Participating Underwriters

APPENDIX E
FORM OF BOND COUNSEL FINAL OPINION

April __, 2016

Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
One South Van Ness Avenue, Fifth Floor
San Francisco, California 94103

OPINION: \$45,000,000 Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series B Tax Allocation Bonds (Mission Bay South Redevelopment Project)

and

\$73,230,000 Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series C Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project)

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (the “Agency”) of (i) its \$45,000,000 principal amount Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series B Tax Allocation Bonds (Mission Bay South Redevelopment Project) (the “2016 Series B Bonds”) and (ii) its \$73,230,000 principal amount Successor Agency to the Redevelopment Agency of the City and County of San Francisco 2016 Series Tax Allocation Refunding Bonds (Mission Bay South Redevelopment Project) (the “2016 Series C Bonds” and, together with the 2016 Series B Bonds, the “2016 Bonds”).

The 2016 Series B Bonds are being issued pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California and Section 34177.5 of the California Health and Safety Code (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (collectively, the “Redevelopment Law”), resolutions of the Agency adopted on October 20, 2015, and March 1, 2016, a resolution of the Oversight Board for the Agency adopted on December 14, 2015, and an Indenture of Trust dated as of March 1, 2014, as supplemented and amended by a First Supplemental Indenture of Trust dated as of April 1, 2016 (collectively, the “Indenture”), between the Agency and U.S. Bank National Association, as trustee.

The 2016 Series C Bonds are being issued pursuant to the Redevelopment Law and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law"), resolutions of the Agency adopted on October 20, 2015, and March 1, 2016, a resolution of the Oversight Board for the Agency adopted on December 14, 2015, and the Indenture.

We have examined the Redevelopment Law, the Refunding Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency and the Former Agency contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is validly existing as a public entity, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein, and issue the 2016 Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes the valid and binding obligation of the Agency enforceable upon the Agency.

3. The Indenture creates a valid lien on the funds pledged by the Indenture for the security of the 2016 Bonds, subject to no prior lien granted under the law, except as provided therein.

4. The 2016 Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency payable, on a parity with the 2014 Series A Bonds and any Parity Debt (as such term is defined in the Indenture), solely from the sources provided therefor in the Indenture.

5. The interest on the 2016 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Agency comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2016 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2016 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2016 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2016 Bonds.

6. The interest on the 2016 Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the 2016 Bonds and the enforceability of the 2016 Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. Accordingly, the DTC Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix F with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2016 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2016 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2016 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2016 Bonds. The Bonds of each Series will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the 2016 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2016 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 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the

responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2016 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

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APPENDIX G

**CALIFORNIA DEPARTMENT OF FINANCE
DETERMINATION LETTER APPROVING THE 2016 BONDS**

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**DEPARTMENT OF
FINANCE**

EDMUND G. BROWN JR. ■ GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

February 19, 2016

Ms. Sally Oerth, Deputy Director
City and County of San Francisco
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Dear Ms. Oerth:

Subject: Approval of Oversight Board Actions

The City and County of San Francisco Successor Agency (Agency) notified the California Department of Finance (Finance) of its December 14, 2015 Oversight Board (OB) Resolutions on December 14, 2015. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB actions.

Based on our review and application of the law, Finance made the following determinations:

OB Resolution No. 17-2015

OB Resolution No. 17-2015, approving the issuance of 2016 Series A Tax Allocation Refunding Bonds (2016 Series A) to refund the 2005, 2006, 2009, and 2011 Loan Agreements used to secure the 2005 Series D, 2006 Series B, 2009 Series C, and 2011 Series C bonds issued by City and County of San Francisco Redevelopment Financing Authority (Authority), is approved.

The Agency anticipates achieving approximately \$21,390,678 in savings through the issuance of the 2016 Series A refunding bonds.

OB Resolution No. 18-2015

OB Resolution No. 18-2015, approving the issuance of 2016 Series B Tax Allocation Bonds (2016 Series B) and the issuance of 2016 Series C Tax Allocation Refunding Bonds (2016 Series C) to refund the 2009 and 2011 Loan Agreements used to secure the 2009 Series D and 2011 Series D Authority bonds, is approved.

The Agency anticipates achieving approximately \$6,833,422 in savings through the issuance of the 2016 Series C refunding bonds.

OB Resolution No. 19-2015

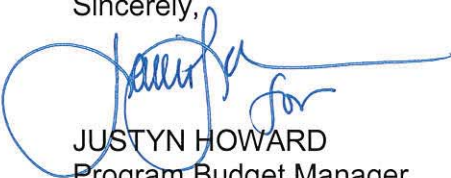
OB Resolution No. 19-2015, approving the issuance of 2016 Series D Tax Allocation Bonds (2016 Series D), is approved.

Finance's approval of the 2016 Series A and C refunding bonds is based on the understanding that no refunding bonds will be issued unless such bonds meet the limitations outlined in HSC section 34177.5 (a).

Following the issuance of the 2016 Series A through D Bonds, the Agency's debt service payment obligations for the bonds should be placed on future Recognized Obligation Payment Schedules for Finance's review and approval.

Please direct inquiries to Wendy Griffe, Supervisor, or Jonathan Cox, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Tiffany Bohee, Executive Director, City and County of San Francisco
Mr. James Whitaker, Property Tax Manager, San Francisco County

APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY
National Public Finance Guarantee Corporation
Purchase, New York 10577

Policy No. [POLICY #]

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT], [PAYING AGENT CITY & STATE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR AMOUNT]
[FIRST LINE OF LEGAL TITLE]
[SECOND LINE OF LEGAL TITLE]
[THIRD LINE OF LEGAL TITLE]
[FOURTH LINE OF LEGAL TITLE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

**National Public Finance
Guarantee Corporation**

President

Attest: _____
Secretary